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Knowledge = Theory + Experience

MODULE FOR TRAINING PROGRAMME/COURSE ON RISK-SCOPING or RISK-MAPPING PROGRAMME IN ORGANISATIONS.

2-day event

Objective of this Risk Self Assessment programme for an organisation:

- To get the participants to understand what enterprise-wide risk management theories and fundamentals are all about and those risk domains/groupings that are in today's institutions or organisations.

- To enable participants to see the value-added that risk mgt function can provide to an organisation's management and to be aware of what can go wrong (financial losses and non-financial losses) if risk management is ineffective or lacking in the business as well as in the back-office/support functions in an organisation.

- Walking through and applying an easy-to-use risk-self assessment methodology for departments/divisions and organisation itself to draw up their risk heat maps and KRIs (key risk indicators) as well as to implement an organisation's Risk Log or Risk Register for management to use as a tool to manage, monitor and follow up on its key or high risks items.

- Management tool:
  Three risk management templates to be developed for each department as an objective/product of this RSA exercise are:-

  1. Risk Register/Risk Log book.
  2. ERM risk heat map (corporate HO level, and subsidiary/regional/ branch/divisional/departmental level)
  3. Risk profile----gross (without control).
  4. Risk profile----net (with control).

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PART A: CONCEPT & THEORY

Module 1: What is risk?

- Inherent risks and residual risks.
- Micro and macro risk perspectives. 'Forest and Trees' analogy of risk management.
- Characteristics of risks.
- Ways to treat risks. Use 'A STRAP' approach.

Module 2: Understanding controls, threshold/tolerance limits for risk.

- Caps, management action triggers, built-in controls to manage processes/transactions.
- Types of controls and how management use them to address/manage an organisation's various risk types.
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Module 3: Understanding mitigants for risk.

- Difference between control and mitigant.
- Purposes of control
- Purposes of mitigant

Module 4: The 6 domains of risk in an organisation.

- Strategic risk,
- Credit risk, and types of credit risk.
- Market/Treasury risk, and types of market/treasury risk. Operational risk, and types of operational risk.
- Systems (IT/IS) risk, and types of Systems/IT/IS risk.
- Other risks.

Module 5: Understanding enterprise wide risk management

The 7 cornerstones or building blocks of risk management

i. Risk **philosophy/policy.**
ii. Risk **framework** (process, procedures, methodology, assessment, evaluation, control).
iii. Risk **roles and responsibilities** of all and sundry…from director down to bottom base of management, and reporting hierarchy.
iv. Risk **reporting systems**, monitoring
v. Risk **awareness** programmes, training, culture.
vi. Human **resources, people,** training.
vii. Risk **re-assessment, reviews,** and continuous improvement/change

management, adopt best-practices.

Module 6: Your risk mgt framework:

i. Risk **identification.**
ii. Risk assessment, **evaluation.**
iii. Risk **measurement,** quantification.
iv. Risk **control,** mitigation, containment, treatment.
v. Risk documentation, **reporting,** management escalation, monitoring, follow-up.

PART B: APPLICATION & EXERCISE

Module 7: Concept of Risk Self Assessment or risk scoping

Refer to the sample of templates by an organisation in *Powerpoint* (separate file attached with the training kit).

Risk assessment process using **'ERIC'** model or approach.

E: Look at the risk **event** occurring.
RI: **Risk impact** on the organisation.
C: Existing level or state of **control.**

Guide formula for Net Rating (as stated in the last column of Self Assessment Risk register):
EL (expected loss) = **% Proxy**
Proxy can be GROSS INCOME.

Your management-agreed Value of Hit or Severity (or the degree of Exposure) and the damage or loss in the Proxy your overall organisation will suffer from.

Choose your organisation's PROXY:

1. ***Gross Income.***
2. ***Total asset.***

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3. ***Total liabilities.***
4. ***Total Balance Sheet size.***
5. ***Total Capital.***
6. ***By VALUE of financial loss or lost-opportunity (e.g: range from lowRM50Kto RM100K, mediumRM101K to RM250K, and high RM251K and above).***
7. ***Any other base or agreed-to Value.***

Use the Guide Value table for Event occurring, Risk impact, and Control.

Your management-based or agreed Values of your Event occurring:

% E (Event occurring).

Your management-based or agreed Values of your Risk Impact:

% RI (Risk Impact).

Your existing or current state of control, and the Value placed on this current CONTROL situation.

(1-C) % (Control).

Module 8: Understanding your company's business lines, core operations and activities; and recognising the common loss events for purpose of risk-self assessment in an organisation.

(a) Your company's business lines or organisational group and structure/subsidiary/region/branch/division/department:
To follow your organisation's organisational group and structure and reporting hierarchy.

(i) Business operations:

- **Production Dept.**
- **Fabrication Dept.**
- **Operations Dept.**
- **R & D Dept.**

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- **Services Dept.**
- **Sales/Marketing Dept.**
- **Stores, warehouses, depot, yard.**

(ii)Back Office or Support Depts:

- **Business/Operations Support Services.**
- **After sale/service Dept.**
- **Finance & Accounts Dept.**
- **Corporate Planning, Strategic Mgt & Corporate Affairs**
- **Engineering / Maintenance Dept.**
- **Logistics/ Transport Dept.**
- **Credit Control & Mgt Dept.**
- **Payment Services Dept.**
- **Human Resource Mgt Dept.**
- **Admin Dept.**
- **After-sale/ Customer Service Dept.**
- **Facility Dept.**
- **Business Continuity Management & Special Project.**
- **Information Technology Dept.**
- **Legal & Corporate Services Dept.**
- **Compliance Dept.**
- **Risk Mgt Dept.**
- **Audit Dept.**
- **Others.**

(b) Using generic loss events for your risk-scoping:

(i) Internal fraud.
(ii) External fraud.
(iii) Employment practices and workplace safety.
(iv) Clients, products & business practices.
(v) Damage to physical assets.
(vi) Business disruption and system failures.
(vii) Execution, delivery and process management.

PART C: APPLICATION & EXERCISE.

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DOING THE RSA AND DOCUMENTING THE KRIs

Module 9: Applying the above approach to Risk Self Assessment (RSA) in an organisation.

When talking about how risk management function can add value or support the corporate operations and shareholders' value in an organisation, the main focus is to ensure that the 3 drivers of business of

- **product/services,**
- **network/distribution channels, and**
- **customers/users**

are effectively managed to ensure efficiency and quality standards are not compromised.

The RSA will use the **7 loss events listed above** as common parameters for each of the departments/units that will need to conduct their RSA.

Applying 'SMART' principle when determining your KRIs

To be meaningful to an organisation, all risk types that each department/unit document or list down can be monitored using heir key risk indicators (KRIs). These KRIs are especially useful to monitor and follow-up on an organisation's high and medium risk categories. SMART elements of KRIs mean, there must be these features for each risk-indicator:

Specific. Measurable. Action-orientated. Realistic. Time-bound (timed).

To use the 'EVENT OCCURING, IMPACTS, AND CONTROLS' methodology and apply the risk management framework (identify, assess, treat/control, report/monitor) in the 7 loss events above for your various Business/Operations departments and for all your Back-Office/Support departments.

Module 10: Mapping of an organisation's risk heat map or dashboard and KRIs (key risk indicators).

The end/output of the exercise is that each department will be able to have its own KRIs and heat-map or risk dashboard that it can use as a management tool.

The following are the specific Log Risk or Risk Register that each department/unit will produce for management/board's report.

1. **Risk Register/Risk Log book.**

2. **Risk heat map (risk profile)----gross (without control).**
3. **Risk heat map (risk profile)----net (with control).**

An organisation as a whole will be able to develop or come up with its corporate or organisational-wide Risk Log or Risk Register from the above exercises. Management/board can use these as its tool to ensure that an organisation's key or main (high) risks are adequately treated/addressed to avoid surprises in financial losses as well as in non-financial losses (reputation/image).

Monthly reporting of your KRIs:
Each subsidiary, branch, region, division/department or function is to submit its key risk indicators (KRIs) monthly report for management awareness and monitoring.

Quarterly Risk Log reporting:
An organisation needs to come up with a practical and meaningful reporting frequency of its risk management reporting.
It is common understanding that risk monitoring is a daily function of all the line managers. But for the purpose of coordinating and reporting to the management and board, the proposal is to have a quarterly Risk Log reporting.

Document, report and risk management templates to be produced after this course/ RSA exercise:
There will be 4 documents to be generated for the management and board:

1. **Summary report: Risks in your organisation.**
2. **Risk Register.**
3. **Risk profile----gross (without control).**
4. **Risk profile----net (with control).**
5. **Your organisation's top 10 risks.**

<u>Workshop materials & delivery:</u>

- Hand-out notes/files for all participants.
- Two management books written by the workshop facilitator (Dr J E Ruin) to be given to all participants. Book titles: ***'Enterprise-wide risk management made easy, 3rd edition',*** and ***'Effective team management in organisation'.***
- Using flip chart discussions, notes, group exercises, risk matrices and templates.

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A specialised and knowledgeable personnel in risk management

Dr J E Ruin. He is the Principal and Proprietor of RiskFirst Consultancy & Training Services. Prior to that, he was the Chief Risk Officer of a leading Malaysian bank. As Head of that bank's Risk Management Division, he supervised and managed the 4 risk management departments namely: Credit Risk Mgt Dept, Operational Risk Mgt Dept, Market/Treasury Risk Mgt Dept, and Systems (it/is) Risk Mgt Dept.
Before he joined this commercial bank in May 2004 he was the General Manager and Head of Operational Risk Mgt Dept as well as the Anti-Money Laundering/Counter-Financing of Terrorism Compliance Officer of another bank.

He has 30 years of executive and managerial experience in 12 organisations (6 banks and 6 non-banking institutions). He retired from full-time employment in April 2007 upon reaching the working retirement age of 55 years.

Dr J. E. Ruin had also held the post of Head of Internal Audit Division/ Secretary of board's Audit Committee in the corporations he joined prior to his career in banking.

Since 1996, Dr Ruin has been invited by event or conference organisers to speak and deliver his various corporate governance/audit and risk management papers at public conferences in Malaysia, as well as outside Malaysia like in Mumbai & Hyderabad India, Sydney & Melbourne Australia, Beijing and Shanghai China, Nairobi Kenya, Nairobi Kenya, Bali and Jakarta Indonesia, Seoul Korea, Bangkok and Khon Kaen Thailand, Mauritius, Hanoi & Ho Chee Min City Vietnam, Brunei, Hanoi & Ho Chee Min city Vietnam, Phnom Penh Cambodia, Manila Philippines, Kursk Russia, and in Kuala Lumpur Malaysia and Singapore.

He has written 19 management books that are on sale at local Malaysian bookshops; focusing mainly on audit, banking/finance, corporate governance, controls, people and customer services, and risk management.

He was elected the Regional Director (RD) of PRMIA, KL Malaysia Chapter in November 2007, and was RD from 2007 to March 2010.
In 2010 he was appointed as an independent director of a large commercial bank in Cambodia.

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For details of these past local and overseas seminars/conferences, please refer to the website at **www.riskfirstconsult**