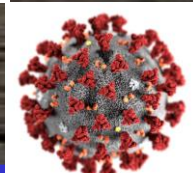
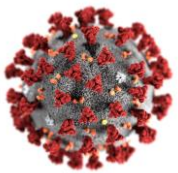


THE 36TH ANNUAL SEMINAR PROGRAMME

Theme : Beyond the Profession



**Utilizing Effective Risk Management to Deliver
Value from Strategic Planning & Risk Appetite
Optimization Process**



Speaker Background



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



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



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



Todate – HELB – Board Leadership

Under Discussion

1

5

2

3

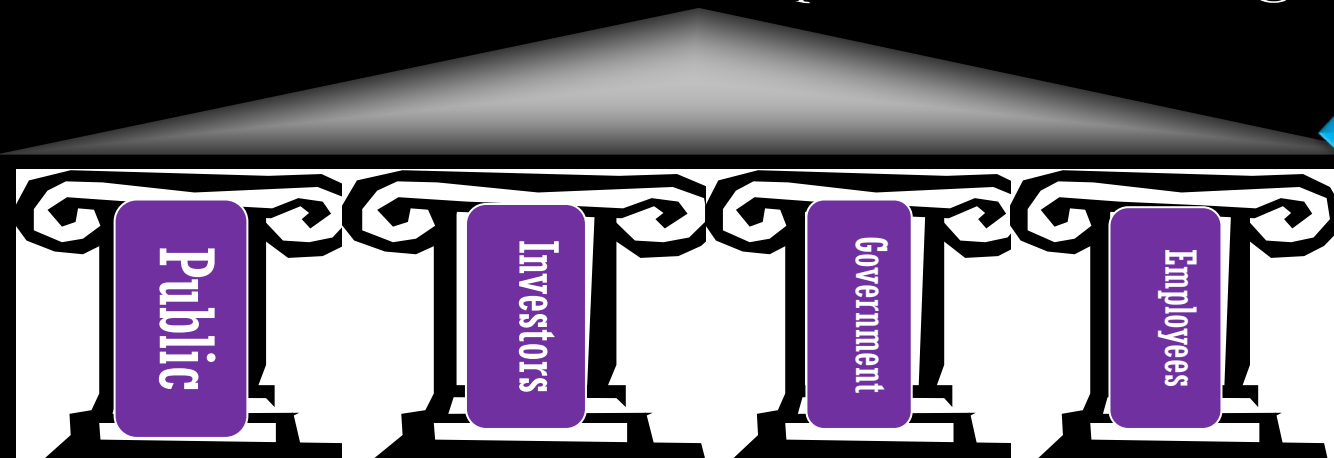
4



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.”

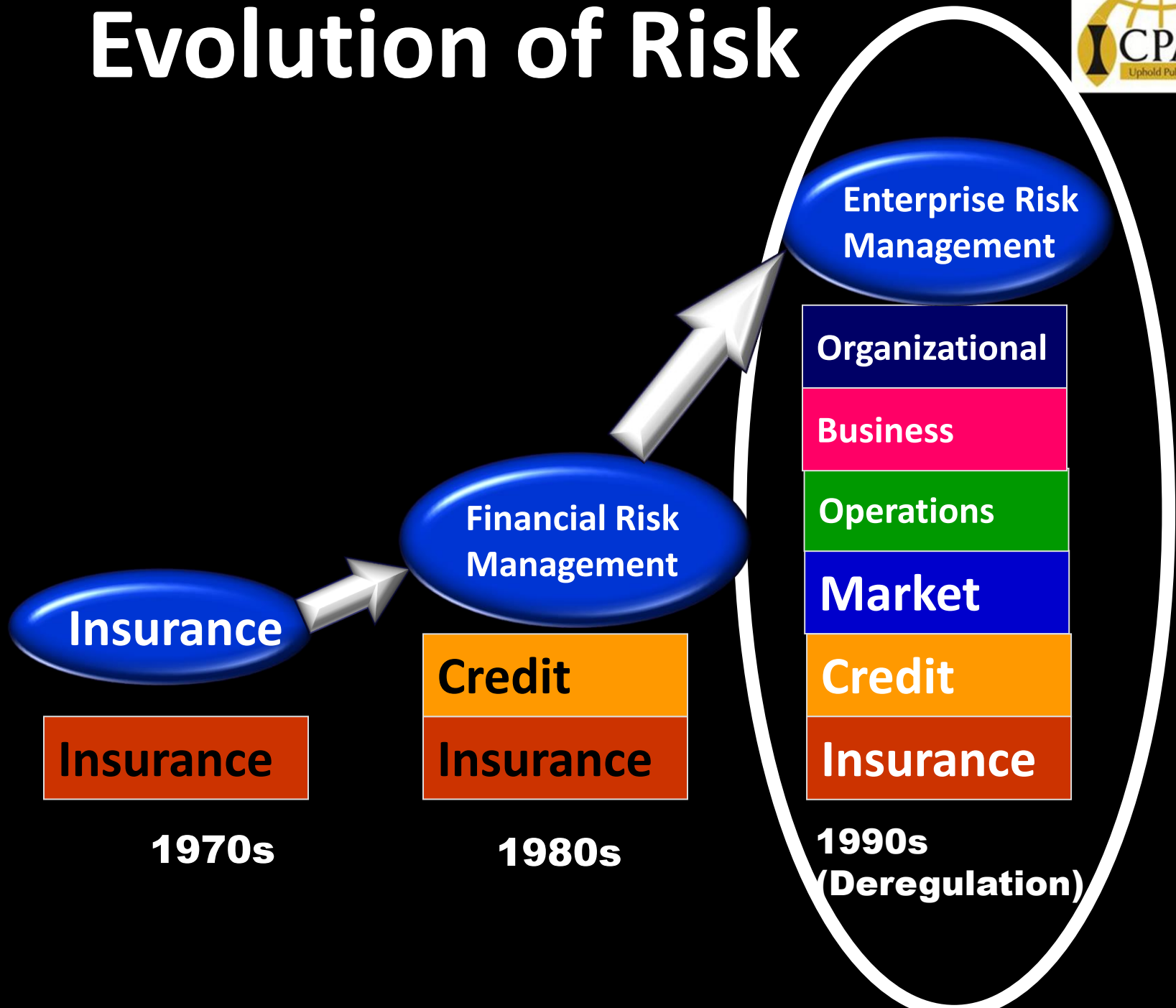
Source: COSO Enterprise Risk Management



What are your
pillars

**Risk = Anything that impedes
from achieving corporate objectives**

Evolution of Risk





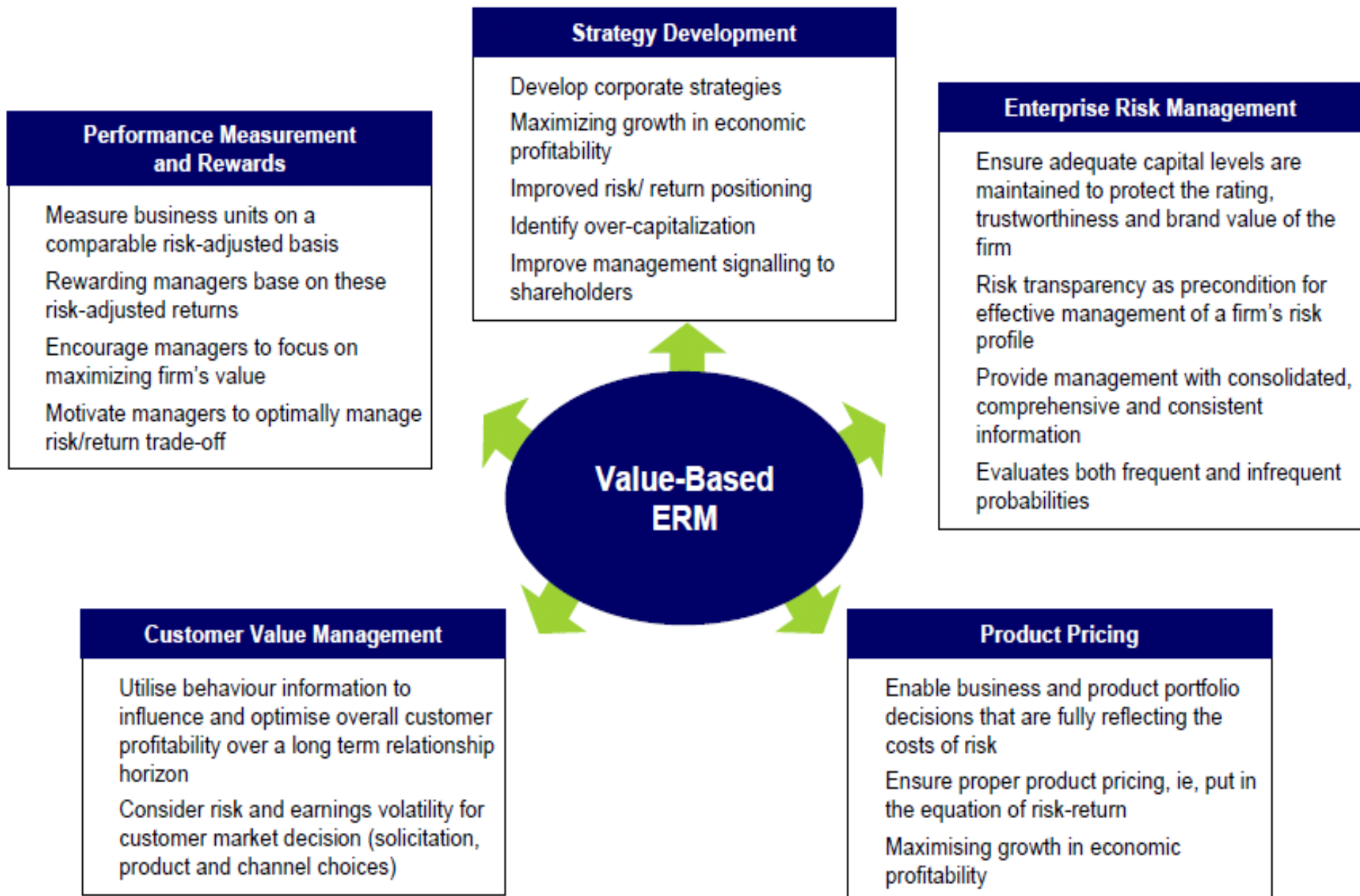
Linking Risk to Strategy

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



Linking strategy to ERM



E.g.



STRATEGIC PLAN

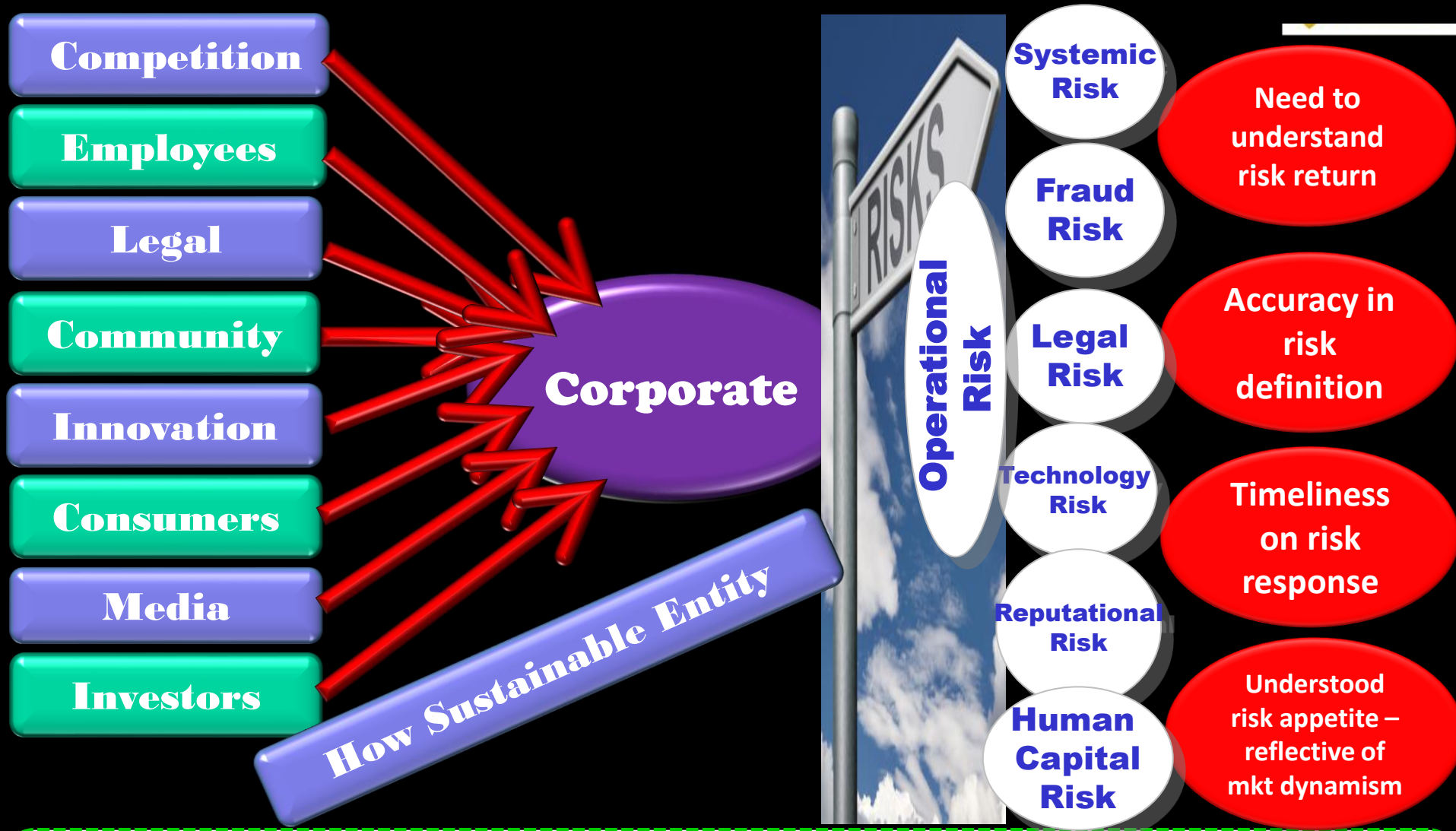
HELB AGENDA 2019-2023



WHY EDUCATION WILL GET **CHEAPER**

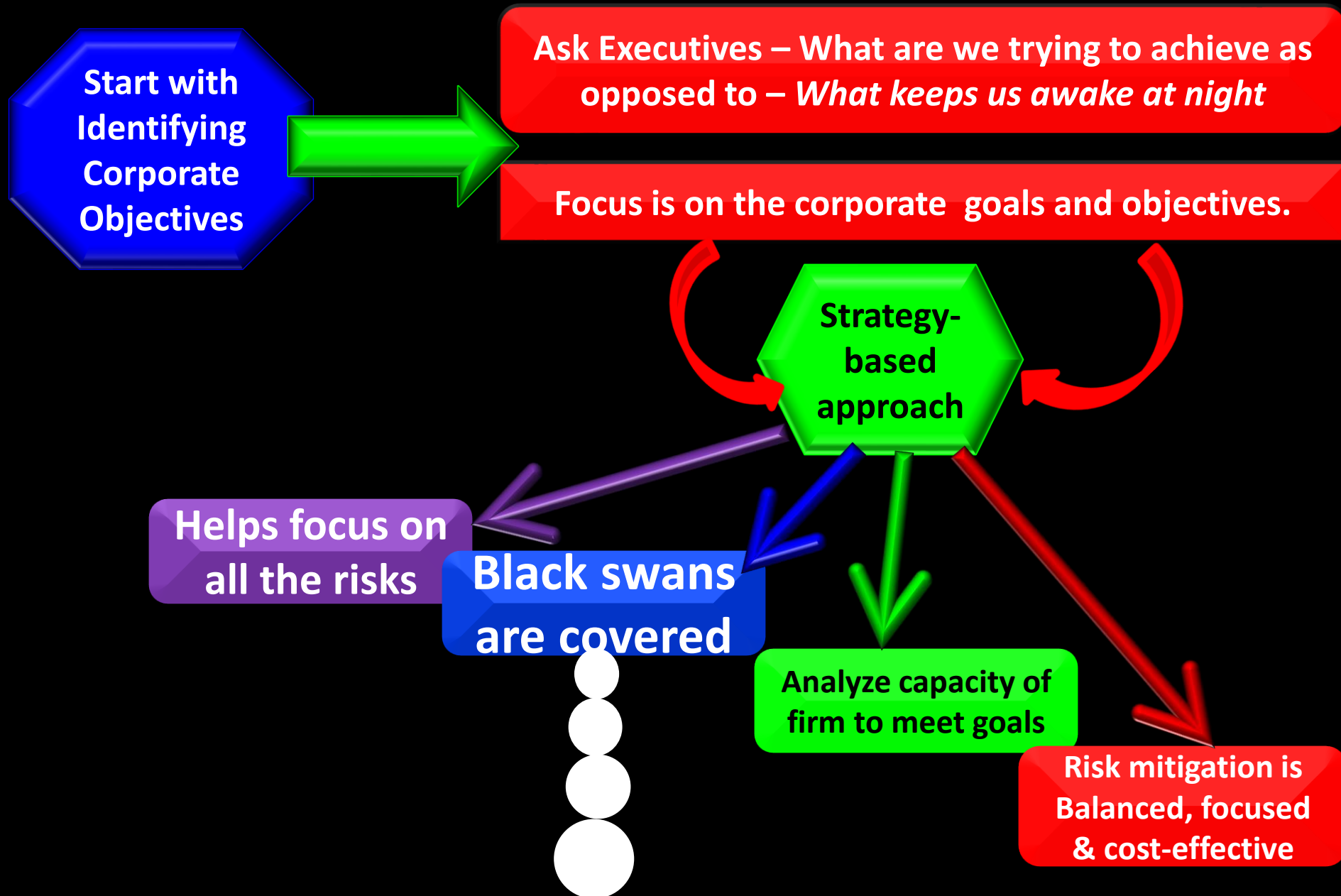


Sources of Risk nightmares

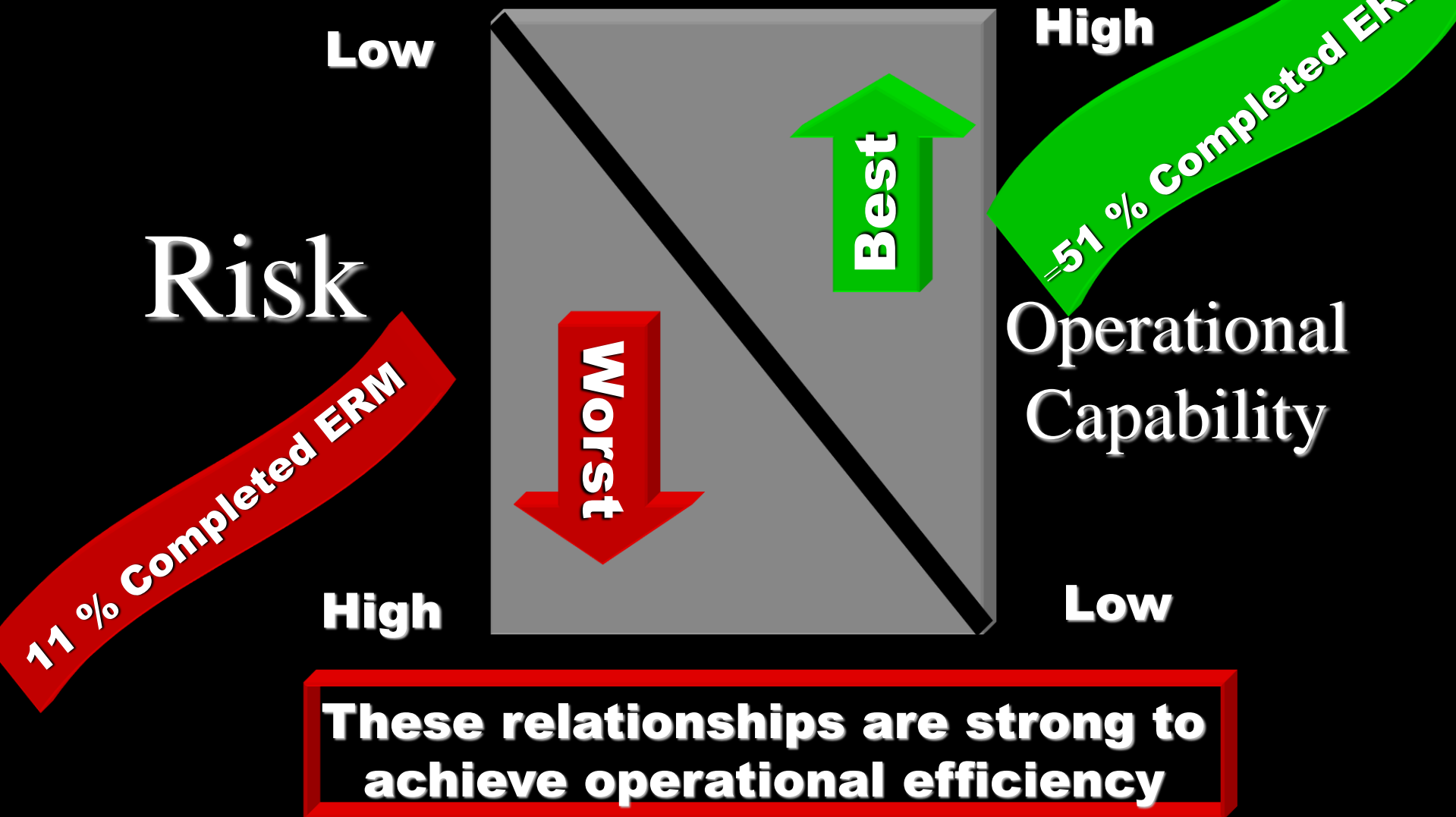


"We remain prepared to lose \$6 billion in a single event, if we have been paid appropriately for assuming that risk. We are not willing, though, to take on even very small exposures at prices that don't reflect our evaluation of loss probabilities.....Warren Buffer

Risks Identification Process - Risk *in* Strategy



Risk & Capability: a core relationship



PROGRESSION

REACTION

PREVENTION

OPPORTUNITIES

Chaotic

- No standards
- Reactive approach
- No master data plan
- No strategy

Reactive

- Standards established
- Basic DQM process established
- Master data plan identified
- Strategy defined and communicated



International
Organization for
Standardization



BANK FOR INTERNATIONAL SETTLEMENTS

BS 31100:2008

AS/NZS 4360:2004

CAN/CSA ISO 31000

Defined

- KPIs identified & measured
- Data dictionary and rule dictionary documented and maintained
- N-Tiered stewardship established
- Master data plan executed
- Supporting technology framework deployed
- Root cause for issues being tracked and measured

Proactive

- Continuous improvement feedback loops operating
- Root cause analysis feeding into feedback process
- Pro-active approach to management of data and rules dictionary
- DQM process automating measurement of function performance
- All information silos fully integrated with master data systems

Predictive

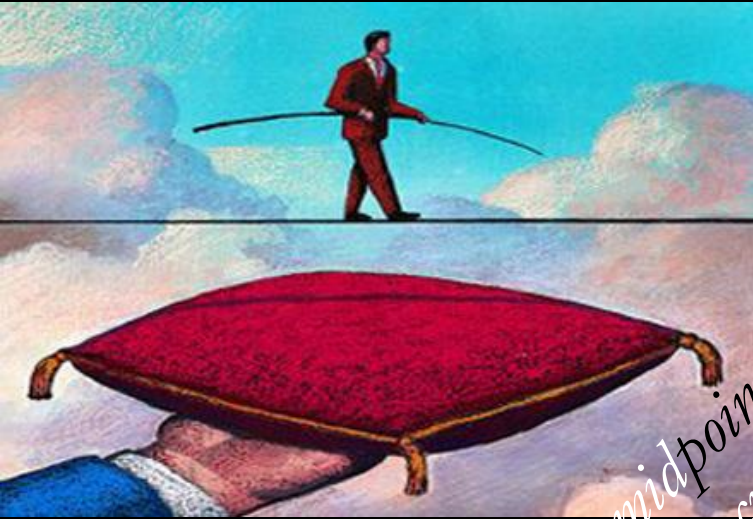
- Process feedback loops are tuning as opposed to fixing
- DQM processes fully automated with complete audit trail
- Top-down strategy fully in tune with the bottom up application of stewardship => complete cultural alignment across the enterprise
- People, Process and Technology operating in harmony



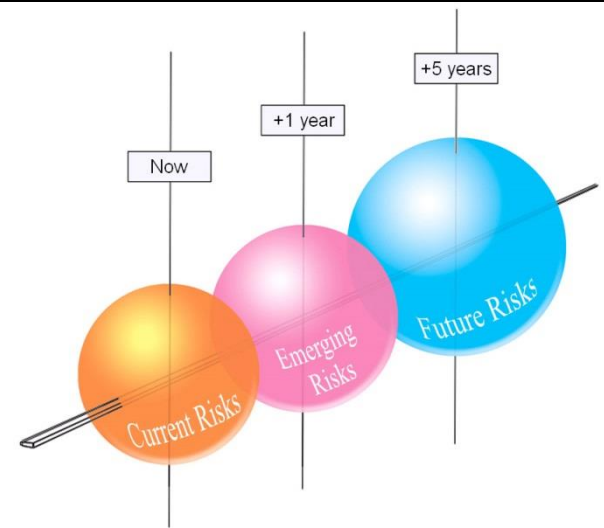
**RISK
Intelligence**



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.”



Profit not Cost centre

The Theory of Profit risk measurement methodology -

Risk as an innovative, new approach to risk assessment and management that will help you uncover countless opportunities for your company - *the underlying gemstones*



1

New product/
project risk
assessment as a
whole science



2

Determine how much additional
liability due to new growth - ALM

Measure of risk to
public safety



3

Account of non-quantifiable
events



4

Develop an insurance strategy based on your profile of risk

Achieving Risk Intelligence

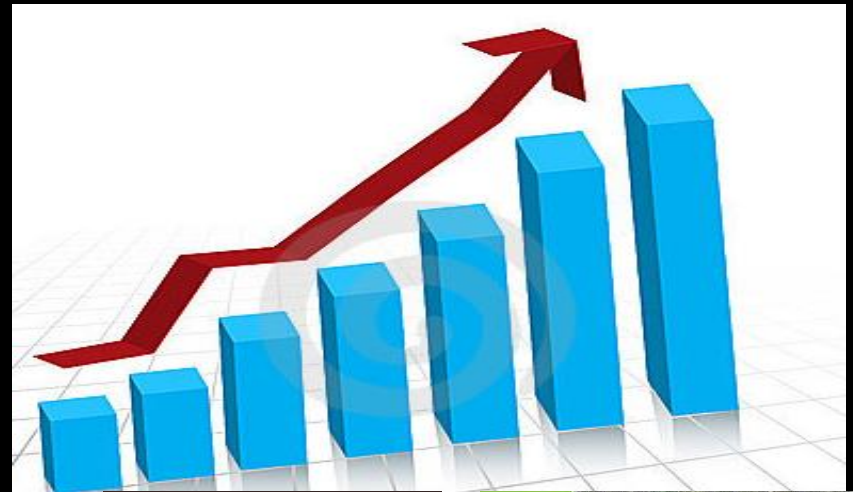
Risks

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 coupled with innovation.

RISK
Intelligence



Enterprise Risk Intelligence

Evolution

8 step process to best practice ERI

Reaction

Prevention

1
Notify of events

2
Investigate events

3
Corrective actions to prevent further events from occurring

4
Compliance process to audit/test control frameworks/corrective actions

5
Introduction of risk - risks identified from investigations & auditing of control framework

6
Top Risks – manage significant risks, I,A,C,M = ISO 31000

7
Integration of all risk categories - permeation of the compliance process across all obligations (internal/external)

8
ERI full collaboration & analysis of event, risk & compliance management processes

↑ VALUE ADD FOR ORGANISATIONS

TIME →

- Essential to Institutions

RMSS Copyright © 2011

- Risk Appetite is now prominent in the Board
- Institutions must now consistently speak of their largest risks, & present facts that facilitate dialogue on risk.

- Boards must now understand deeply their organization risk profiles – this improves decision making and maintains firm competitive edge.

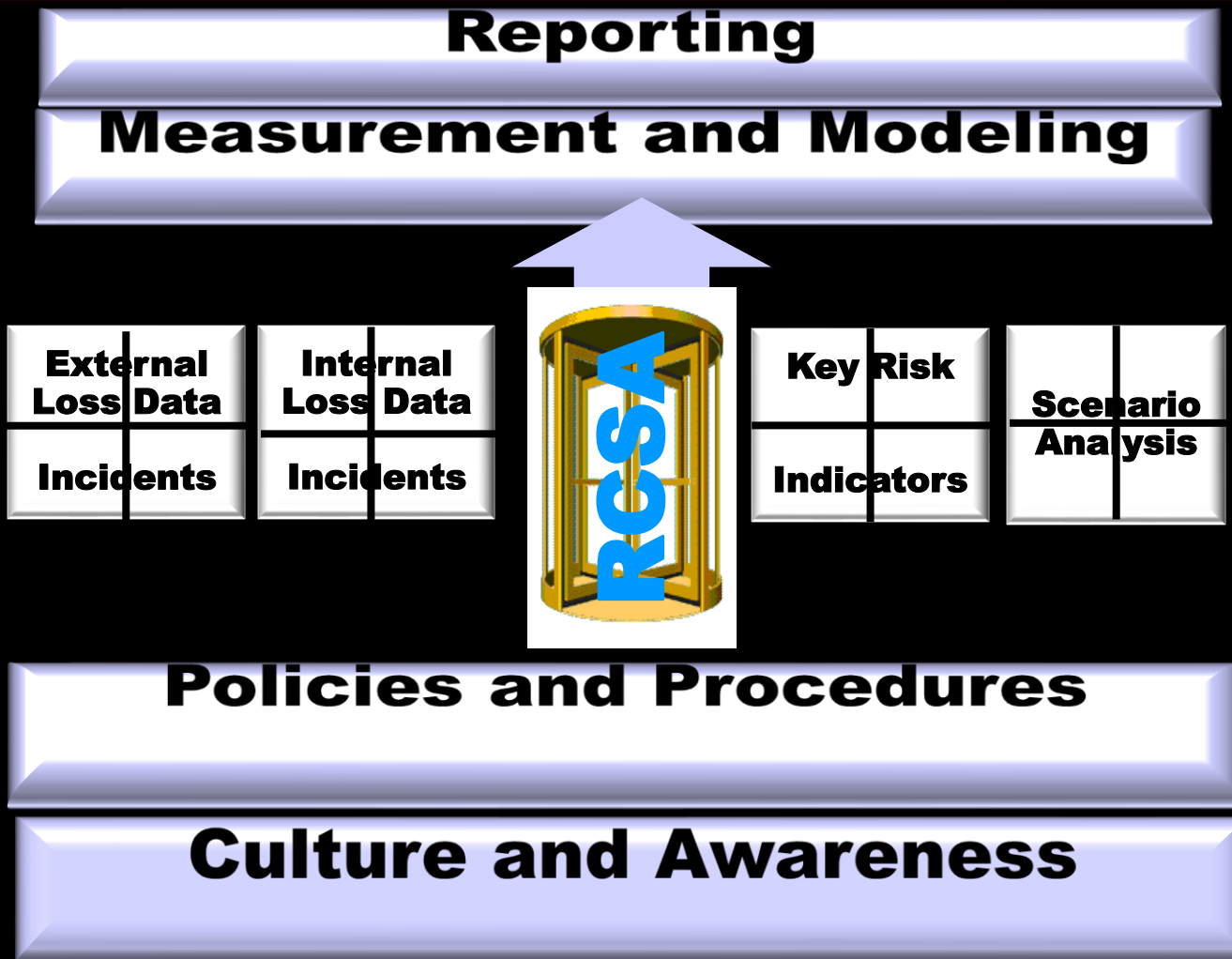




Formal Risk Management processes

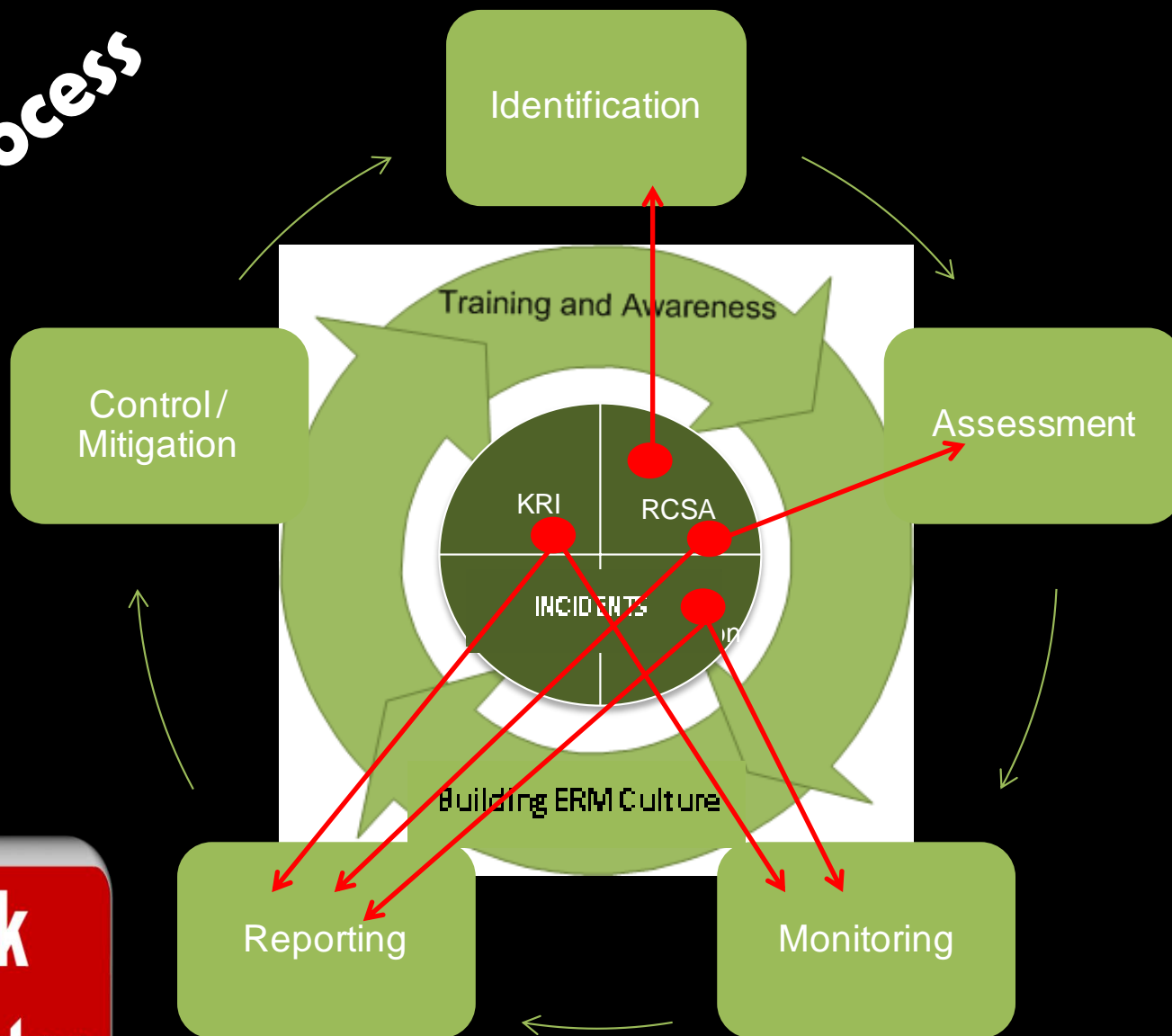
Framework Structure

**Governance Structure
Organizationally**



**Risk Appetite, Strategy,
and Objectives**

The Process



Risk Register

Risk Event Description	Inherent Impact	Inherent Likelihood	Description of Standard Controls	Control Rating	Residual Impact	Residual Likelihood	Action plan	Responsible Person	Due Date
------------------------	-----------------	---------------------	----------------------------------	----------------	-----------------	---------------------	-------------	--------------------	----------

Objective Setting



Credibility

Professionalism

AccountAbility

The Vision

Our Vision:

To be a globally recognized Professional Accountancy Institute

Enhance Member Services

If we succeed, how will we look to our Members?

- Member Growth
- Gender & Age
- Regional Expansion
- Value Addition

Set goals that align with the institution's mission and its risk appetite.

Begin with strategy. A good time to review strategic initiatives is during the planning and budgeting process.

Public Policy & Governance

To achieve our vision, how should we influence?

- Stakeholder Engagement
- Legislation
- Representation
- Visibility

Promote regulation of Accountancy Profession

"To achieve professionalism how do we set standards?"

- Tech Support
- Standards
- AQA
- Disciplinary

Consider the organizational structure. Buy in is critical at all levels.

Brand & Institutional Strengthening

"How do we strengthen the Brand with a strong institutional capacity?"

- Visibility
- Positioning
- Internal Capacity

Employees at all administrative levels of the institution also need to understand how they fit into the strategy.

"Ask What are the most urgent risk objectives?" - strategic, Membership, influence, financial, and operational. = Reputational



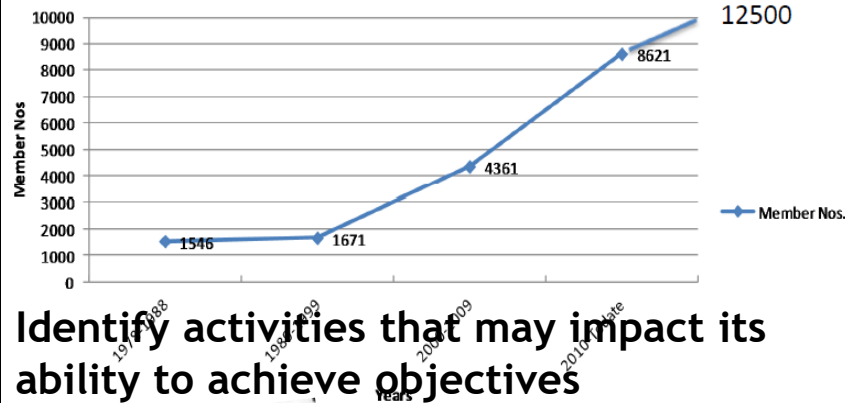
Risks Identification Process - Risk *in* Strategy



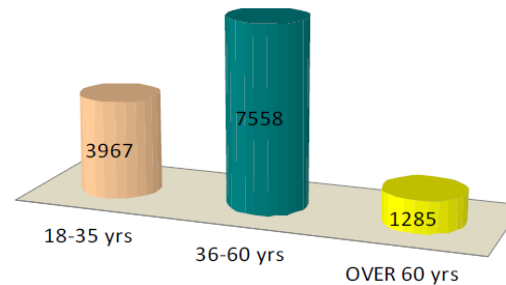
Risk Identification

RCSA

Chart 1: Active Member Growth



Age Group of Members



Distinguish risks from opportunities



M-PESA Send pesa by phone
 * Please see following advertisement for a list of authorized agents.
 FREE
 No any additional M-PESA Agent?

Identify activities that may impact its ability to achieve objectives



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

Events Losses & Incidents
 • Understand business "as is"
 • performance shocks
 • Look at Audit report
 • Media publicity, shareholder/investor expectation to stimulate a "fact-based

SWOT Analysis
 Favorable
 Unfavorable
 Internal
 Strengths Weaknesses
 external
 Opportunities Threats

Use analytical tool PESTEL
 Scenarios
 "Managers invent and then consider, in depth, 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 leaps of understanding."



Risk Event Description	Inherent Impact	Inherent Likelihood	Description of Standard Controls	Control Rating	Residual Impact	Residual Likelihood	Action plan	Responsible Person	Due Date
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Risk Assessment

1,2,3,4.....

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

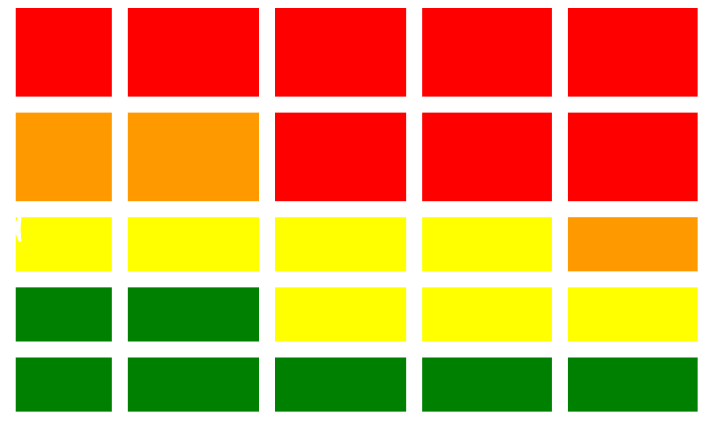
Inherent Risks Assessment

- 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	Description	IMPACT (RES)
5	Critical	Inability to achieve business objectives, e.g.: - Loss of significant business - Massive reduction in company reputation with stakeholders - Excessive costs dramatically impacting long term profitability and viability - Inability to attract new business - Significant IT disruptions leading to significant delays in business operations - Estimate total cost is over RES 20 Mn
4	High	Constrained ability to achieve business objectives, e.g.: - Significant but recoverable reduction in company credibility and/or reputation - Significant reduction in service and business capability incurring excessive costs that impact current earnings and profitability - Loss or misappropriation of significant assets - Loss of significant numbers of key personnel - Estimate total cost is > RES 5 Mn and < RES 20 Mn
3	Moderate	Moderate impact on achievement of business objectives, e.g.: - Loss of high value customers or alliances temporary loss of service or business capability - Temporary, but recoverable reduction in creditability/reputation - Short term increase in costs or loss of revenue - Estimate total cost is > RES 1 Mn and < RES 5 Mn
2	Low	Limited impact on achievement of business objectives e.g.: - Temporary delay in reaching objectives - Short term or limited reputation damage - Limited impact on customer retention - Limited increase in costs - Minimal impact to revenue or earnings - Estimate total cost is > RES 500,000 and < RES 1 Mn
1	Minor	Relatively insignificant impact on the achievement of business objectives. Estimated total cost < RES 500,000

SCALE	RATING	PROBABILITY
5	Expected	Above 60%
4	Highly Likely	40 to 60%
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



Likelihood

Scale	Rating	Probability
1	Rare	0 to 10%
2	Unlikely	10-20%
3	Probable	30-40%
4	Likely	40-60%
5	Almost Certain	Above 60%

Approve

Descriptor	Score (not visible)	Impact on Service and Reputation
Insignificant	1	Relatively insignificant impact in the achievement of the Institute's objectives, e.g. <ul style="list-style-type: none"> Potential financial impact of less than Kshs 50,000 on annual profit Impact of event managed through normal activity and resolved by staff
Minor	2	Limited impact in the achievement of the Institute's objectives, e.g. <ul style="list-style-type: none"> Potential financial impact up to KShs 250,000 on annual profit Limited impact on members retention Minimal impact to revenue Minimal local/state media coverage - articles in local/state press and social media Impact of event managed through normal activity and resolved by line management
Moderate	3	Moderate impact in the achievement of the Institute's objectives, e.g. <ul style="list-style-type: none"> Potential financial impact in the range of Kshs. 250,000 to Kshs. 500,000 on annual profit Critical system and/or process downtime - unable to resume after 24hrs Temporary but recoverable damage to reputation Negative local/state media coverage Impact of event managed through normal activity and resolved by the Senior Management
Major	4	Constrained abilities in the achievement of the Institute's objectives, e.g. <ul style="list-style-type: none"> Potential financial impact of between Kshs. 500,000 and Kshs. 1 million on annual profit Significant membership attrition Loss or misappropriation of significant assets Critical system and/or process downtime - unable to resume after 3 days High staff turnover ????? Short-term nationwide negative media coverage CEO intervention involved in managing and resolving an event.
Critical	5	Inability to achieve the Institute's objectives, e.g. <ul style="list-style-type: none"> Potential financial impact that is greater than KShs 1m on annual profit Inability to attract members Poor reputation Excessive operational costs Critical system and/or process downtime - unable to resume after 1 week Extensive negative nation-wide media coverage CEO and/or Council intervention involved in managing and resolving an event

Risk Event Description

Inherent Impact

Inherent Likelihood

Description of Standard Controls

Rating

Impact

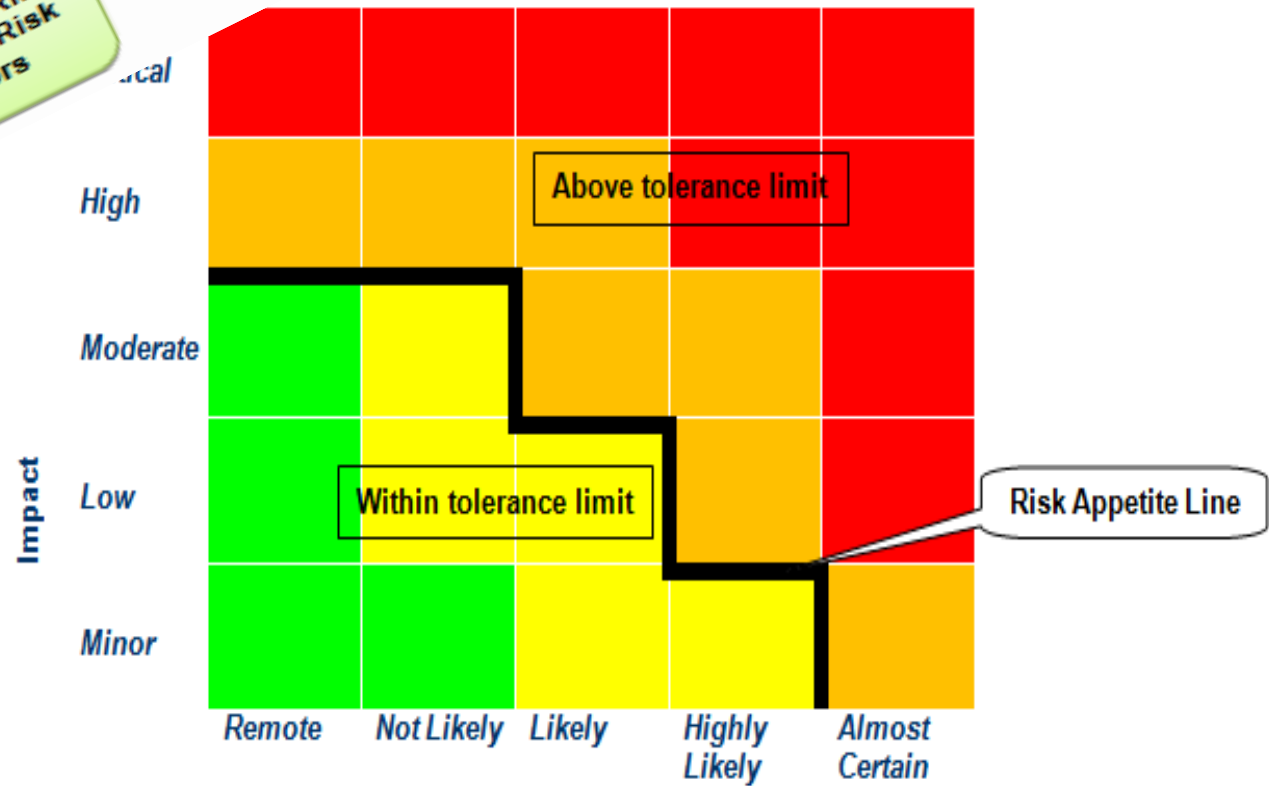
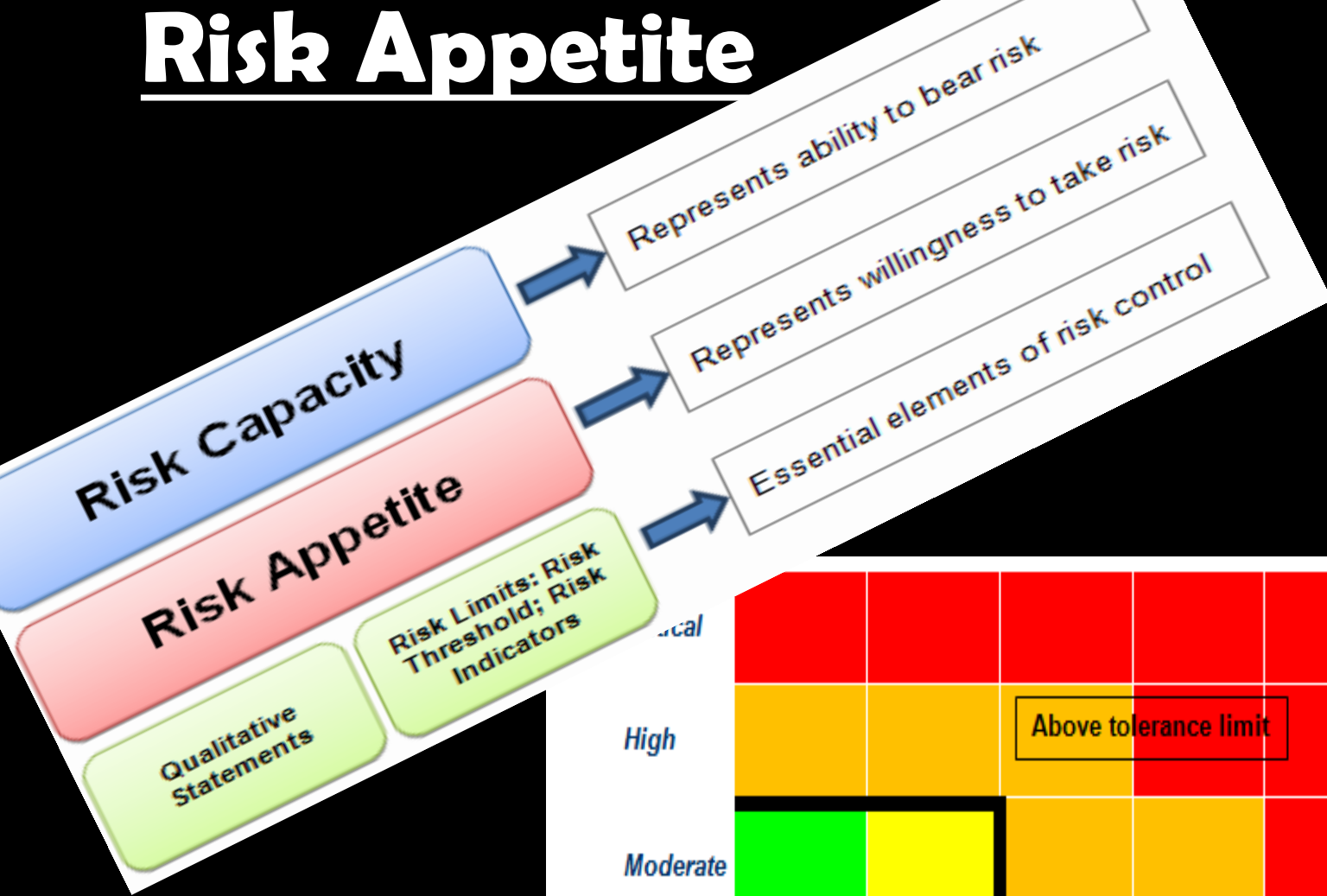
Likelihood

plan

Responsible Person

Date

Risk Appetite



Controls Evaluation

<div>Risk Event Description</div> <div>Inherent Impact</div> <div>Inherent Likelihood</div>	Description of Standard Controls	Control Rating	Residual Impact	Residual Likelihood
<div>Controls Effectiveness Scoring Criteria</div> <ul style="list-style-type: none"> Efficient Acceptable To Improve Defective 	<div>Checker</div> <div>Maker</div>	<div>Rating</div> <div>Efficient</div> <div>Acceptable</div> <div>To Improve</div> <div>Defective</div>		

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

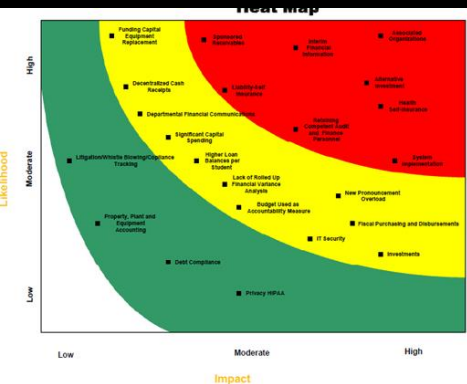
Efficient - The internal control system is efficient and adequate

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

Organizational Risk Heatmap - Profile



Impact

			Strategic Risk	Financial Risk
			Human Capital Risk	
IT Risk			Systemic Risk	Management Risk
		Legal Risk	Operational Risk	
		Political risk		
		Reputational		
				Environmental

Probability



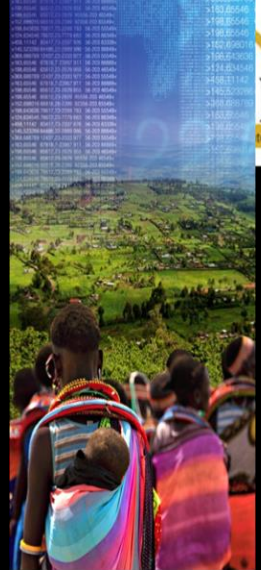
Risk Event Description	Inherent Impact	Inherent Likelihood	Description of Standard Controls	Control Rating	Residual Impact	Residual Likelihood	Action plan	Responsible Person	Due Date
------------------------	-----------------	---------------------	----------------------------------	----------------	-----------------	---------------------	-------------	--------------------	----------



**Desired
Risk
Profile**

**Actual
Risk
Profile**

**Perceived
Risk
Profile**



Spend time to think what the Risk profile means

Impact of Risk profile

Risk Universe



Liquidity

Credit

Market

Operational

Environmental

Business & Strategic

Reputational

PROFIT/LOSS STATEMENT

INCOME	EXPENSE
MARKET RISK	OPERATIONAL RISK
CREDIT RISK	
LIQUIDITY RISK	

**Which Risk
impact more on
my P&L**

**What are the
priorities**

Profit

BALANCE SHEET

ASSET	LIABILITIES
STRATEGIC RISK	LIQUIDITY RISK
ASSET/LIABILITY MANAGEMENT	



HIGHER LEARNING | Proposal to restructure loans board to respond better to student needs
DAILY NATION Pg. 11, MONDAY MAY 26th
Plan to convert Helb into bank



HIGHER EDUCATION LOANS BOARD strategic plan

According to Helb's strategic plan for 2013-2018, the board is seeking to make it more effective to a bill to be tabled in parliament to help recover loans from defaulters.



fund the expansion of universities raise more than Sh10 billion needed for student loans. The credit line is among the strategies being considered to bankroll Helb into a new financing model, one can substantially increase interest payable on tuition loans, especially for postgraduate students. Responding to concerns by leaders that public universities want to raise fees, the Cabinet Secretary said the ministry only wants to create of loan products beyond the State and allocations and recoveries.

Former Vice-President Kalo Musyoka and other Cord leaders urged the government to consider other ways of making universities of Kaimosi (above) said universities will in future be required to provide collateral for loans in a first graduation ceremony of South Eastern Kenya University in Kitui. revolving fund will have structured ways of recovering monies given to students," the minister said at the first graduation ceremony of South Eastern Kenya University in Kitui.



Risk Response/Actioning

Risk Response

Action plan

Responsible
Person

Turn Risk into
opportunity



RISK/BREAKDOWN/BREACH RANKING

Impact ↑	Very High	H	VH	VH	VH
	High	H	VH	VH	VH
	Moderate	M	H	VH	VH
	Low	L	M	H	H
	Insignificant	L	L	M	M
		Unlikely	Possible	Likely	Materialized
		← Likelihood →			

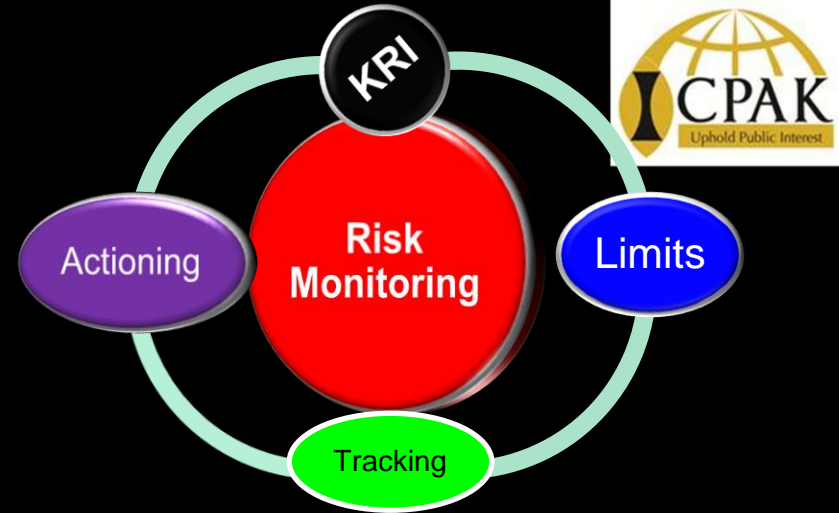
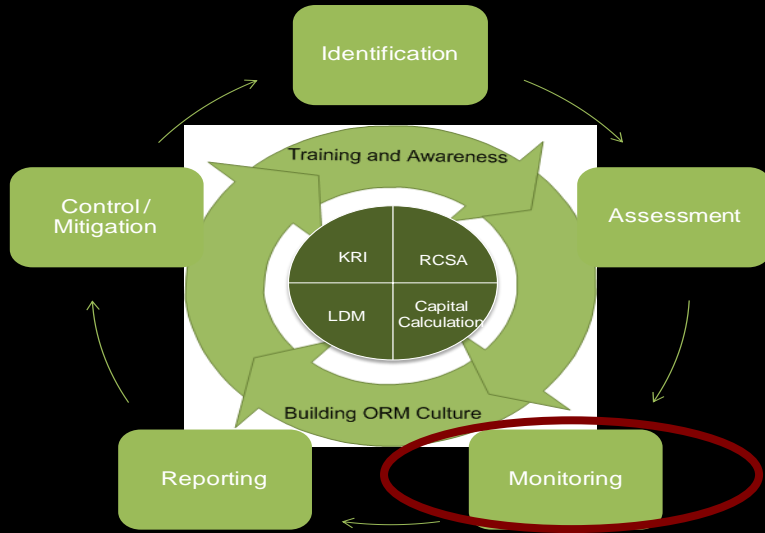
Tolerate

Treat

Transfer

Terminate

**The 4 T Response
plan**



Risk Monitoring

Strategy formulation



The Vision

Shareholder's Returns

"If we succeed, how will we look to our shareholders?"

- Profitability
- Growth
- Shareholder Value

Consumer needs are changing

Voice and design driven devices business continues to be important and volume growth will resume

Innovative mobile solutions are delivering significant new value for many consumers

Our goal is to be a **truly consumer driven company** and we are responding to these divergent consumer needs



Our competitive environment is changing

Connect with customer

"To achieve our vision, what customer needs must we serve?"

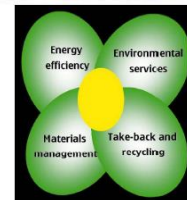
- Price
- Service
- Quality

Unleash our potential

To satisfy our customers and shareholders, which business processes must we excel at

- Cycle Time
- Productivity
- Cost
- Controls

The power of we:



By demonstrating responsibility through our own actions, sharing our knowledge and inviting others to get on the journey, we can make a real difference.



We use our scale for good by offering sustainable products and solutions across the whole portfolio, advocating sustainable choices with mobile services and ensuring a world-class global take-back program

Transformation

To transform into a solutions driven company optimizing user experience

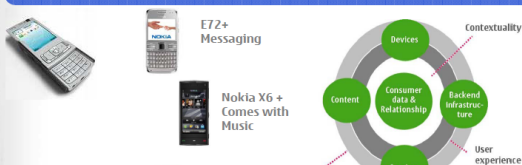
- Devices
- Service
- Relationships
- Feedback

Transforming into a solutions driven company optimizing user experience

past
device only

present
device + service(s) + partners

future
Seamless User Experience across device + services + partner ecosystem

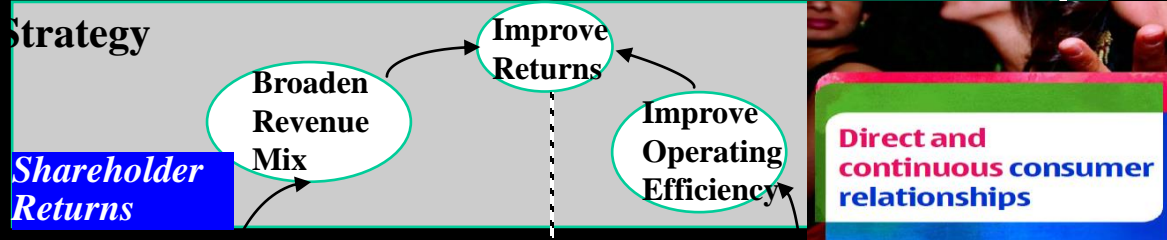


Strategic Thrust

The Revenue Growth Strategy

Customer needs exploration

“Broadening sources of revenue”



Nokia devices strive to initiate all consumers to the rich world of services

Consumer understanding to maximize our value to the consumer

Privacy & Trust: Permission-based

300M active users by end 2011

We believe in a world of changing paradigms - the nature of consumers' relationships with companies is changing

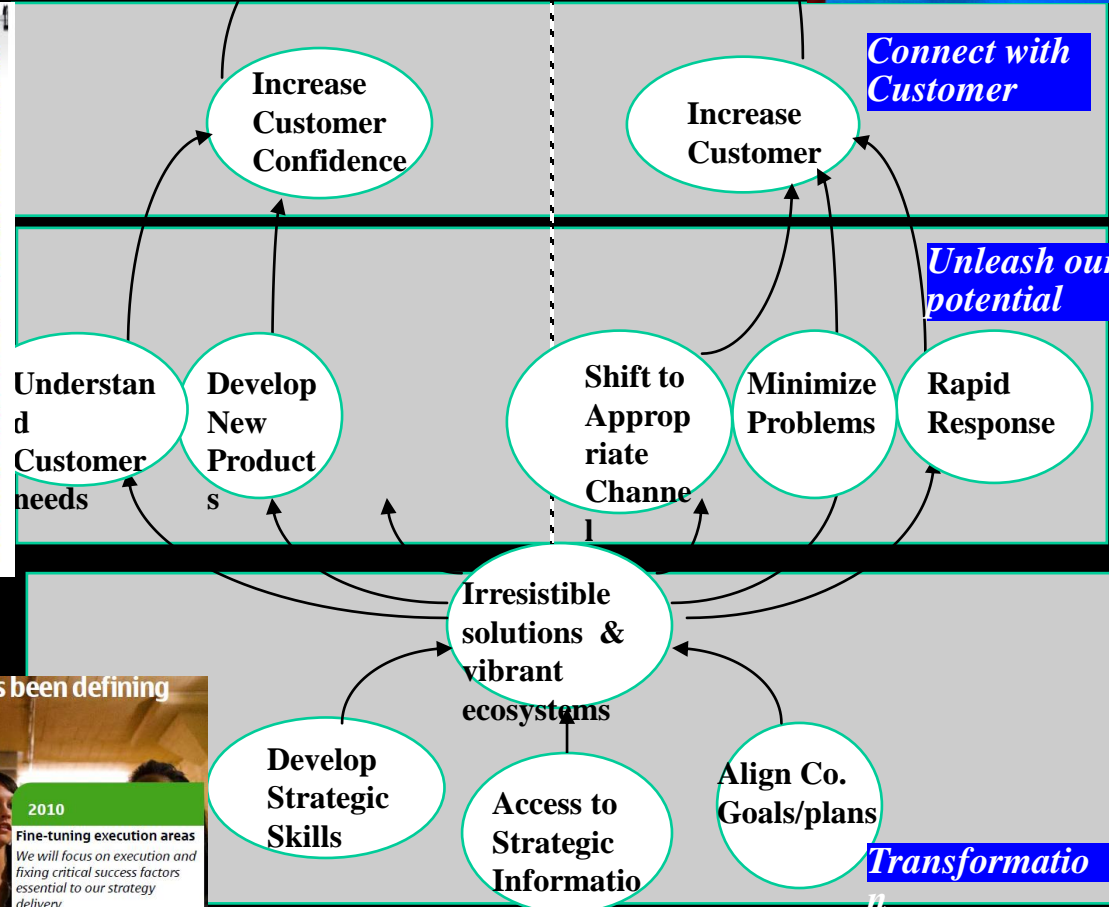
From a unified... to a segmented...
From a monologue... to a conversation...
Into a dynamic personalized offering together with our ecosystem

Into continuous relationships

Best devices

Three device areas with different ways to create and capture value:

- Computers
- Smartphones
- Phones



Connect with Customer

Unleash our potential

Transformation

Seamless user experience is #1 priority



How company transformation has been defining our strategy evolution

2007-8
Decision to expand into services
We will expand into services area, and become more like an internet company
We will set-up the structural capabilities to do so

2009
Transformation planning
We will transform into the leading mobile solutions provider.
➤ Vision and Transformation path & Goals defined
➤ Directional 4 strategic business objectives defined

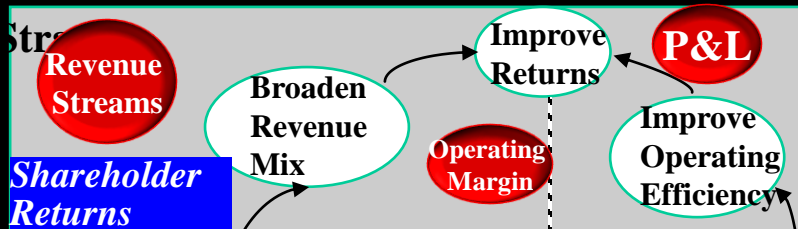
2010
Fine-tuning execution areas
We will focus on execution and fixing critical success factors essential to our strategy delivery.
➤ Continue execution on our 4 directional business objectives
➤ Prioritize Quality & Speed in execution with special attention to omnichannel

Bring in Measurements – KRIs - KPIs

Broadening sources of revenue

The Revenue Growth

Customer needs exploration



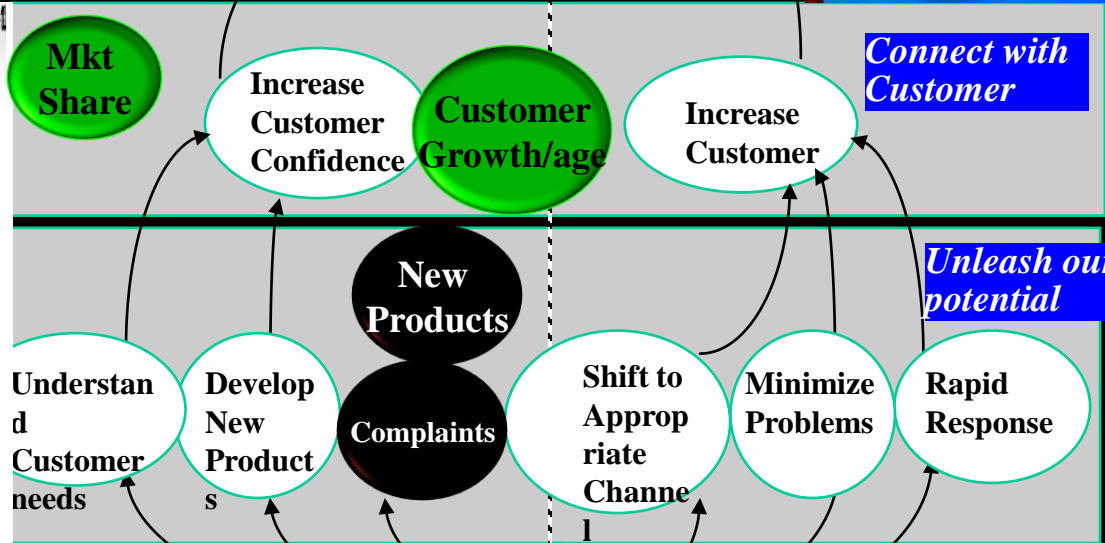
Direct and continuous consumer relationships

Nokia devices strive to initiate all consumers to the rich world of services

Consumer understanding to maximize our value to the consumer

Privacy & Trust: Permission-based

300M active users by end 2011



Three device areas with different ways to create and capture value:

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Best devices

We believe in a world of changing paradigms - the nature of consumers' relationships with companies is changing

From a unified... to a segmented... Into a dynamic personalized offering together with our ecosystem

From a monologue... to a conversation... Into continuous relationships

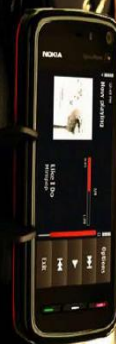
ON! Mobile-Teliasomera

How company transformation has been defining our strategy evolution

2007-8	2009	2010
Decision to expand into services We will expand into services area, and become more like an internet company We will set-up the structural capabilities to do so	Transformation planning We will transform into the leading mobile solutions provider. Vision and Transformation path & Goals defined Directional 4 strategic business objectives defined	Fine-tuning execution areas We will focus on execution and fixing critical success factors essential to our strategy delivery. Continue execution on our 4 directional business objectives Prioritize Quality & Speed in execution with special attention to product focus

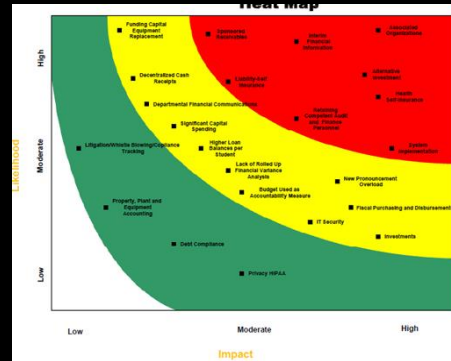
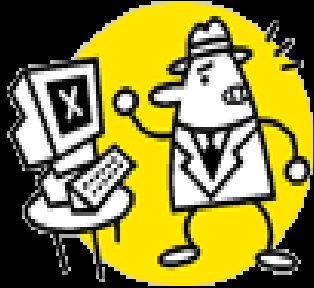


Seamless user experience is #1 priority

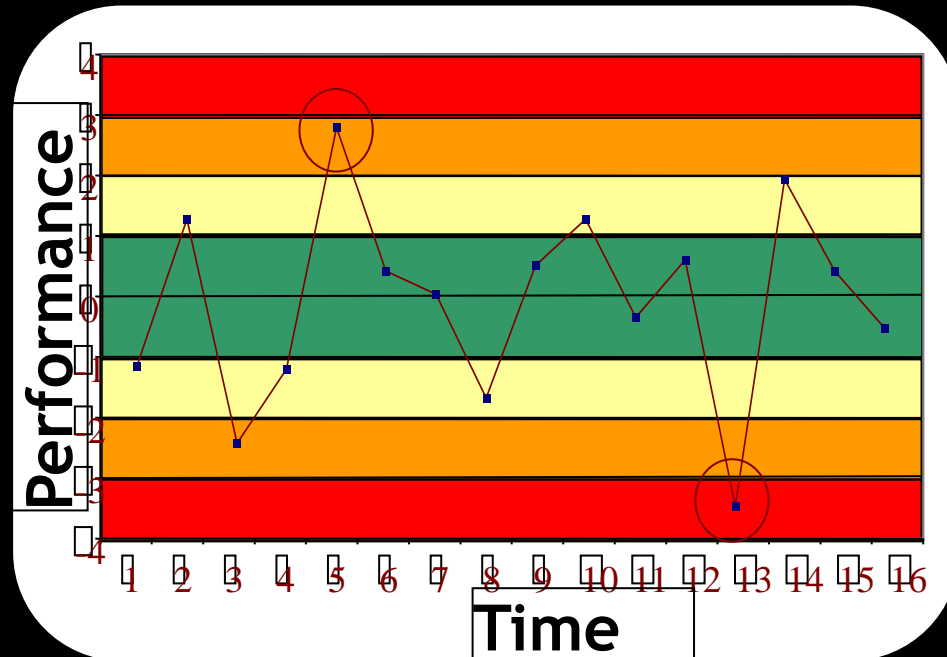
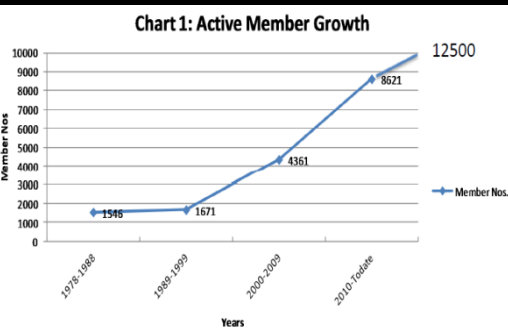
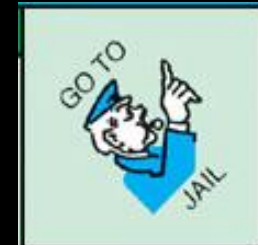


KRI – Risk Monitoring

Computer Breakdowns



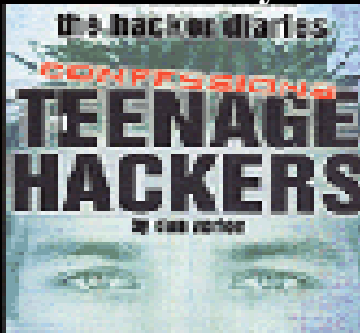
Internal Limit Violations



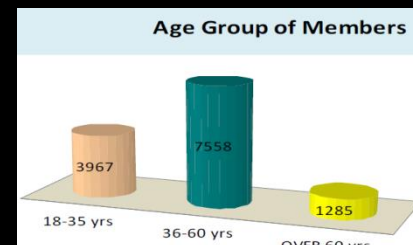
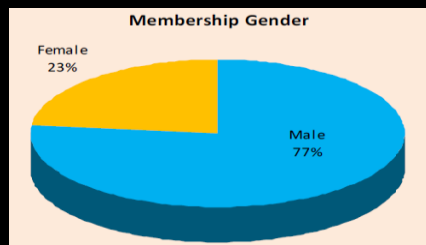
Staff Turnover



Electronic Security Breaches



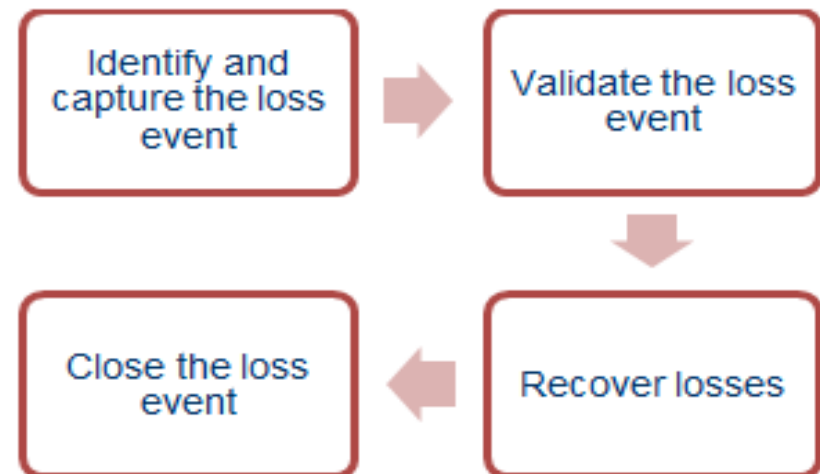
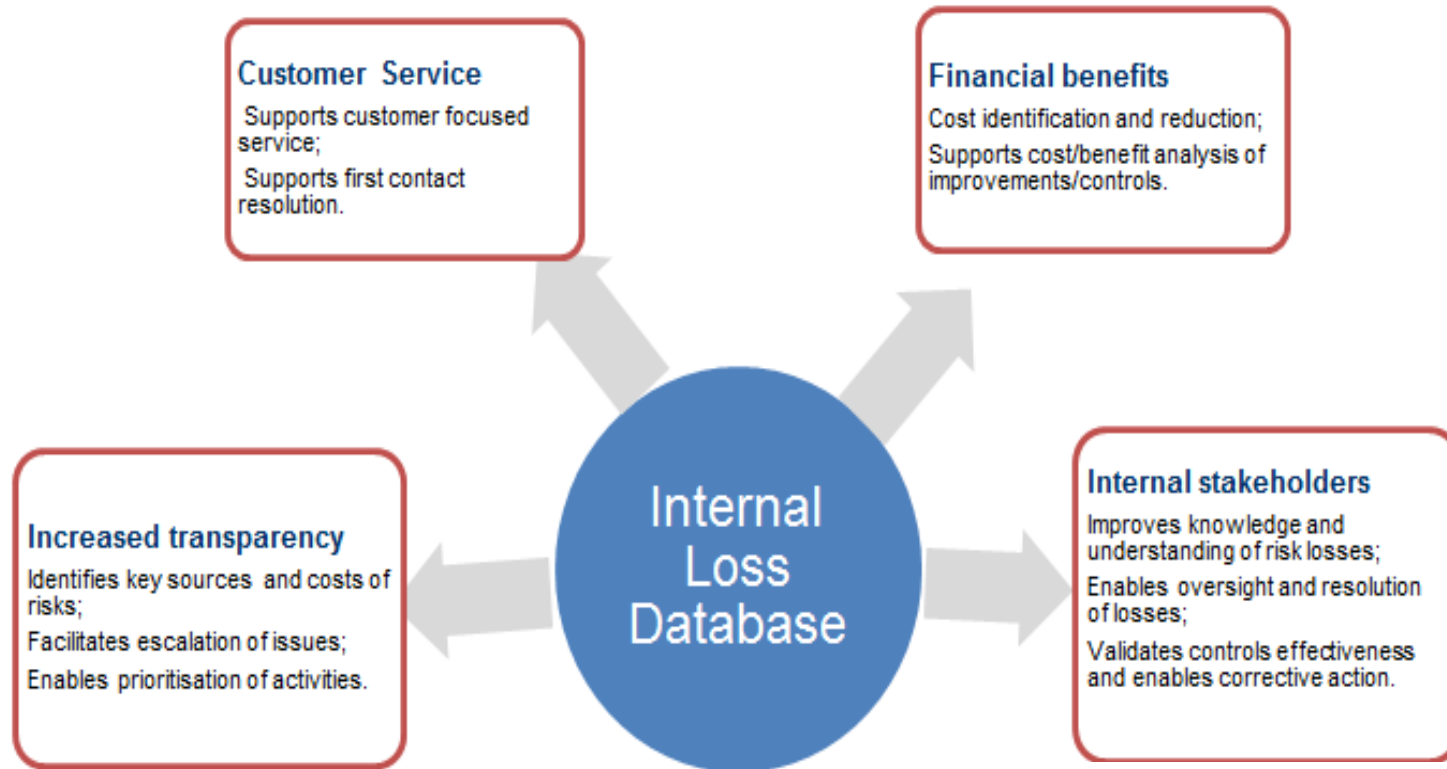
Customer Complaint



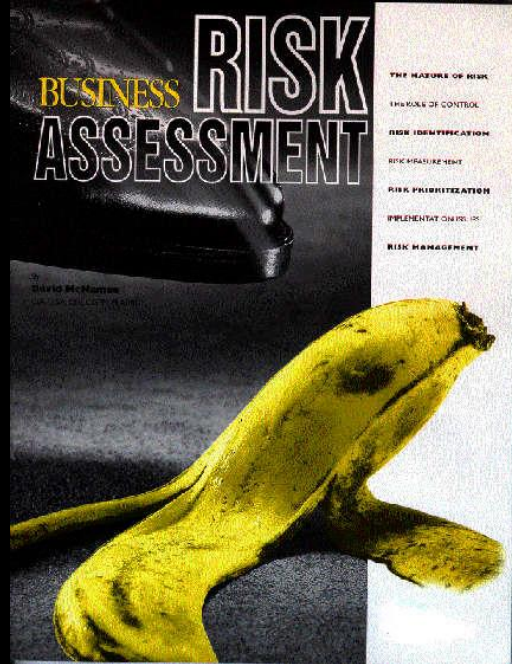
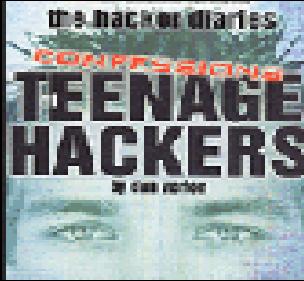


Incident Management

Loss & Incident Management

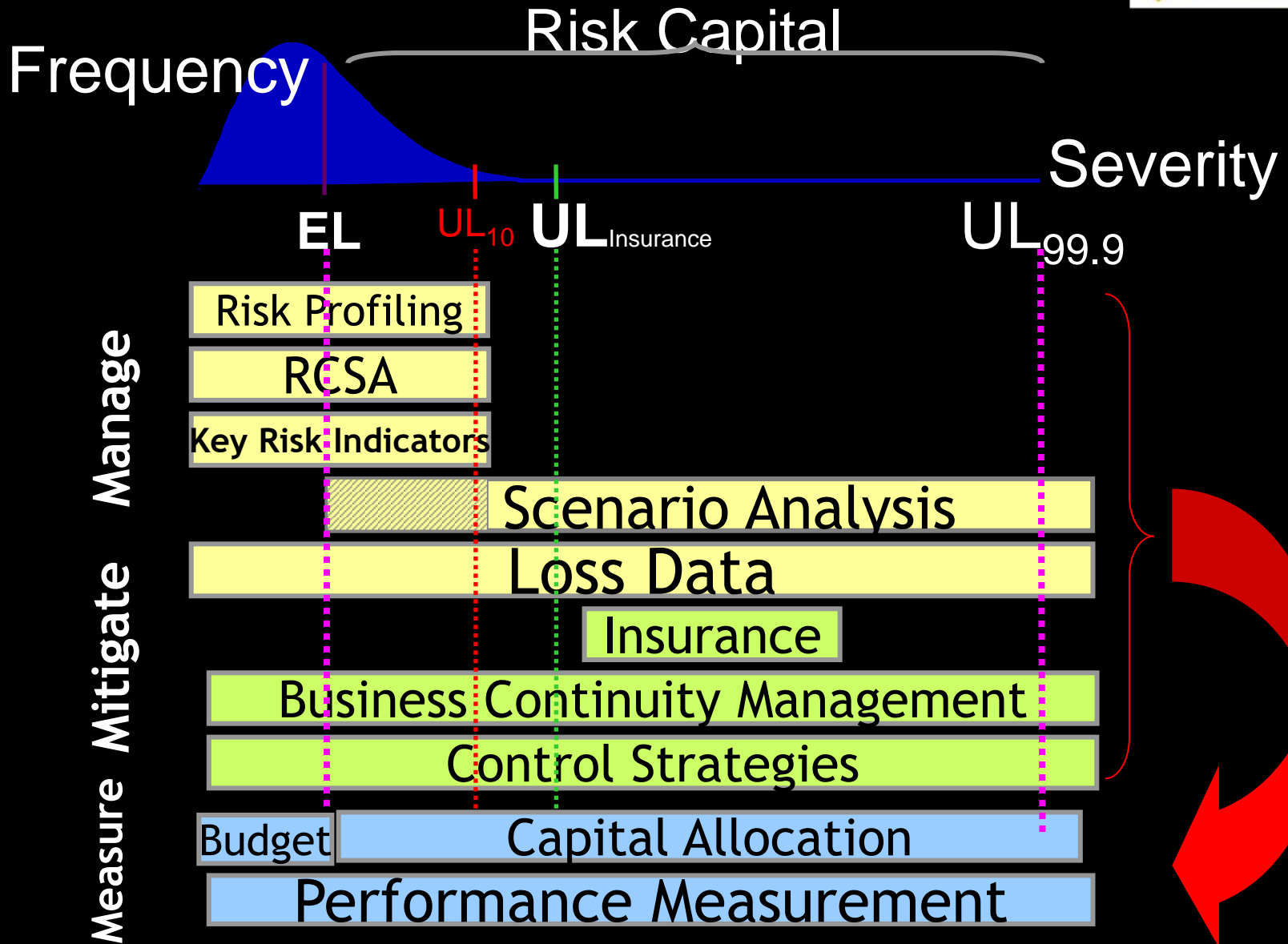


Sources of Incident

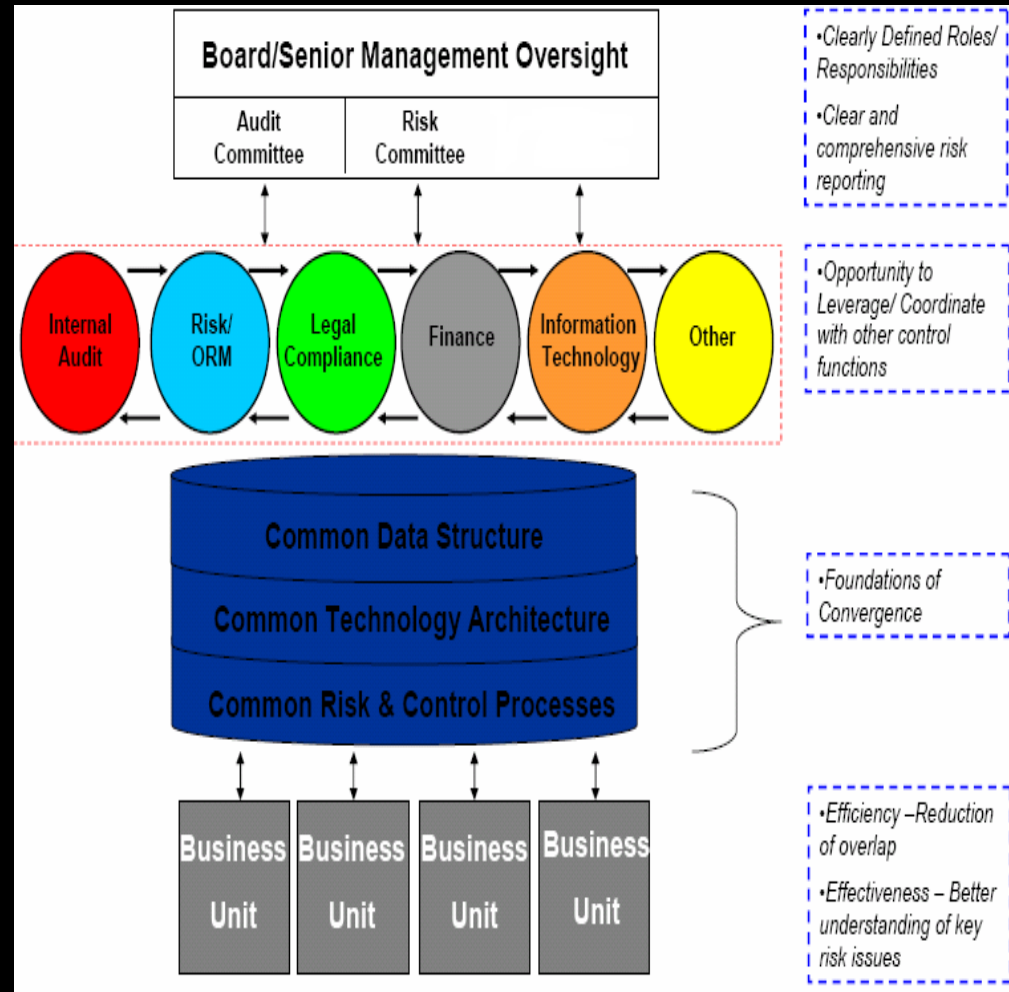
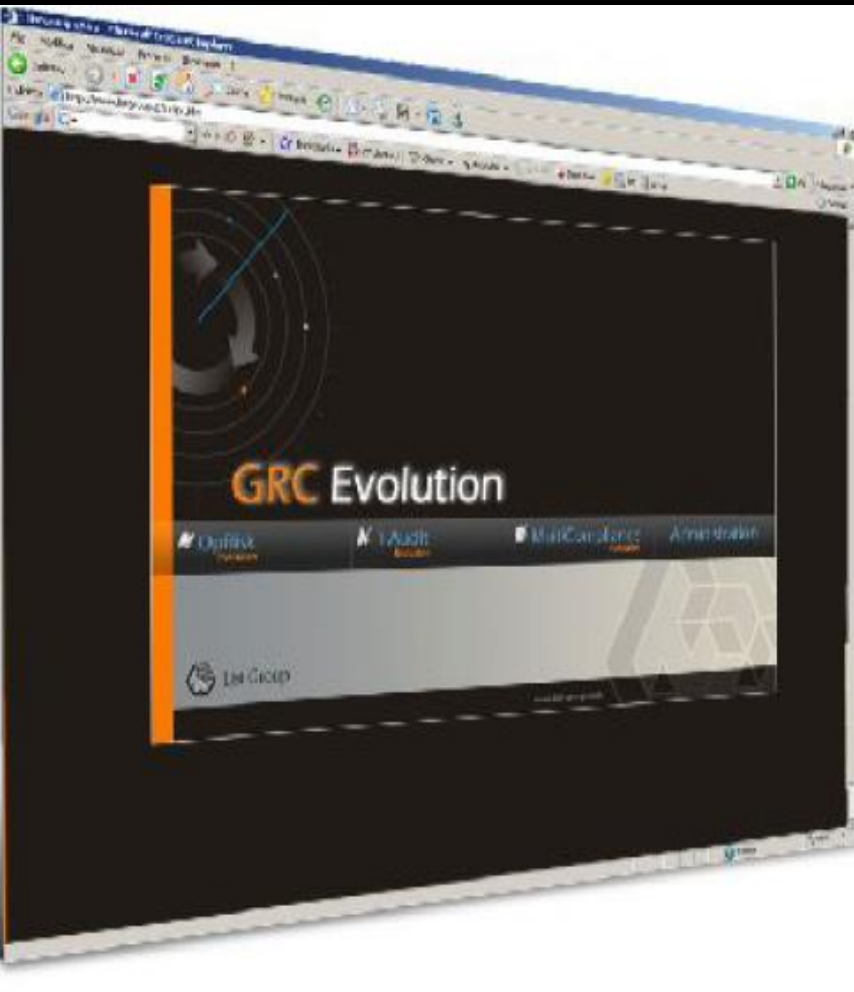




The Convergence of Risk Tools



Risk Reporting



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

Scorecard Name : Finance Department
 Scorecard Owner : General Manager, Finance
 Report Date : 08-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	#Action Due
1.	Government policies	Ei1101	Very High	Very Significant	QA	Very High	Major	QA	Medium	Major	QA	May Need improvement	N	1	0
2.	Clearance of Contributions With Incomplete Information (CTML)	Oc1108	Very High	Very Significant	QA	Very High	Major	QA	High	Major	QA	May Need improvement	N	2	0
3.	Management Information System	Oc1110	Very High	Very Significant	QA	Very High	Major	QA	Unlikely	Major	QB	May Need improvement	N	1	0
4.	Manpower planning	Hc1105	High	Major	QA	Medium	Major	QA	Medium	Major	QA	Within Expectation	N	0	0
5.	Disclosure of Confidential Information	Lc1102	High	Very Significant	QA	Medium	Major	QA	Unlikely	Moderate	QC	May Need improvement	N	0	0
6.	Financial reports/ statement	Oc1101	High	Very Significant	QA	Medium	Major	QA	Medium	Major	QA	Within Expectation	N	1	0
7.	Business Continuity Management	Oc1102	High	Very Significant	QA	Medium	Major	QA	Unlikely	Major	QB	May Need improvement	N	3	0
8.	Integration and reliability of IT system	Oc1105	High	Very Significant	QA	Medium	Major	QA	Medium	Major	QA	Within Expectation	N	0	0
9.	Internal controls	Oc1107	Very High	Very Significant	QA	Medium	Major	QA	Unlikely	Major	QB	May Need improvement	N	1	0
10.	Regulatory framework and changes in regulations	Ri1101	Very High	Very Significant	QA	Medium	Major	QA	Medium	Moderate	QB	May Need improvement	N	1	0
11.	Public image (reputation) of organization	Ei1102	Very High	Major	QA	High	Moderate	QB	Medium	Major	QA	May Need improvement	N	1	0
12.	Classified organization information	Gc1104	High	Very Significant	QA	High	Moderate	QB	Medium	Major	QA	May Need improvement	N	0	0
13.	Staff conduct	Hc1104	High	Very Significant	QA	Unlikely	Major	QB	Very Low	Major	QB	May Need improvement	N	0	0
14.	Staff work culture and mindset	Hi1102	Medium	Very Significant	QA	Unlikely	Major	QB	Unlikely	Major	QB	Within Expectation	N	0	0

NAVIGATING CORPORATE POLITICS



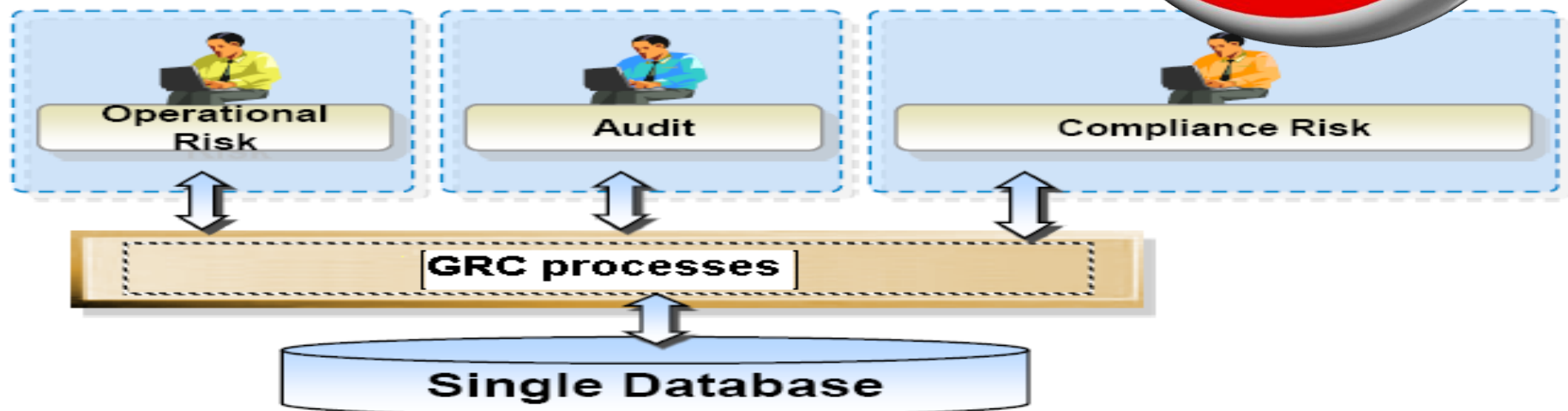
CAUTION:
MINES
AHEAD

TOM SPEARS

Linking - Risk, internal controls & enterprise value

**Three communities:
Different roles / Different
disciplines / Different risks**

Confusion

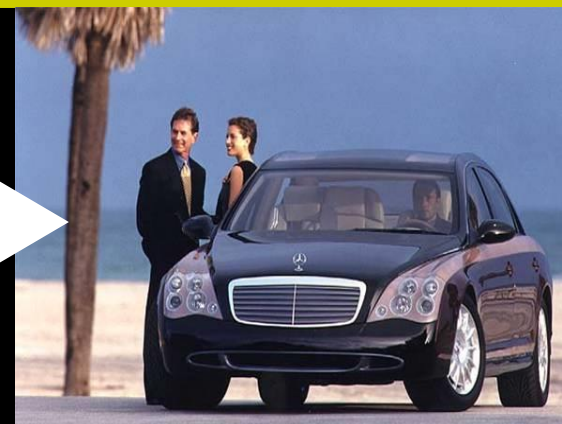


A Strategic GRC Framework

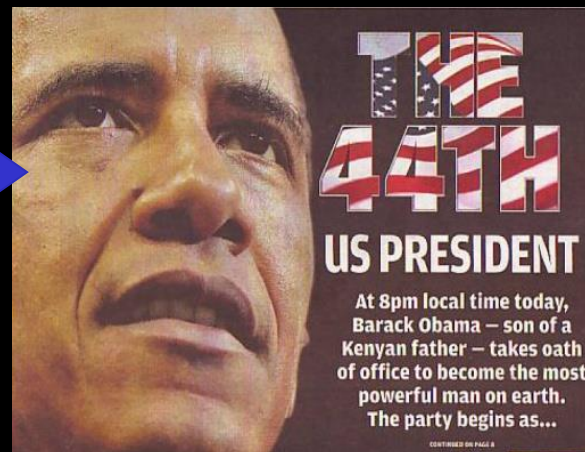




ERM is a hard nut to crack - Value addition proposition is one of the most difficult things. You must give a transformational stories continuously



Real Change



**Choices
Have
Consequences**





Are u sure?



Yes, we Can