ENTERPRISE RISK MANAGEMENT

THE CASE OF KENYA PORTS AUTHORITY

BY CPA FREDERICK OYUGI

Agenda

❖ **Introduction**

❖ **What is ERM**

❖ **Importance of ERM**

❖ **Definition of Risk**

❖ **Components of Risk Management**

❖ **Risk Appetite**

❖ **Risk Maturity Model**

❖ **Implementation of ERM –KPA Perspective**

RISK AT GLOBAL PERSPECTIVE

September 11 attack in 2001

RISK AT NATIONAL PERSPECTIVE

Westgate attack Nairobi-Kenya

RISK AT NATIONAL PERSPECTIVE

Fire Tragedy at JKIA Nairobi-Kenya

WHEN RISK CRYSTALLIZES?

What if it Happens at KPA?

WHEN RISKS CRYTALLIZES?

What if it Happens at KPA?

Enterprise
Risk
Management
- Why?
- What?
- How?

Why ERM Is Important

Underlying principles:

- Every entity, whether for-profit or not, exists to realize value for its stakeholders.

- Value is created, preserved, or eroded by management decisions in all activities, from setting strategy to operating the enterprise day-to-day.

Why ERM Is Important

ERM supports value creation by enabling management to:

- Deal effectively with potential future events that create uncertainty.

- Respond in a manner that reduces the likelihood of downside outcomes and increases the upside.

Definition of Risk

The Authority uses the following definition of risk:

"The potential to which an event, action or situation could adversely or beneficially affect the Authority's ability to achieve its objectives maintain a good reputation and meet stakeholder expectations"

Risk is often expressed in terms of a combination of the potential impact of an event and its associated likelihood of occurrence.

FOUR (4) Main Components Of Risk Management

Risk Identification

Risk Analysis

Risk Mitigation

Risk Monitoring

Risk Mitigati

RISK MITIGATION INTENDED TO REDUCE THE RISK OF BEING AND EFFECT OF RISK. OCCURS AS A RESULT OF COUNTLESS DAILY DECISIONS.

Risk Monitoring

Key ERM Implementation Factors

- Organizational design of business
- Performing risk assessments
- Determining overall risk appetite
- Identifying risk responses
- Communication of risk results
- Monitoring
- Oversight and periodic review by management

Organizational Design

Strategies of the business

Key business objectives

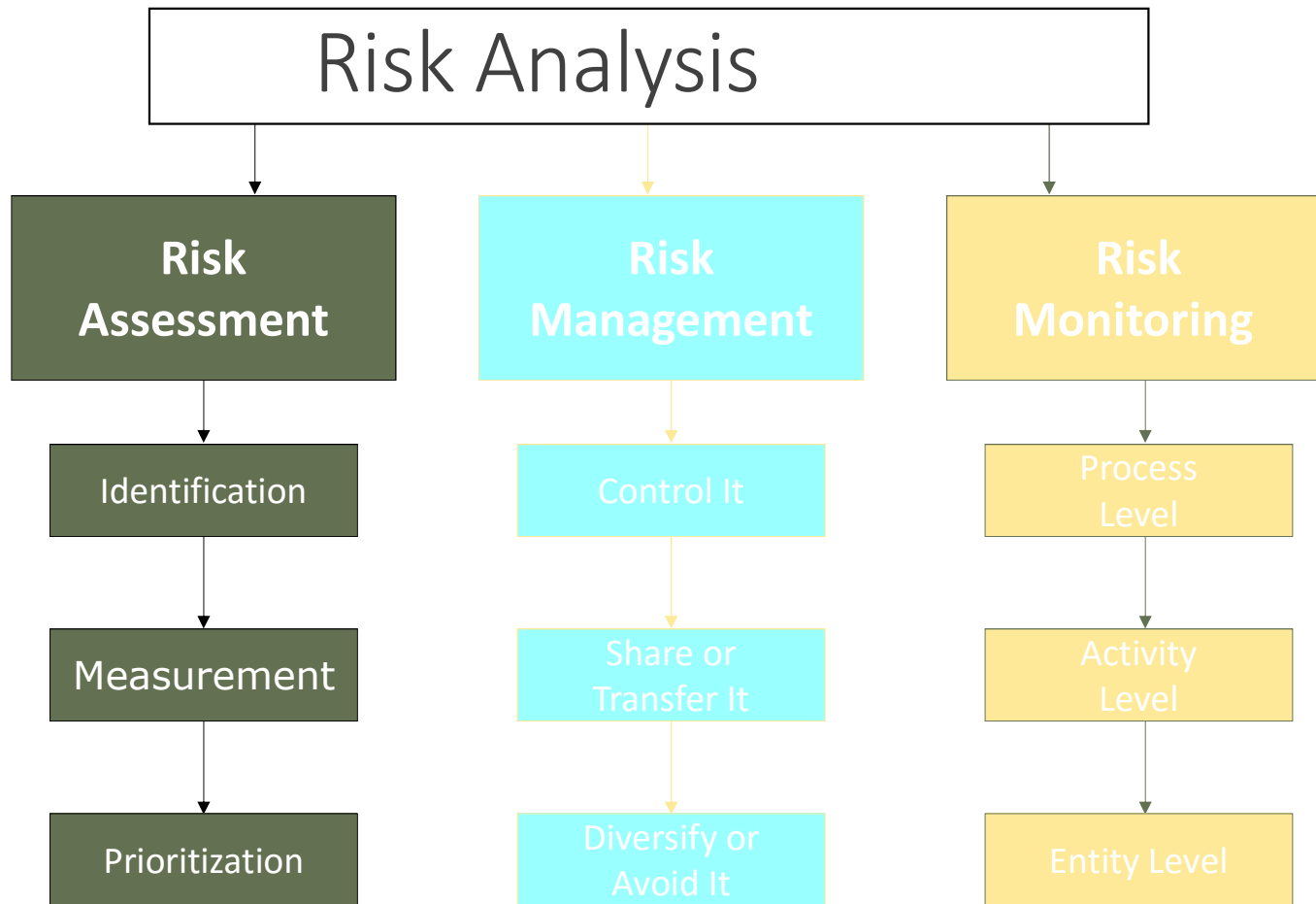Related objectives that cascade down the organization from key business objectives

Assignment of responsibilities to organizational elements and leaders (linkage)

Assess Risk

Risk assessment is the identification and analysis of risks to the achievement of business objectives. It forms a basis for determining how risks should be managed.

DETERMINE RISK APPETITE

Risk appetite is the amount of risk — on a broad level — an entity is willing to accept in pursuit of value.

Use quantitative or qualitative terms (e.g. earnings at risk vs. reputation risk), and consider risk tolerance (range of acceptable variation).

DETERMINE RISK APPETITE

Key questions:

- What risks will the organization not accept?
  (e.g. environmental or quality compromises)

- What risks will the organization take on new initiatives?
  (e.g. new product lines)

- What risks will the organization accept for competing objectives?
  (e.g. gross profit vs. market share?)

Example: Call Center Risk Assessment

High

IMPACT

	PROBABILITY
Medium Risk	*High Risk*
• Loss of phones	• Credit risk
• Loss of computers	• Customer has a long wait
	• Customer can't get through
	• Customer can't get answers
Low Risk	*Medium Risk*
• Fraud	• Entry errors
• Lost transactions	• Equipment obsolescence
• Employee morale	• Repeat calls for same problem

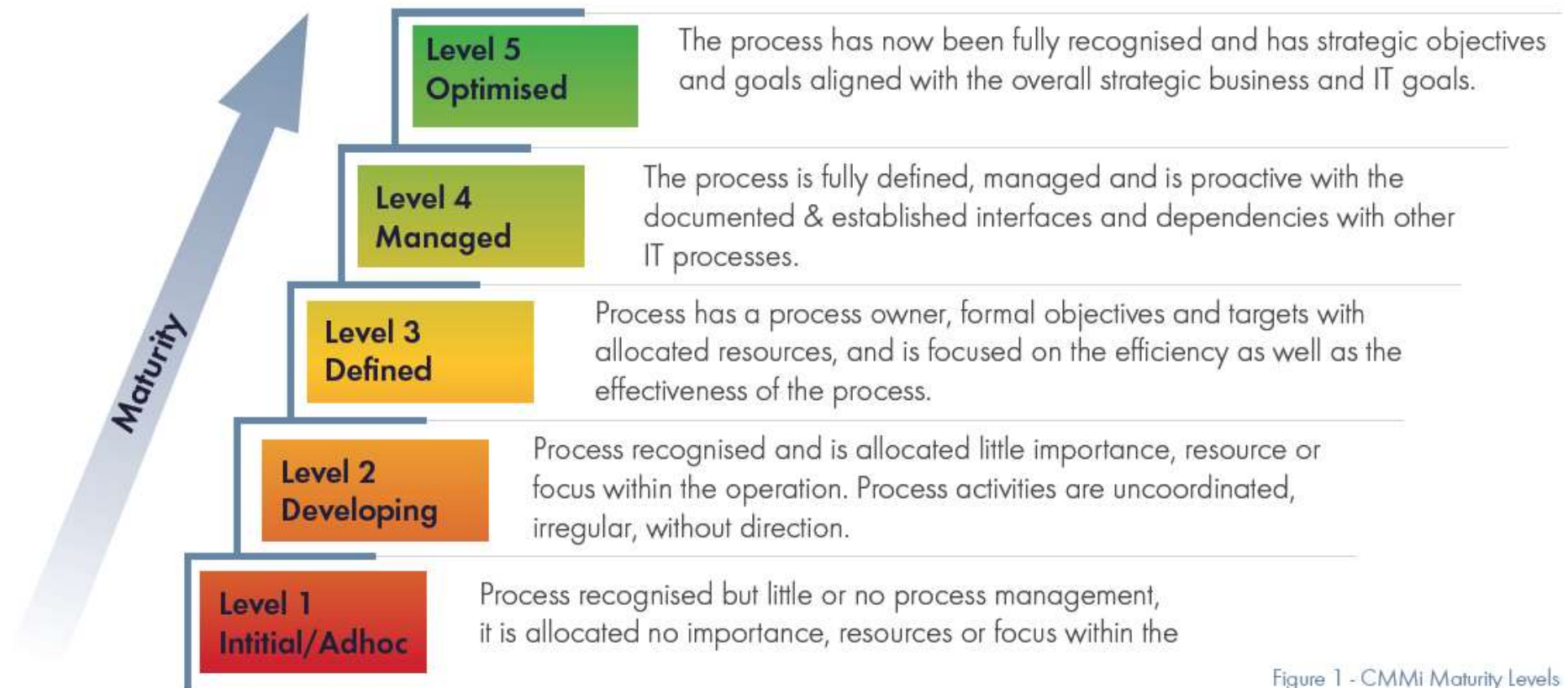Low   **PROBABILITY**   High

RISK MATURITY LEVELS

Figure 1 - CMMi Maturity Levels

KPA PERSPECTIVE ON ERM IMPLEMENTATION

Implementation of Enterprise Risk Management was set up in line with the Treasury Circular No. 03 of 2009.

KPA has designed its Enterprise Risk Management (ERM) framework and processes around the ISO 31000:2009 International Standard for Risk Management.
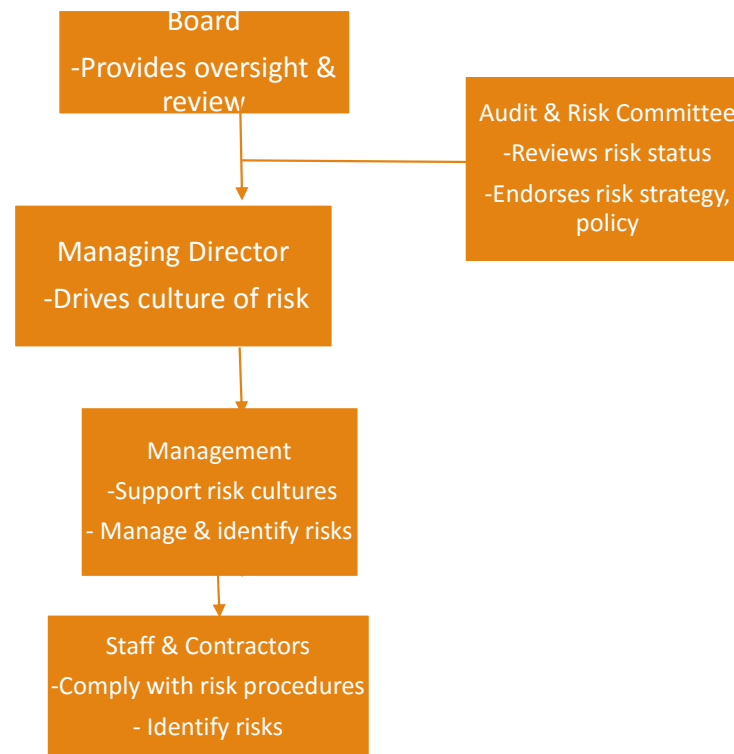
OBJECTIVE: - Risk Management Framework will enable Management to focus in a comprehensive and holistic basis on all the risks faced by the Authority which could impact on achievement of strategic objectives as well as service delivery targets and thereby enhance accountability to the Authority.

KPA PERSPECTIVE ON ERM IMPLEMENTATION

KPA Risks ARE categorized wholly into three categories:-

i.   Environmental Risks

ii.   Process Risks

iii. Information for decision making risks

KPA Risk Management Governance Structure

Board
-Provides oversight & review

Audit & Risk Committee
-Reviews risk status
-Endorses risk strategy, policy

Managing Director
-Drives culture of risk

Management
-Support risk cultures
- Manage & identify risks

Staff & Contractors
-Comply with risk procedures
- Identify risks

ERM IMPLEMENTATION STEPS DONE:

◦ Trained both KPA Board and Senior Management.

◦ Trained Risk Champions in every department.

◦ Risk identification interview with Top management and risk champions was conducted by the consultants.

◦ Heads of Department and Risk Champions conducted risk assessment of identified risks in the Authority.

KPA ERM IMPLEMENTATION

- Developed risk registers at the departmental, Divisional and Corporate level. These risks were identified by process owners through workshops, meetings and interviews with key staff including HODs, GMs, CEO and BODs

- Adopted of a KPA Enterprise Risk Management Policy which details the KPA Risk Management Policy Statement, KPA approach to Risk Management Framework, Risk Management Process and Monitoring and Reviewing Process and Continuous Improvement framework

- Developed a KPA Risk Profile

- Determined of the KPA Risk Appetite

- Listed top 30 KPA risks and mitigation strategies for each

KPA ERM WAY FORWARD

- Implementation of the SAP GRC (Governance, Risk and Compliance) to automate the risk.

- Conducting further training/Workshops to strengthen the Risk Management Framework and deepen its application.

- Yearly review of risk register

Thank You

THERE IS ALWAYS A RISK.

IF THERE IS NO RISK, THERE ISN'T ANY ACTIVITY.