










## Speaker Background



**MBA (Strategic Mgt), Bsc (Applied Acc.), CPA, FCCA, Dip (Risk Mgt)**

**BOARD REPRESENTATIONS**




- KUCCPS**   

**13years – Banking, DPFB (Meriedien Biao, Pan African Bank, EuroBank, Trust Bank, Delphis Bank, Bank Supervision, Internal Audit, Finance and National Debt Registry)**

**2 years – Credit Risk & Enterprise-wide Risk Management**

**8 years – Enterprise-wide Risk Management, specialization on Non-financial Risks**

**Todate – HELB – Board Leadership**



# Who we are



*Risk Management/Corporate  
Advisory/Supply Chain  
Risk/Feasibility Studies/  
Financial Modelling*



[www.novel.co.ke](http://www.novel.co.ke)

Information and Communications Technology Solution Providers

Transforming process  
through automation



**Infocell Corporate Profile**





- Infocell Consulting is an African Risk Management Consultancy firm, a Consulting house based out of Nairobi offering in East, Central and Sub-Saharan Africa.
- Our main focus in terms of client relationship is to ensure that there is adequate knowledge transfer and build enterprises to DIY capacity through extended handholding in formalization of institutional risk management process.
- We specialize in leading risk management practices, within an overall enterprise risk management framework. We have, both as individuals and collectively, a depth of established relationships with leading players and regulators in the field of risk management.
- We pride ourselves as leading financial advisory services firm in Eastern Africa and have championed the adoption of risk management practices in the financial markets, healthcare, manufacturing, educational, agriculture and general business arena.
- Infocell also deals in Corporate Advisory Work and Enterprise Development projects.
- It has dealt in the following sectors - Banking, Insurance, Healthcare, Manufacturing, Construction, Telecommunication, Transport and international organizations like IFC.
- Our mission is to raise latent risk management, entrepreneurial and managerial competency of Kenyan and regional businesses, communities and organizations to become increasingly competitive and to seamlessly integrate into regional and international arena.

**Our vision –**



*"To be a leading and professional firm in business and management training and consulting in Africa and Developing world".*




# Select Clients



































# Select Clients


## OUR CLIENTS













NOVEL OFFERS ORACLE SOLUTIONS AS A GOLD PARTNER



NOVEL + SAFARICOM = CONNECTIVITY

NOVEL HAS PARTNERED WITH SAFARICOM TO OFFER COMMUNICATION SOLUTIONS







# Collaborations



150+ implementations











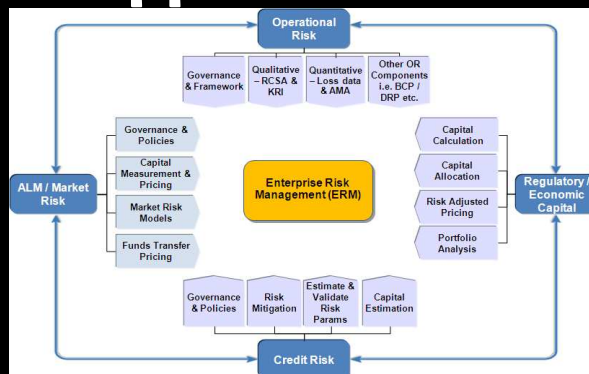








# Our Approach



## Consulting

The Consulting and advisory services provides clients with solutions to the issues faced at every stage of the risk management process. We look to provide value based services by using our cutting edge skill sets to put clients on par with globally suited best practices.

## Solutions

Solutions provides the backbone of implementation of the risk management goals ensuring that activities are process dependant rather than on a person

## Analytics

Analytics forms the risk / business interpretation of the risk management vision leveraging the technological platform and is result oriented



# Contact



## Infocell Consulting

Dhanjay Apartments, Valley Arcade, Lavington P.O. Box 2091-00100, GPO, Nairobi.  
Tel. 254-20-3547936. Mobile: 254 722-246331/ 733 990099  
Email: charlesringera@yahoo.com; henry.figondo@infocell.biz;



Novel Technologies East Africa Limited.  
2nd Floor, Royal Offices,  
Mogotio Rd,  
Parklands  
P.O Box 16727-00620 Nairobi, Kenya

General - info@novel.co.ke  
Technical - support@novel.co.ke

+254 (0)20 3747326, 3747327, 8155372, 8155375

+254 (0)20 3747341

<http://www.novel.co.ke>





# Outline

1

2

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4



## Why should NPOs think Risk



*Risk management has become a key function in almost every organization, but all too frequently it makes an organization so risk-averse that initiative and innovation become paralyzed.*

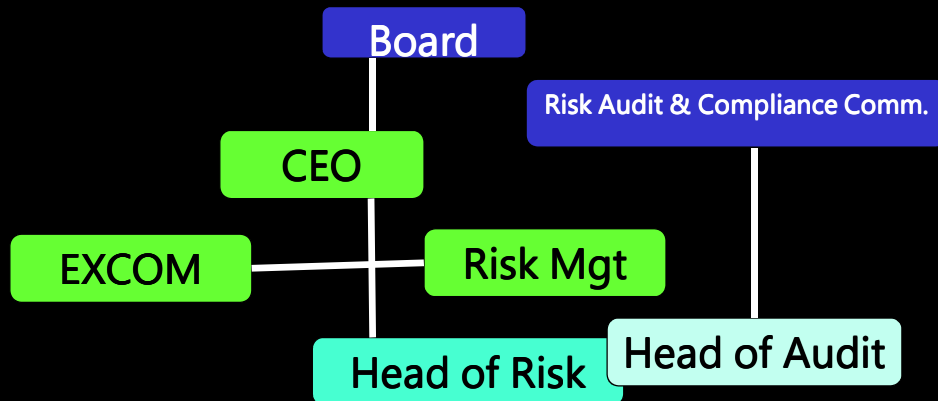
Y “Lack of Integrated approach” - ERM



**A NONPROFIT'S GUIDE TO RISK MGT**  
By D.C. Bar pro Bono  
program in Washington DC



# Structural Blindness



*A central part of the problem is that risk managers, mainly reporting to the chief executive officer, tend to see their role as one that's apart from other employees*



## Who's Responsible for Risk?

### The role of risk manager should be to help build:

- Culture that encourages all employees to take risks—prudent risks, of course.
- That builds resilience into a company without stifling progress. With shared responsibility for assessing what could put an organization at peril comes a sense of motivation, ownership, and self-reliance—as well as improved decision-making
- Shift employees' attitudes about risk from one of fear and silence toward one of collaboration and teamwork.



*As part of this transition, bring risk into the present tense and talk about it in real terms, rather than as a vague concept that employees can be reprimanded for overlooking. To deal with the external threats of hackers and lawsuits, for example, make them transparent for the employees. Communicate widely about risk. Have everyone weigh in and map out the areas they see as vulnerabilities. After all, the employees are in the best position to identify such vulnerable elements inside and outside the company.*







Innovative Risk  
taking goes wrong –  
*The Global Financial crisis*



**Innovations to Manage Risk Gone South**

*The Great meltdown*    *2008 Financial crisis*







## Lessons from the Global Financial Crisis

**Good Risk mgt ensures that NPOs will have enough assets to carry out their mission.**

**Boards and organizations must articulate risk with a high degree of accuracy**



APRA



HONG KONG MONETARY AUTHORITY  
香港金融管理局



## Basel III

*"... The general consensus is that the failure to understand the true nature of enterprise-wide risk exposures was one of the core reasons behind the collapse of Lehman Brothers."*

Regulations  
Regulations  
Regulations

Change  
of Investor  
Behavior –  
RISK

Reduction  
In margin  
Of error

Managing  
Risk profile  
Now a must  
4  
survival

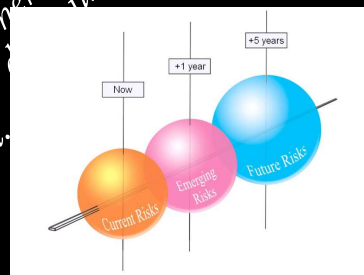
Decision  
Making now  
Purely based  
On associated  
risk

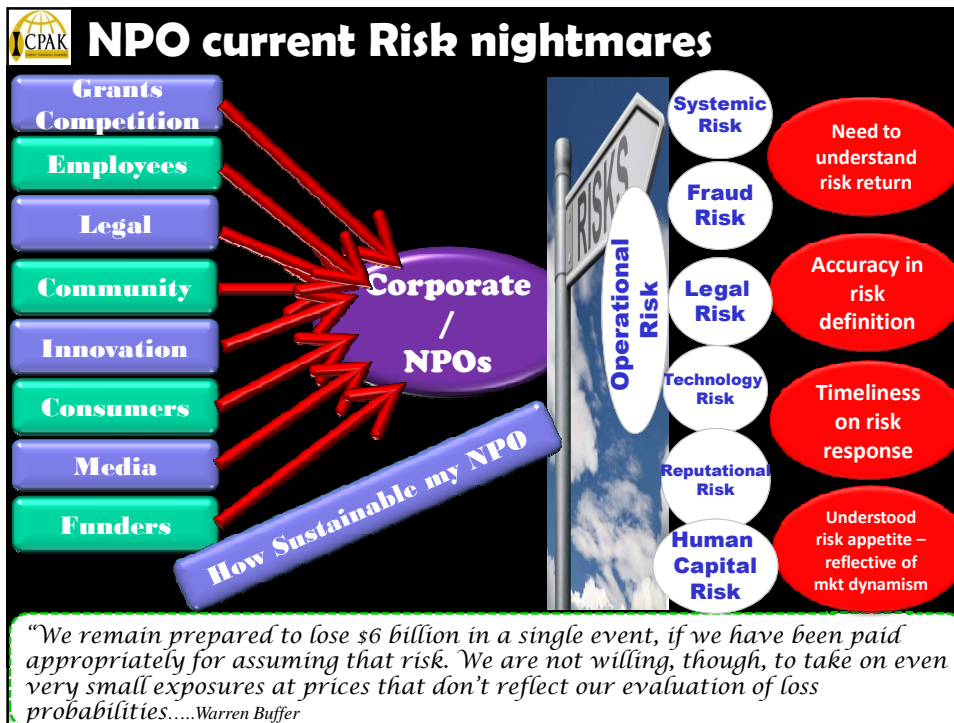


## Balancing Risk and Rewards



*"... BOD = midpoint of Shareholders & Management. This critical role requires BOD to understand risk appetite & Corporate actions around risk appetite. Being an independent entity, the board has the perspective to spot emerging risks and areas of concern that may be missed by risk managers immersed in the daily functioning of the organization."*





**CPAK Achieving Risk Intelligence**

**Risks**  
are part of business, but business doesn't need to be risky.

*Visionary Boards however know "there can be no rewards without risk taking"*

Companies that are able to distinguish, successfully, between risks that need to be mitigated and risks that can be capitalized on or optimized. They know which RISKS to focus on to maximize shareholder return. What gives them this advantage is, to a large extent, the quality of risk intelligence.

**Risk Intelligence**

**M-Shwari**

**cba**

**Send peso by phone**

Risk = Anything that impedes from achieving corporate objectives

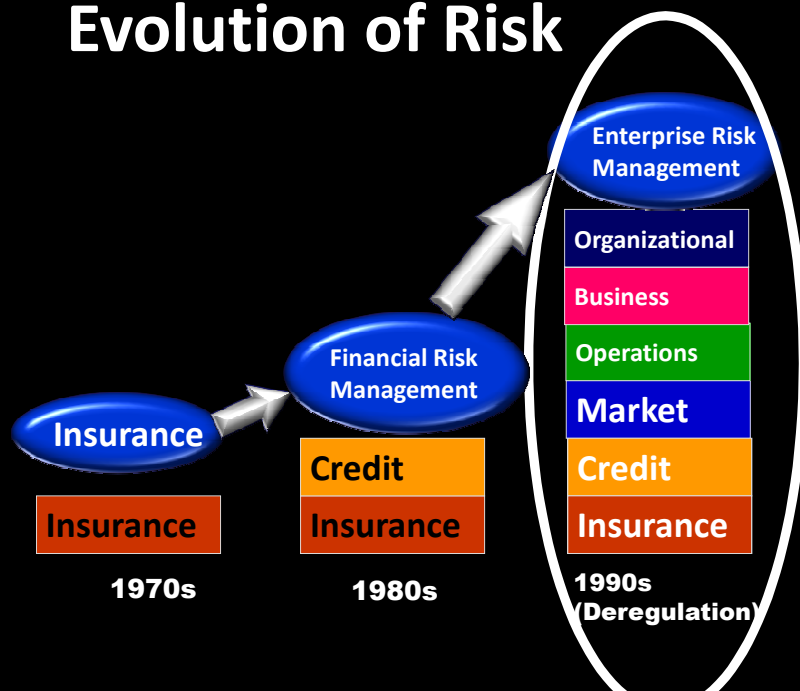
## ERM DEFINED

*“... a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”*

Source: COSO - Enterprise Risk Management

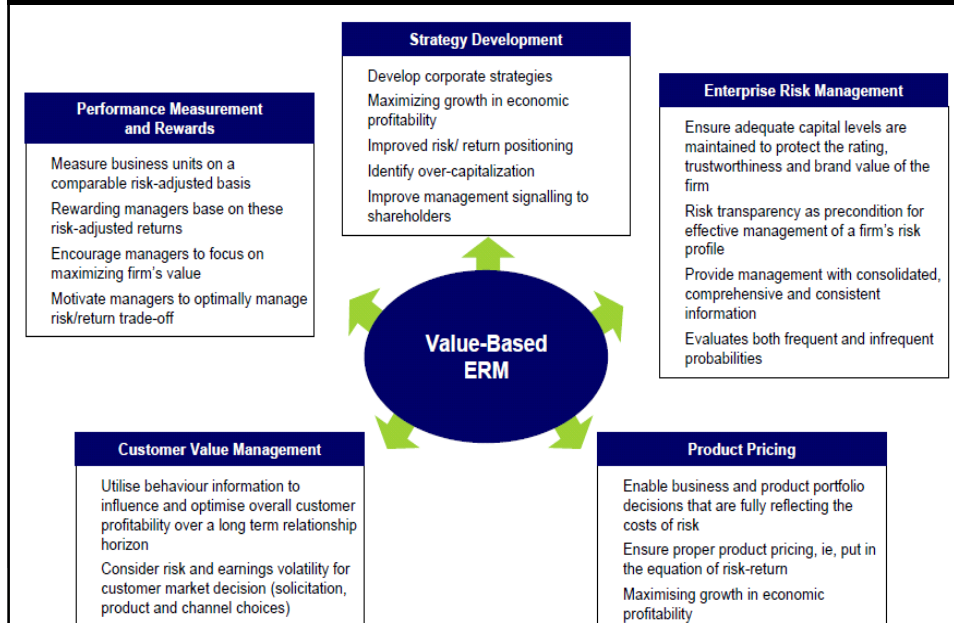


## Evolution of Risk





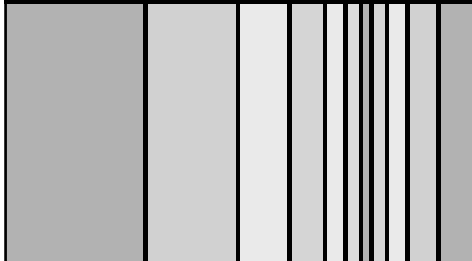
## Linking strategy to ERM



## ERM and Strategy are intertwined

*Best Practice Model aims at creating a comprehensive view of the alignment of ERM and business risks @ strategy formulation and execution*



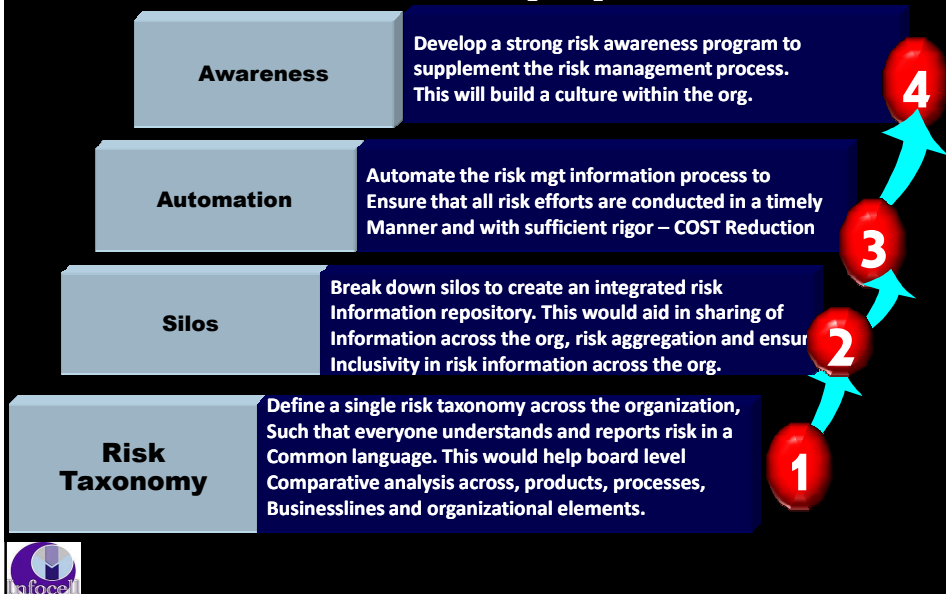


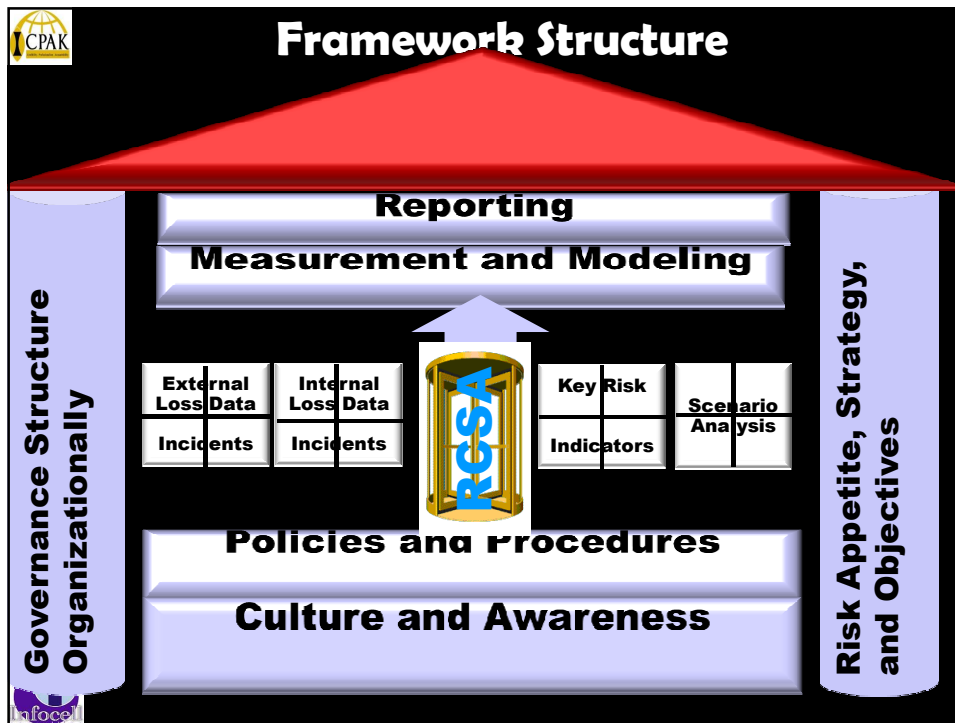
## Building an Innovative Risk Intelligence Programme

*"... Every NPO needs to create a comprehensive risk management programme and review it periodically. Review should also happen when or after making significant changes to types of activities it engages in – property acquisition, new geographical territory". Large NPOs have dedicated Risk Mgt staff. Small ones risk not fall heavily on Board and senior management*



To develop a risk program that is efficient and effective in providing information to stakeholders – consider the following steps







**CAUTION**  
 YOUR WORDING HERE






- Go short of nothing but *International best practice* -**

BS 31100:2008  

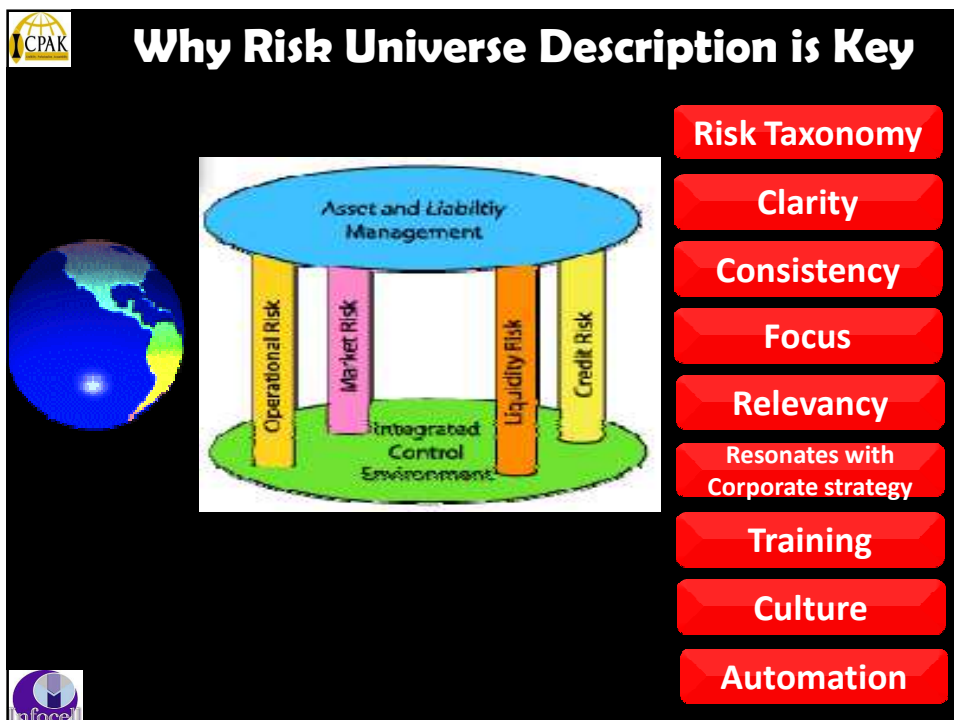
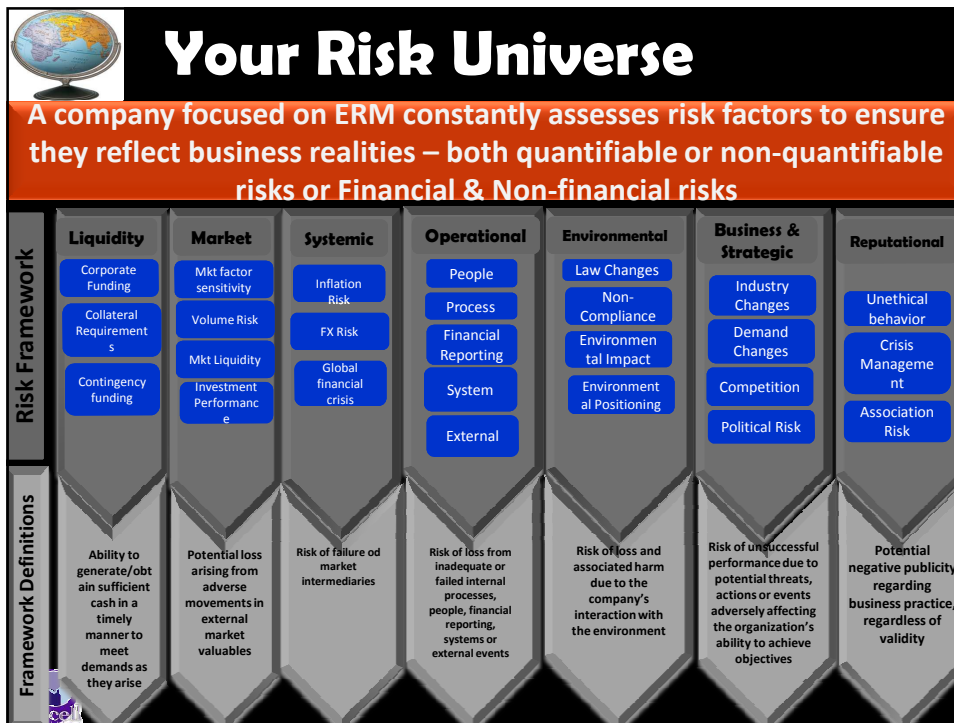

31000  


International Organization for Standardization  

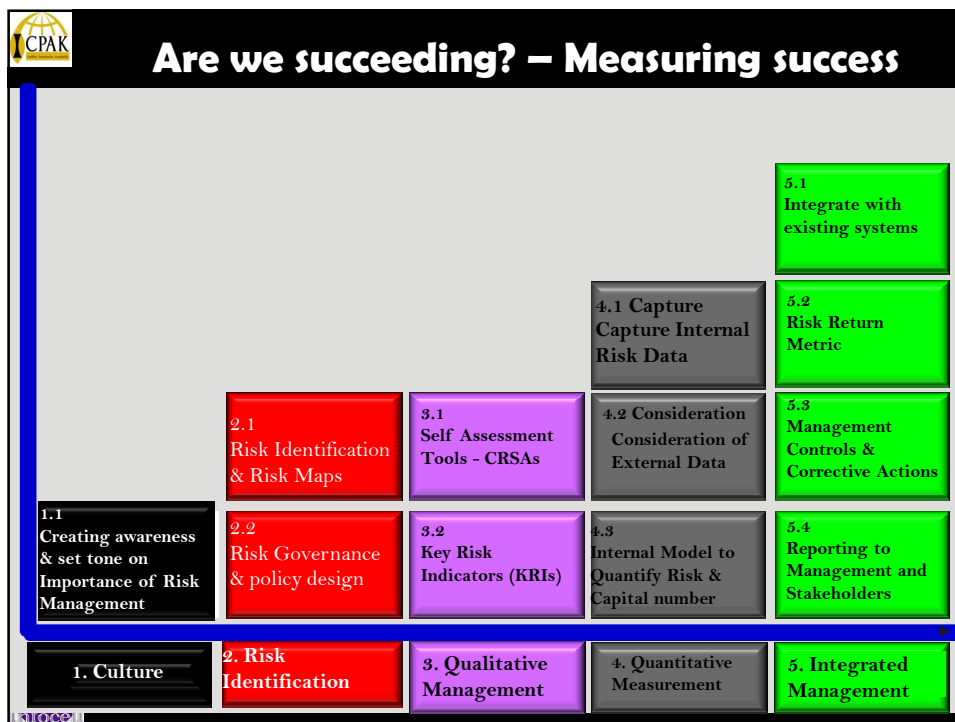
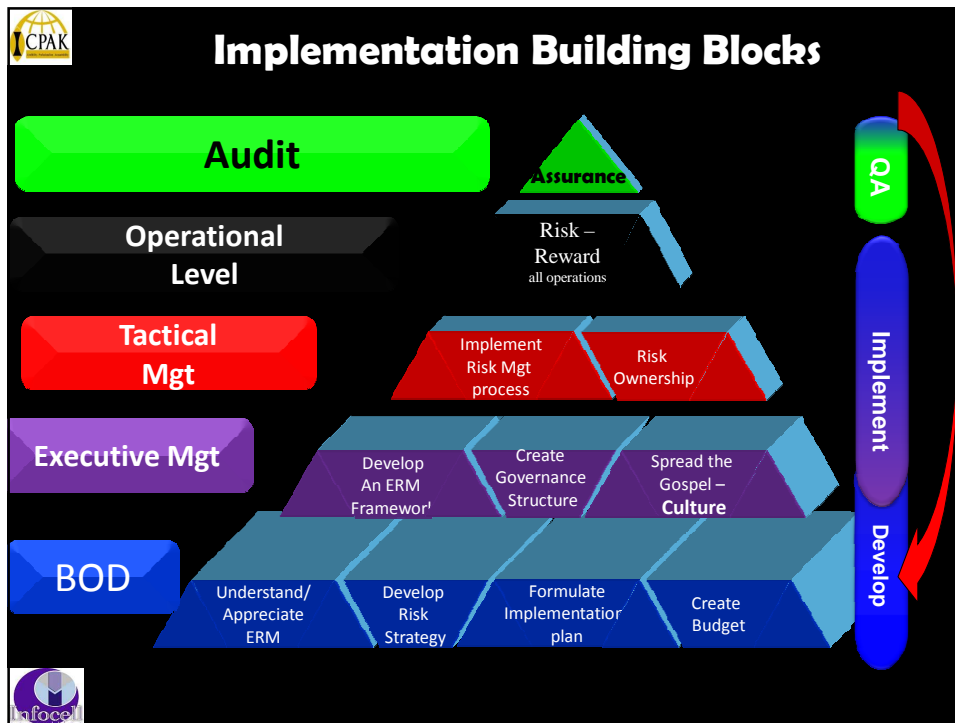


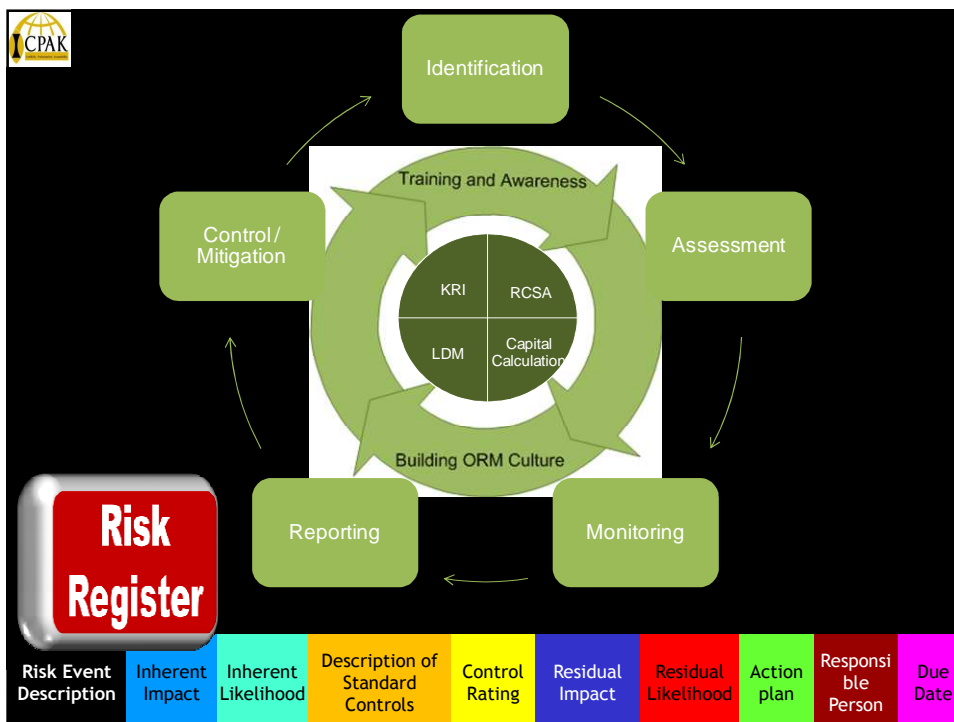

- It must be a consultative document**
- Win the mind and souls of people**
- Senior Mgt must approve it and adopt the implementation road map**
- Internal Audit must give concurrence about resiliency of the framework**
- BOD must approve**

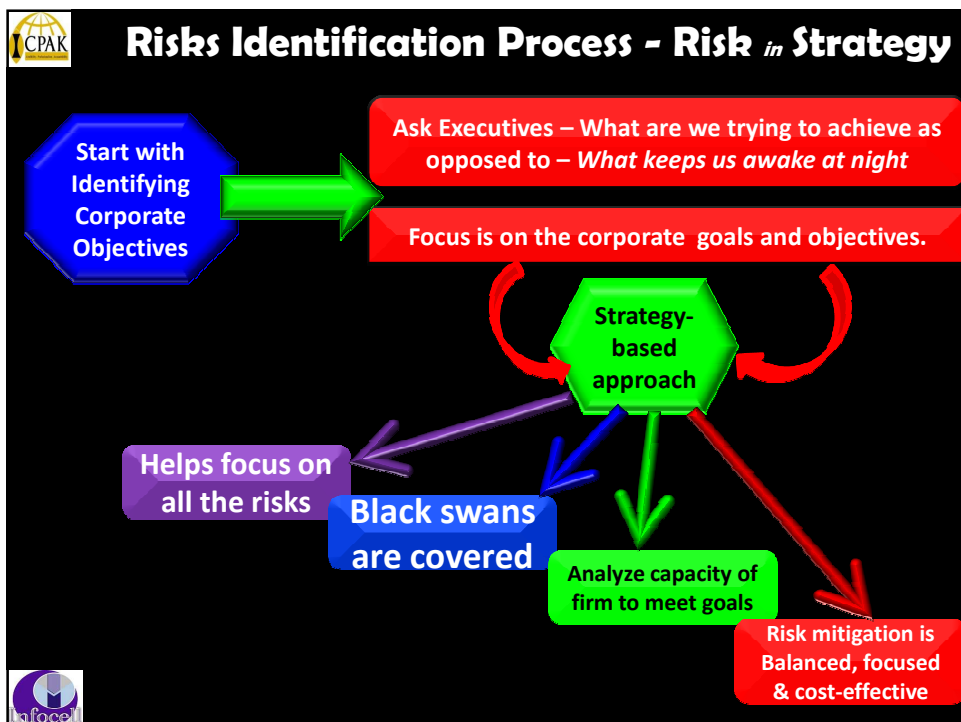
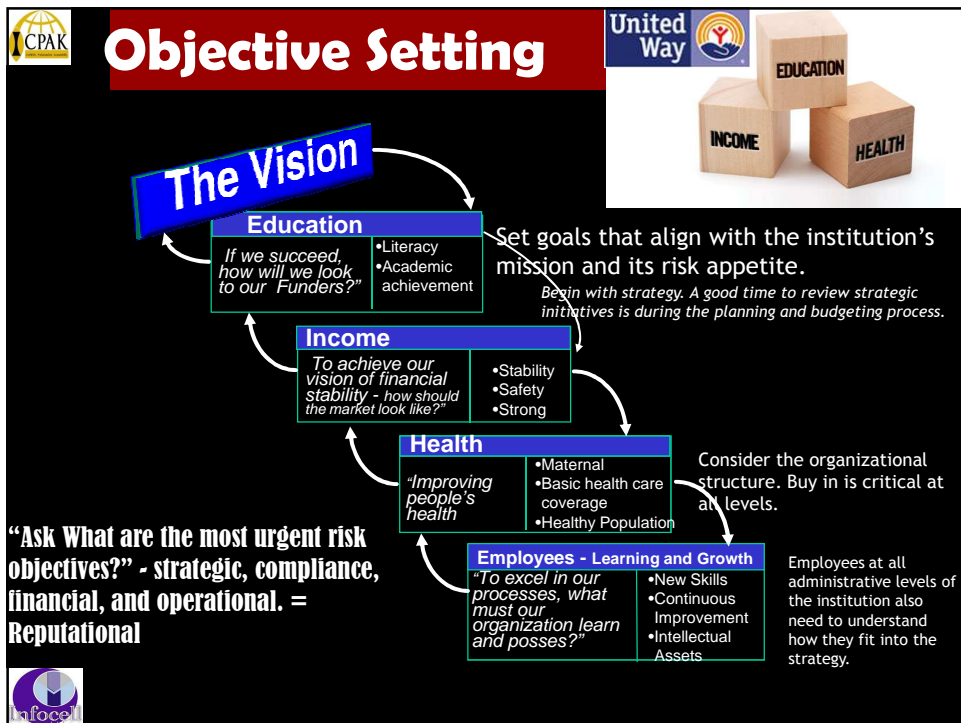


















# Risk Identification



Identify activities that may impact its ability to achieve objectives



Distinguish risks from opportunities



**Workshops**

- Business & Risk expert
- Collaborative
- Produce a list of risks – focus on key
- Non-victimization
- All responses are correct

**Events, losses & Incidents**

- Understand business “as is”
- performance shocks
- Look at Audit report
- Media publicity
- Shareholder/investor expectation to stimulate a “fact-based discussion”

**SWOT Analysis**

Internal      External

Strengths      Weaknesses


Opportunities      Threats

**Use analytical tool PESTEL**

**Scenarios**

“Managers invent and then consider in detail, several varied stories of equally plausible futures. The stories are carefully researched, full of relevant detail, oriented toward real-life decisions, and designed (one hopes) to bring forward surprises and unexpected layers of understanding.”

**Egypt/Tunisia/Bahrain/Libya**







## Risk Assessment





# Risk Assessments

**Inherent** risk would be identified on the basis of the likelihood and impact of risk event – No Controls considered

**The control** effectiveness would be assessed in terms of **design effectiveness** and operating effectiveness

**Residual risk** would be identified on the basis of the likelihood and impact of risk event after considering overall control effectiveness

**Scale**

**Inherent Risks Assessment**

- 5 Critical - Inability to achieve business objectives
- 4 - Constrained ability to achieve business objectives
- 3 Moderate - Moderate impact on achievement of business objectives
- 2 Low - Limited impact on achievement of business objectives
- 1 Minor - Relatively insignificant impact on the achievement of business objectives

SCALE	Descriptor	IMPACT (RIS)
5	Critical	Inability to achieve business objectives, e.g.: - Worsening growth rates - Major reduction in company reputation with stakeholders - Significant deterioration in operating performance - Major loss of market share - Significant loss of customer loyalty - Significant loss of talent - Significant loss of intellectual property - Significant loss of financial resources
4	High	Constrained ability to achieve business objectives, e.g.: - High level of operational inefficiency - Significant deterioration in operating performance - Significant loss of market share - Significant loss of customer loyalty - Significant loss of talent - Significant loss of intellectual property - Significant loss of financial resources
3	Moderate	Moderate impact on achievement of business objectives, e.g.: - Moderate deterioration in operating performance - Moderate loss of market share - Moderate loss of customer loyalty - Moderate loss of talent - Moderate loss of intellectual property - Moderate loss of financial resources
2	Low	Limited impact on achievement of business objectives, e.g.: - Limited deterioration in operating performance - Limited loss of market share - Limited loss of customer loyalty - Limited loss of talent - Limited loss of intellectual property - Limited loss of financial resources
1	Minor	Relatively insignificant impact on achievement of business objectives, e.g.: - Relatively insignificant deterioration in operating performance - Relatively insignificant loss of market share - Relatively insignificant loss of customer loyalty - Relatively insignificant loss of talent - Relatively insignificant loss of intellectual property - Relatively insignificant loss of financial resources

SCALE	RATING	PROBABILITY
5	Extremely	More than 80%
4	Highly Likely	40 to 80%
3	Likely	20 to 40%
2	Not Likely	10 to 20%
1	Remote	0 to 10%

**Residual risks**

These consider risk net of controls on both likelihood and impact axis



# Controls Evaluation

Risk Event Description	Inherent Impact	Inherent Likelihood	Description of Standard Controls	Control Rating	Residual Impact	Residual Likelihood					
			<div style="display: flex; justify-content: space-around;"> <div style="border: 2px solid black; padding: 10px; transform: rotate(-45deg);"> <b>Checker</b> </div> <div style="border: 2px solid black; padding: 10px; transform: rotate(45deg);"> <b>Maker</b> </div> </div>	<table border="1"> <thead> <tr> <th>Rating</th> </tr> </thead> <tbody> <tr> <td>Efficient</td> </tr> <tr> <td>Acceptable</td> </tr> <tr> <td>To Improve</td> </tr> <tr> <td>Defective</td> </tr> </tbody> </table>	Rating	Efficient	Acceptable	To Improve	Defective		
Rating											
Efficient											
Acceptable											
To Improve											
Defective											

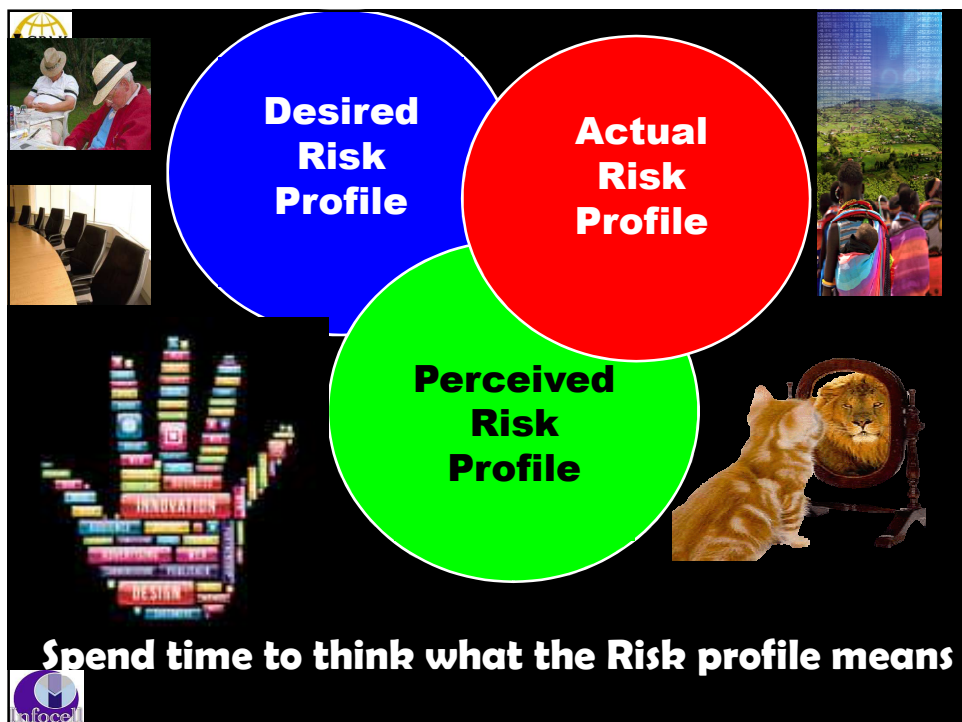
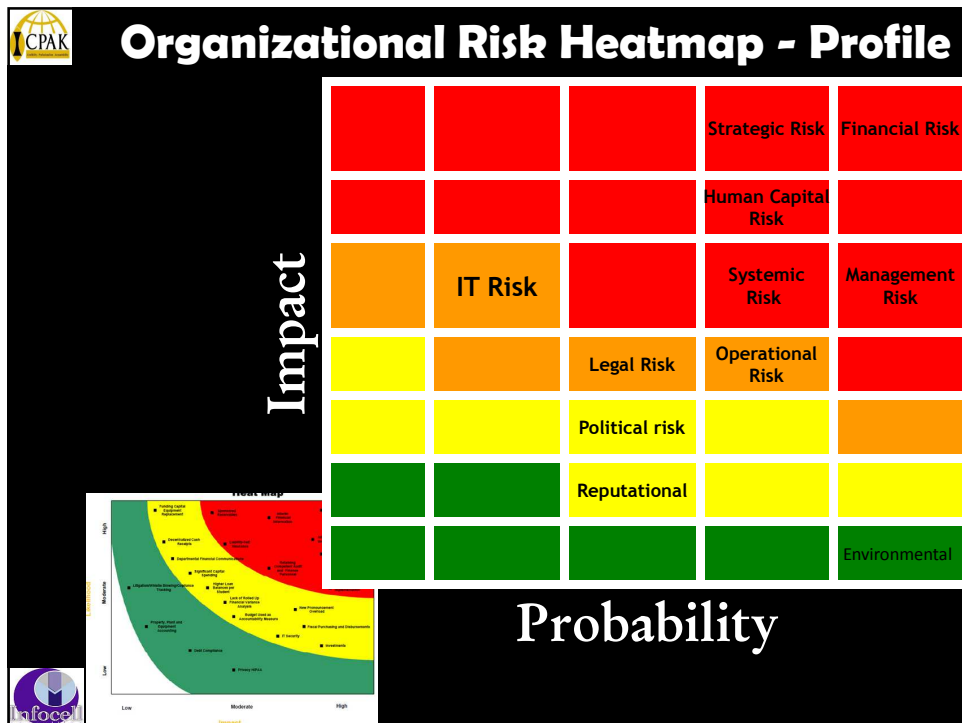
**Controls Effectiveness Scoring Criteria**

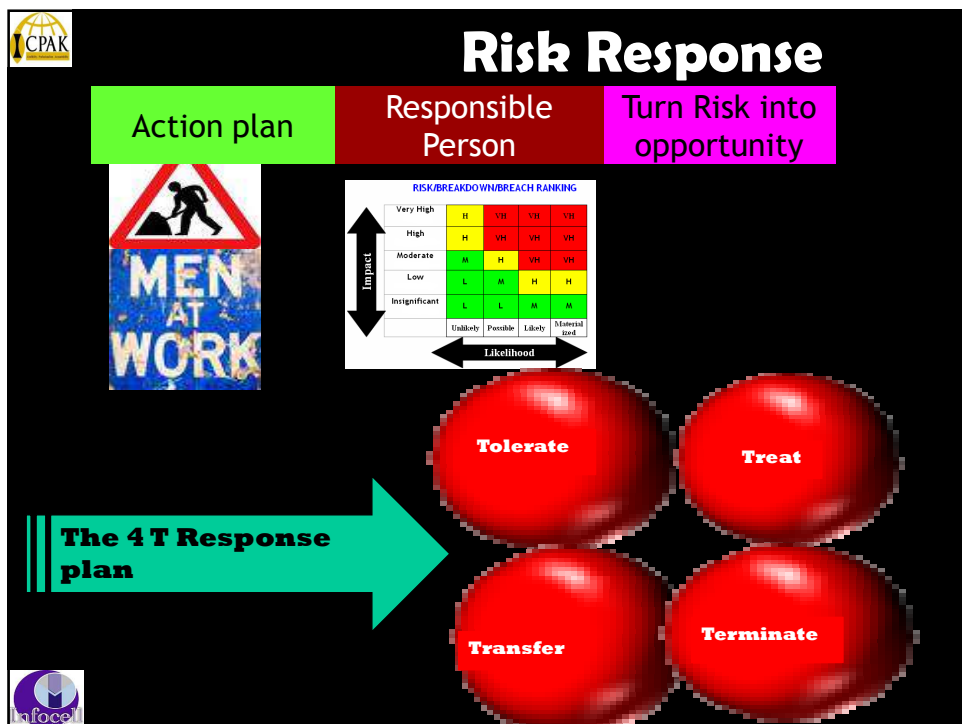
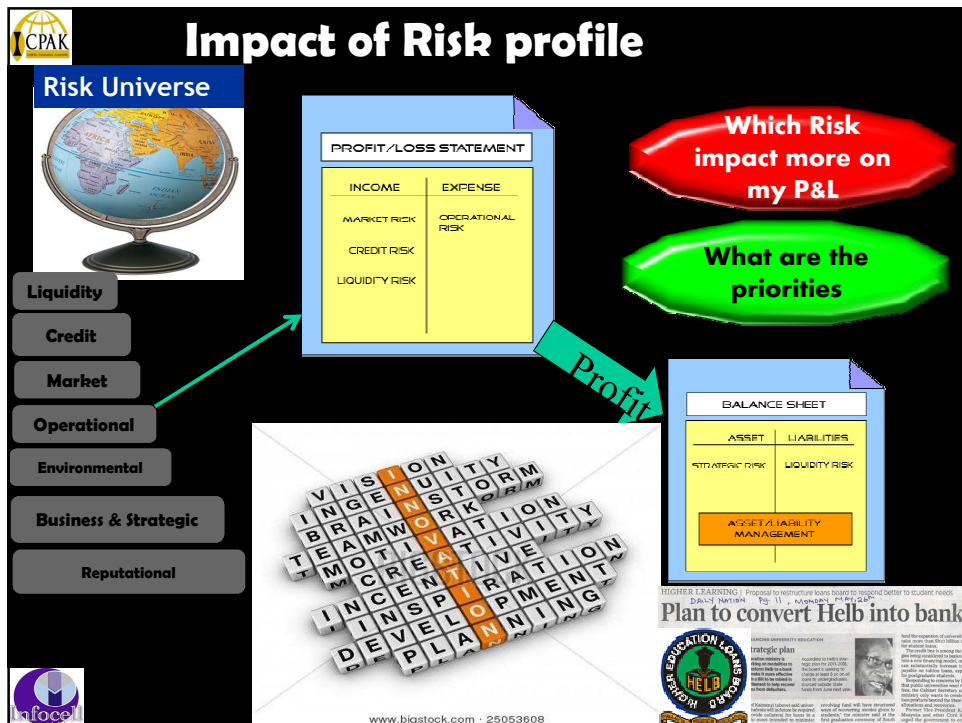
- Efficient
- Acceptable
- To Improve
- Defective

Each Control or a set of controls effectiveness is /are rated on a four point scale of

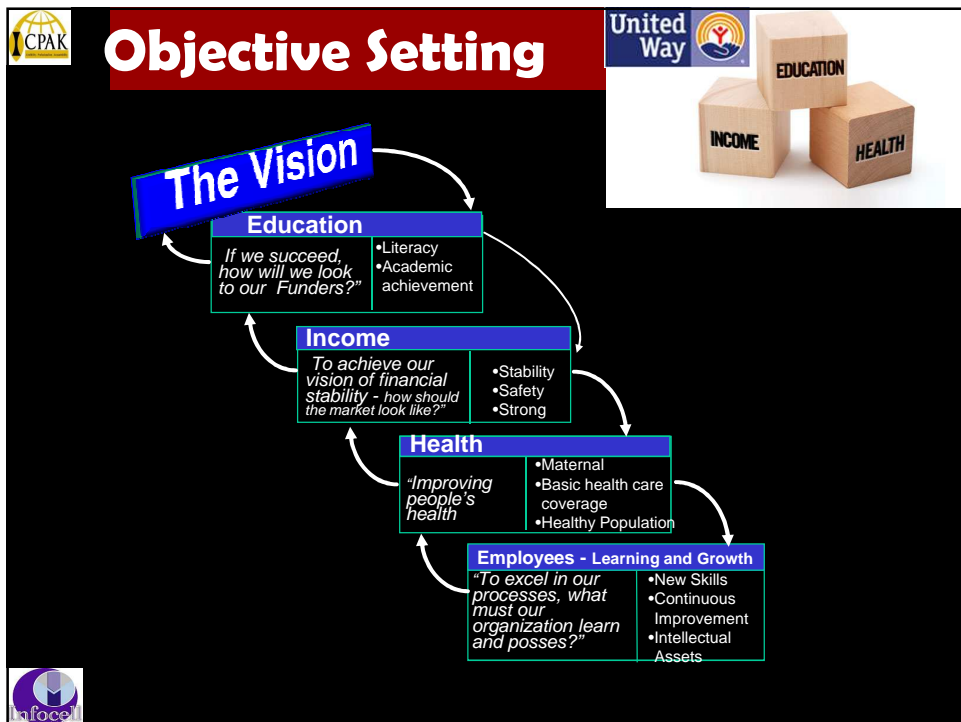
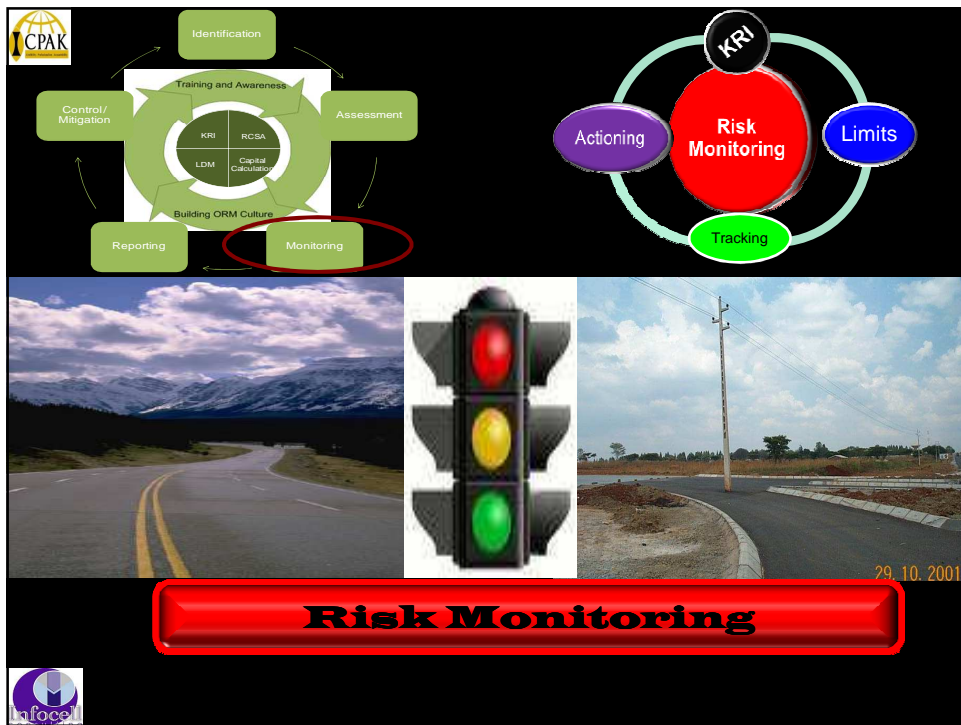
- Efficient** - The internal control system is efficient and adequate
- Acceptable** - A few corrections should make the internal control system satisfactory
- To Improve** - The internal control system has to be enhanced and the process monitored more closely
- Poor** - The internal control system of the process has to be reorganized

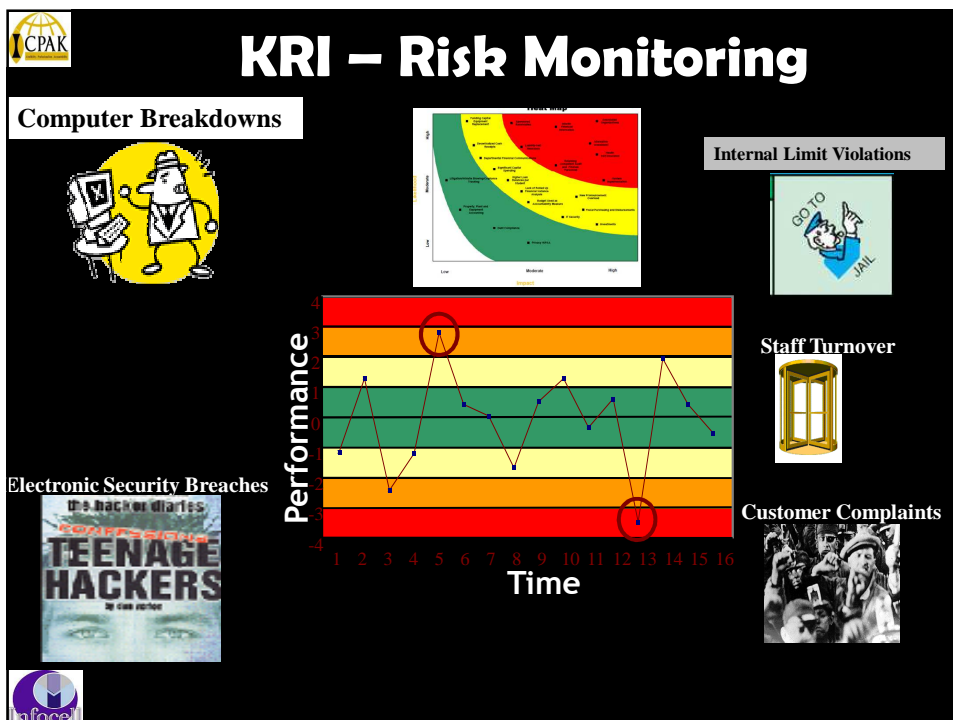
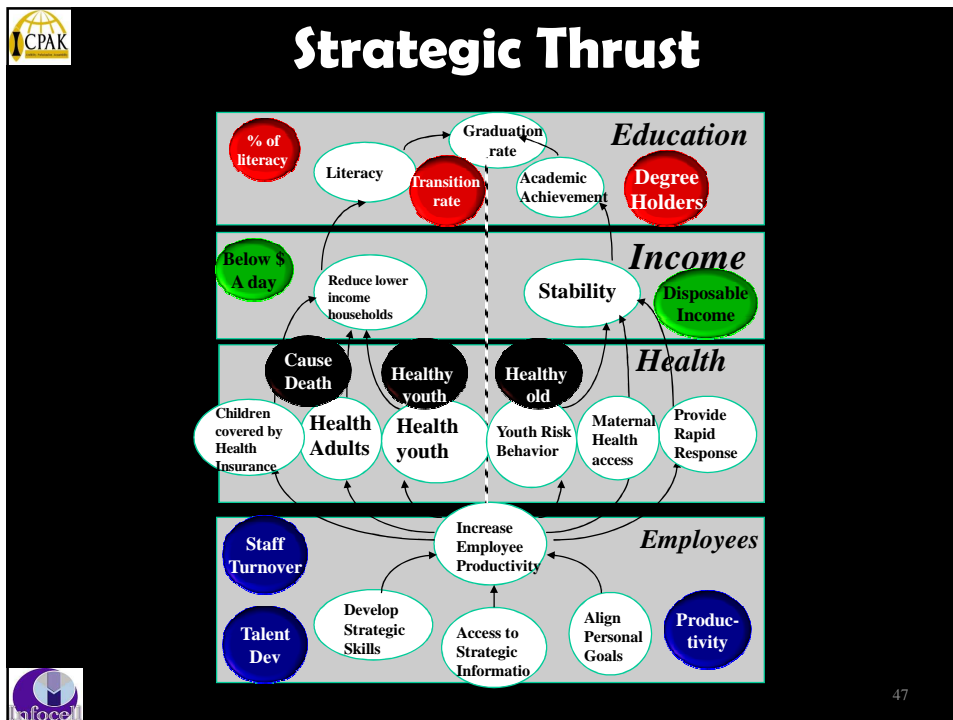










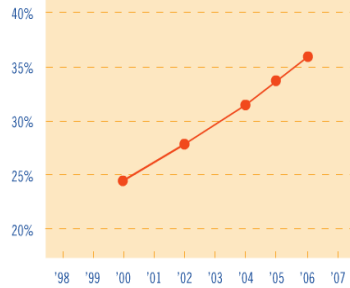




## Sample selected KRI

Percentage of lower-income working families that spend more than 40% of their income on housing

Worsening

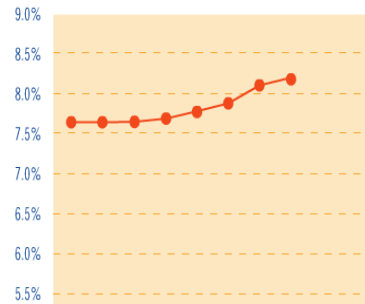


Working families have one or two parents who worked 50 or more weeks (combined) during the previous year. Lower-income means that family income was 250% of the federal poverty level. Housing expenses include rent, mortgage and home maintenance costs.

Source: Population Reference Bureau calculation of data from the American Community Survey.

Percentage of low birthweight babies born annually

Worsening

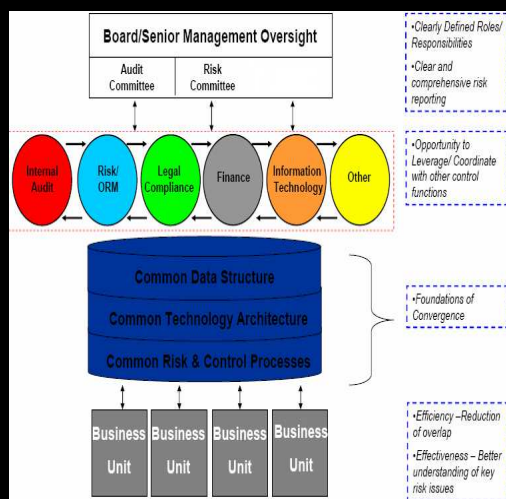


Low birthweight is defined as below 2.5 kilograms (5 pounds, 8 ounces).

Source: National Center for Health Statistics.



## Risk Reporting



**CORPORATE RISK SCORECARD REPORT**  
Top 20 Risks (Nett)

Scorecard Name : Finance Department  
Scorecard Owner : General Manager, Finance  
Report Date : 05-Nov-2006

No	Risk Factor	Ref	Possibility	Impact	Gross Score	Nett Possibility	Nett Impact	Nett Score	Target Possibility	Target Impact	Target Score	Current Status	Accepted Risk	# Action Due
1.	Government policies	E1101	Very High	Very Significant	QA	Very High	Major	QA	Medium	Major	QA	May Need improvement	N	1
2.	Clearance of Contributions With Incomplete Information (CTML)	Oct108	Very High	Very Significant	QA	Very High	Major	QA	High	Major	QA	May Need improvement	N	2
3.	Management Information System	Oct110	Very High	Very Significant	QA	Very High	Major	QA	Unlikely	Major	QA	May Need improvement	N	1
4.	Manpower planning	Hc1105	High	Major	QA	Medium	Major	QA	Medium	Major	QA	Within Expectation	N	0
5.	Disclosure of Confidential Information	Lc1102	High	Very Significant	QA	Medium	Major	QA	Unlikely	Moderate	QA	May Need improvement	N	0
6.	Financial reports/ statement	Oct1101	High	Very Significant	QA	Medium	Major	QA	Medium	Major	QA	Within Expectation	N	1
7.	Business Continuity Management	Oct1102	High	Very Significant	QA	Medium	Major	QA	Unlikely	Major	QA	May Need improvement	N	3
8.	Integration and reliability of IT system	Oct1105	High	Very Significant	QA	Medium	Major	QA	Medium	Major	QA	Within Expectation	N	0
9.	Internal controls	Oct1107	Very High	Very Significant	QA	Medium	Major	QA	Unlikely	Major	QA	May Need improvement	N	1
10.	Regulatory framework and changes in regulations	R1101	Very High	Very Significant	QA	Medium	Major	QA	Medium	Moderate	QA	May Need improvement	N	1
11.	Public Image (reputation) of organization	E11102	Very High	Major	QA	High	Moderate	QA	Medium	Major	QA	May Need improvement	N	1
12.	Classified organization information	Oct1104	High	Very Significant	QA	High	Moderate	QA	Medium	Major	QA	May Need improvement	N	0
13.	Staff conduct	Hc1104	High	Very Significant	QA	Unlikely	Major	QA	Very Low	Major	QA	May Need improvement	N	0
14.	Staff work culture and mindset	H11102	Medium	Very Significant	QA	Unlikely	Major	QA	Unlikely	Major	QA	Within Expectation	N	0

1 of 2

**Management Action Plan Report Status**

http://belgium/Roots/Crs/ReportExport/MgtActionSummary.aspx?Due=1&UserID=1&Title=Summary%20of%20Management%20Actions

5. Risk : Bureaucracy imposed by regulations  
Description : Processes that are cumbersome, example procurement  
Owner : Senior General Manager(Legal,Property,Procurement)  
Reference : R11101

**Management Actions**

No	Name	Description	Owner	Team Members	Priority	Start Date	Due Date	Status	Past Due Date	Remarks
1.	Lobby Government/ authorities for changes in procurement procedures		General Manager, Supplies & Services Procurement		Low	02 Jan 2006	31 Dec 2006	50%	N	A working paper based on the recommendations in the Red Book on GLC Procurement Guidelines and Best Practices will be tabled to the Board in Dec 2006.

6. Risk : Regulatory framework and changes in regulations  
Description : Regulatory framework and changes in regulations affecting EPF  
Owner : Deputy CEO (Mgt & Org Development)  
Reference : R11102

**Management Actions**

No	Name	Description	Owner	Team Members	Priority	Start Date	Due Date	Status	Past Due Date	Remarks
1.	To replace Investment Management System		Deputy CEO (Investment)		High	17 Oct 2005	01 Oct 2007	20%	N	Procurement Process
2.	Implementation of SERVE project (Core)		Senior General Manager, PMO & System Review		High	17 Oct 2005	31 Dec 2006	60%	N	

7. Risk : Weak/ imperfect documentation or transaction  
Description : Documents are not able to stand in court, unfavourable terms for EPF  
Owner : Senior General Manager(Legal,Property,Procurement)

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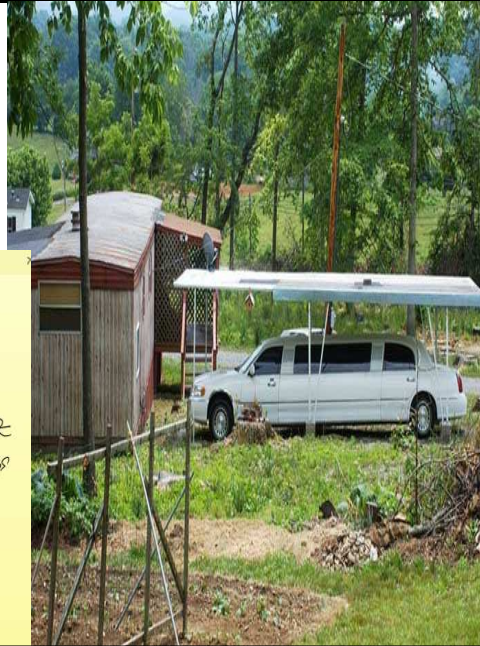




## Corporate Acceptance

- Prioritizing Risk...budgets!
- Relevance to biz.
- Talk business language
- Risk as part of strategic planning

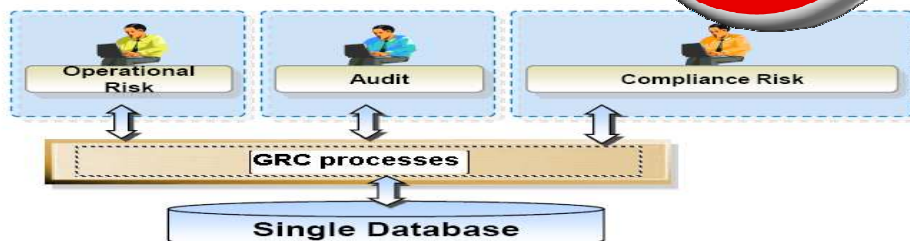
\*  
CMA EX DIARY - 20/9/2012  
CEOs to do list:  
① Review Risk mgmt Report for August  
② Enquire action plan progress from Apo  
③ Review top 10 Risk Report with  
Head of Risk  
④ Give progress action to chair Risk Comm.  
*[Signature]*



## Linking - Risk, internal controls & enterprise value

Three communities:  
Different roles / Different  
disciplines / Different risks

Confusion



A Strategic GRC Framework





## Communication Barriers



- Turf battles;
- Developing a risk communications process and taxonomy;
- Making risk management relevant and meaningful for the business



## Integration -Risk Language & Culture

**How quickly can this management and cultural change take place?**

You can't change it overnight. When you get to be a CRO, the likelihood is that you have a pretty sizable organization. Many traders understand risk, and with all the traders unemployed right now, you might say there are plenty who can do risk management. That's probably true at some level. But the other piece of the job is managing the people, having a strategic framework for thinking about the kind of technology support those people need to do their jobs well. You also have a massive data collection problem, and once the data is collected, it has to be distilled into something that is usable. And you have to use influencing skills to reach the conclusions that allow the institution to take enough risk to deliver a return to shareholders, but not so much that it becomes dangerous or too concentrated. It's a blend of past experience, some quantitative skills, the ability to ask tough questions and to challenge and to manage people. You also have to be something of a diplomat – and a dictator if all else fails after you've done your best to facilitate an outcome. On rare occasions you may end up having to go head-to-head.

**Develop a Common Risk and Control Language:**

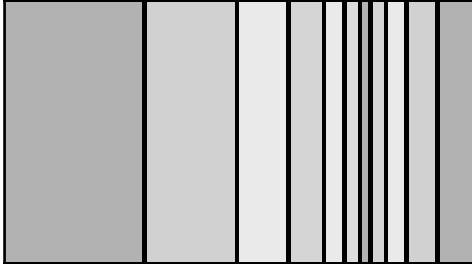
- Take an inventory of all current risk practices and taxonomies.
- Determine which ones best meet our business needs.
- Align remaining practices and taxonomies with the ones we determined are best.

**Train**

**Train**

**Train**

**Train**



## Roles & Responsibilities

