



ICPAK Annual Internal and risk management conference

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With you today



A manager at KPMG Advisory Services with over 7 years of experience in providing enterprise wide and financial risks advisory services and solutions. Providing executive and staff trainings, risk function transformation projects, risk management gap analysis, risk maturity assessments, development and implementation of risk strategies and appetite statements, risk frameworks, risk assessment and quantification, stress and scenario analysis, risk monitoring and reporting.

Qualifications and associations:

- Accredited trainer, GARP, CPA, Actuarial science postgrad, PRINCE 2 Practitioner

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What we will cover today



Risk types for our discussion

- **Effective ERM Framework** – What prudent organizations should have in place
- **Overview of COSO and ISO 31000** – how these can be implemented / benchmarked depending on type of organization
- **Risk modelling and analytics** – Why this is the current and the next big thing

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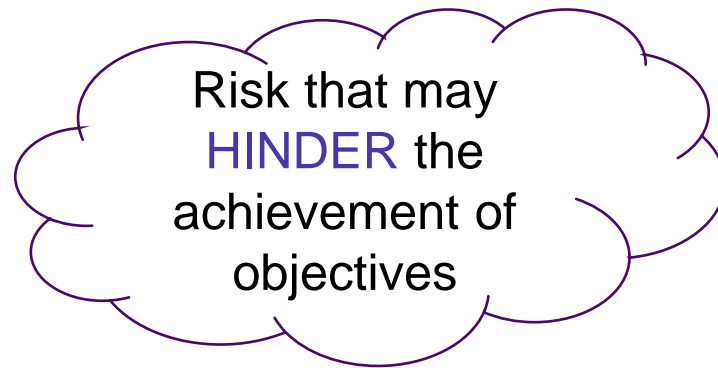


Introduction

Risk and risk management



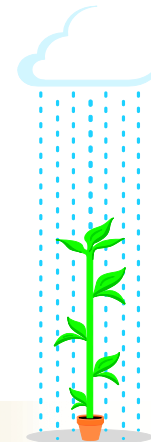
“Risk is the effect of uncertainty on objectives.” Can be positive, negative or both or can address, create or result into opportunities/threats. Uncertainty is look at positively in finance, there is always a possibility of better results....the question then remains, how to we manage these to attain the desired risk reward trade off?



Threat



Opportunity



Risk that may **HELP** in the achievement of objectives



Effective ERM Framework

Overview and purpose



Effective Enterprise Risk Management Is Essentially Doing Two Things Well

Creating Content

**Profiling your business
risks by leveraging existing
risk assessment documents**

Creating Process

**Building and maintaining a dynamic risk management
process**

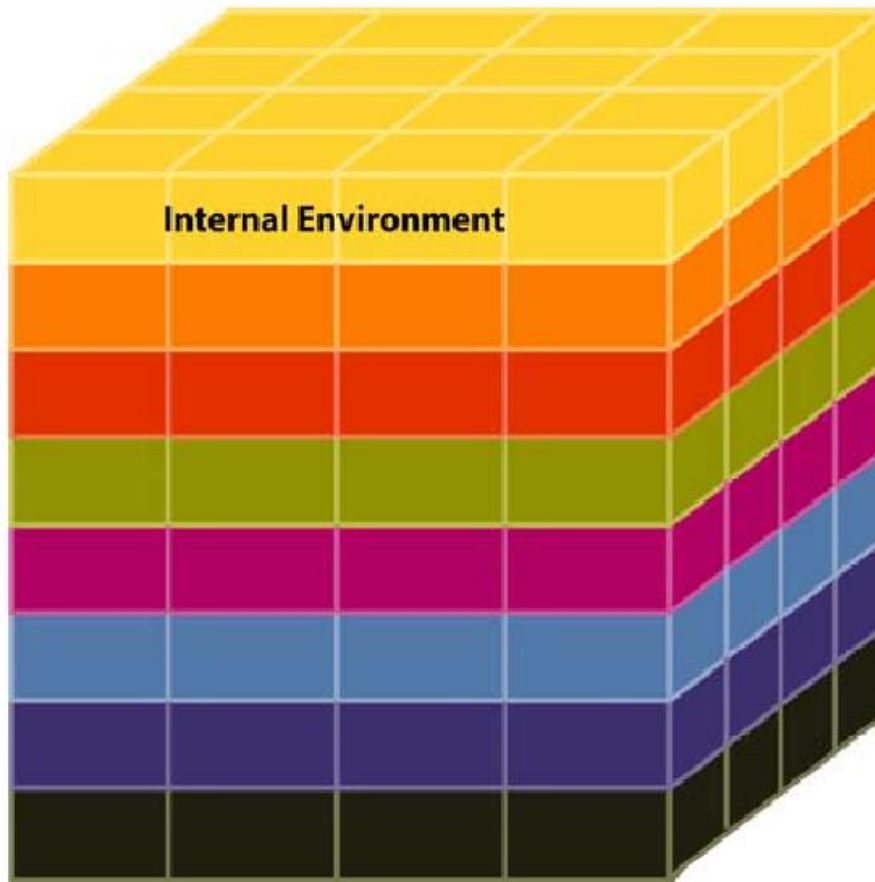
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The ERM Framework components...



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Key unique elements

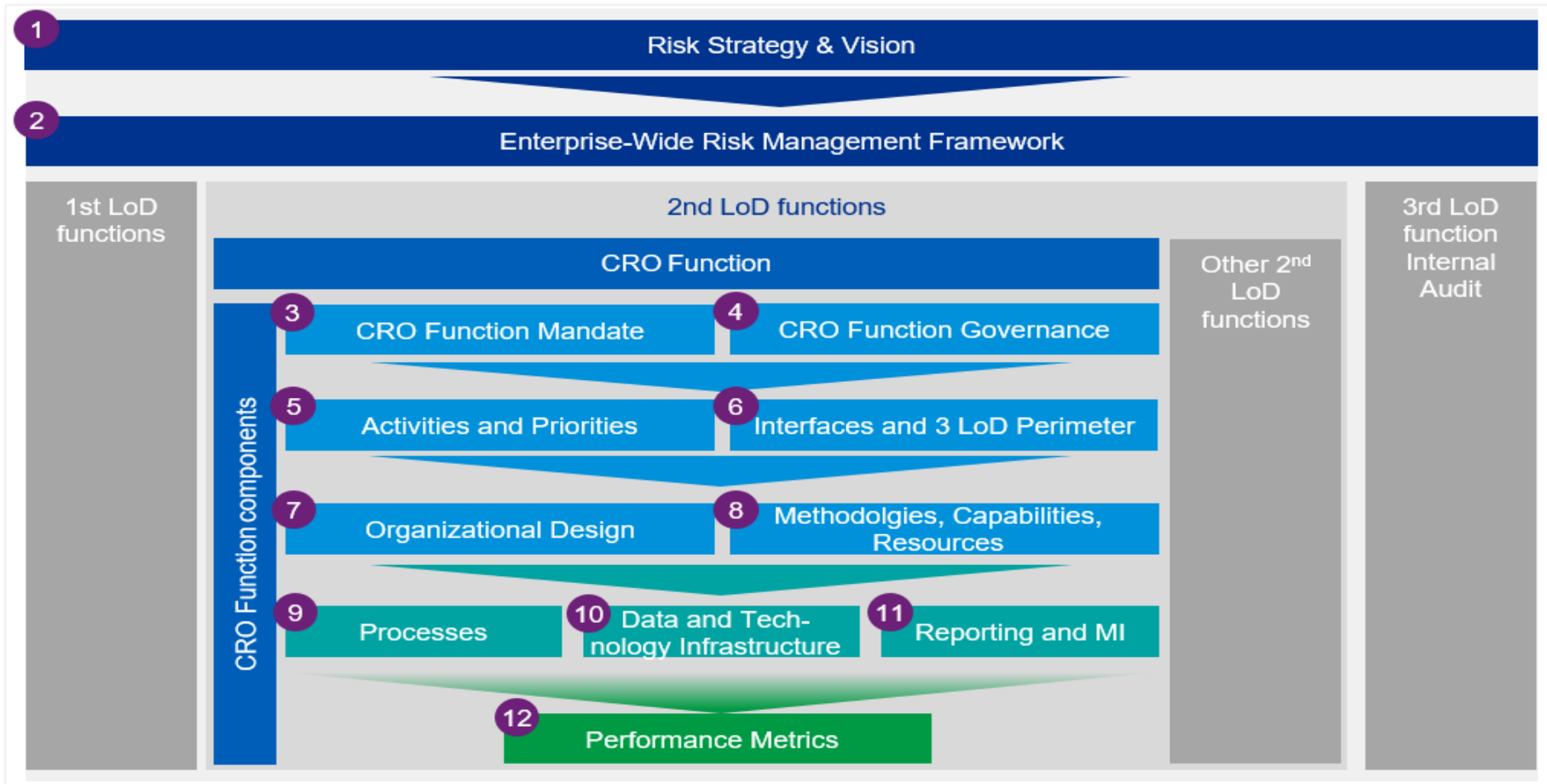


Key Elements

- Risk management philosophy
- Risk appetite
- Risk culture
- Board of directors
- Integrity & ethical values
- Commitment to competence
- Management philosophy & operating style
- Organizational structure
- Assignment of authority & responsibility
- Human resource policies & practices
- Differences in environment

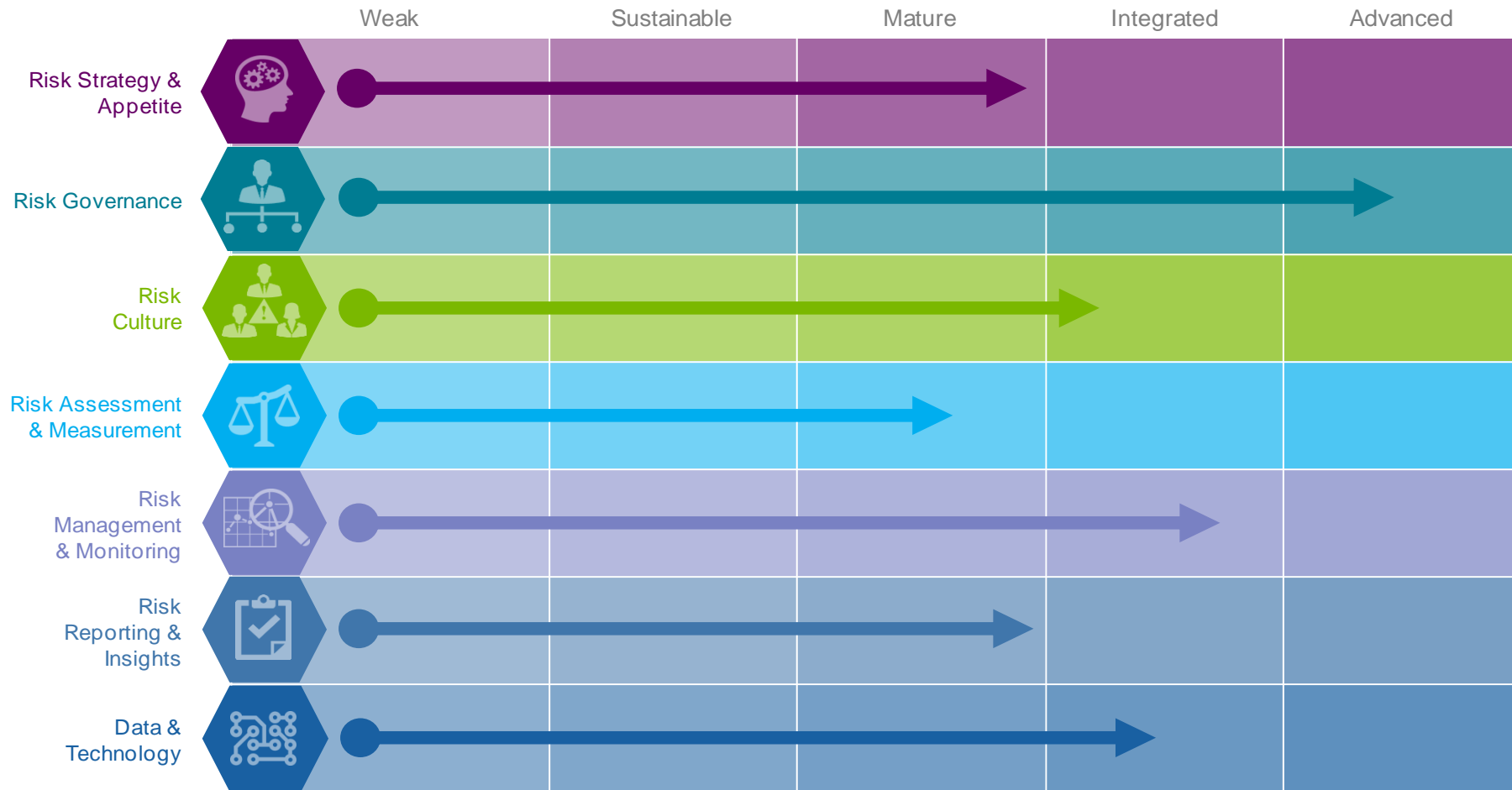
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E.g. A KPMG ERM Framework



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KPMG's ERM Maturity Continuum (E.g.)



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Overview of COSO ERM and ISO 31000 Frameworks

COSO Framework



What it is..

1

Full for: Committee of Sponsoring organizations (“COSO”):

The COSO framework defines essential enterprise risk management components, discusses key ERM principles and concepts, suggests a common ERM language, and provides clear direction and guidance for enterprise risk management.

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COSO: The components



Governance and culture

1. Exercises board risk oversight
2. Establishes operating structures
3. Defines desired culture
4. Demonstrates commitment to core values
5. Attracts, develops, and retains capable individuals



Strategy and objective setting

6. Analyses business context
7. Defines risk appetite
8. Evaluates alternative strategies
9. Formulates business objectives



Performance

10. Identifies risk
11. Assesses severity of risk
12. Prioritizes risks
13. Implements risk responses
14. Develops portfolio view.



Review and revision

15. Assesses substantial change
16. Reviews risk and performance
17. Pursues improvement in Enterprise Risk Management



Information, communication and reporting

18. Leverages information systems
19. Communicates risk information
20. Reports on risk, culture, and performance.

ISO 31000: Guidelines



What it is..

1

ISO 31000:2018, Risk management – Guidelines, provides principles, framework and a process for managing risk.

It can be used by any organization regardless of its size, activity or sector.

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ISO 31000: Components



Leadership and commitment

- Integration
- Design
- Implementation
- Evaluation
- Improvement

Value creation and protection

- Integrated
- Structured and comprehensive
- Customised
- Inclusive
- Dynamic
- Best available information
- Human and cultural factors
- Continual improvement

Process

- Communication and consultation
- Scope, context and criteria
- Risk assessment
- Risk treatment
- Monitoring and review
- Recording and reporting.

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Risk modelling and analytics

Risk modelling and analytics definitions



Risk modelling

1

Risk modeling is a mathematical representation of risk and its causative factors in a statistical relationship.

Risk modeling helps organizations to identify, analyze, and mitigate risks so they are prepared to deal with them should they occur



Risk analytics

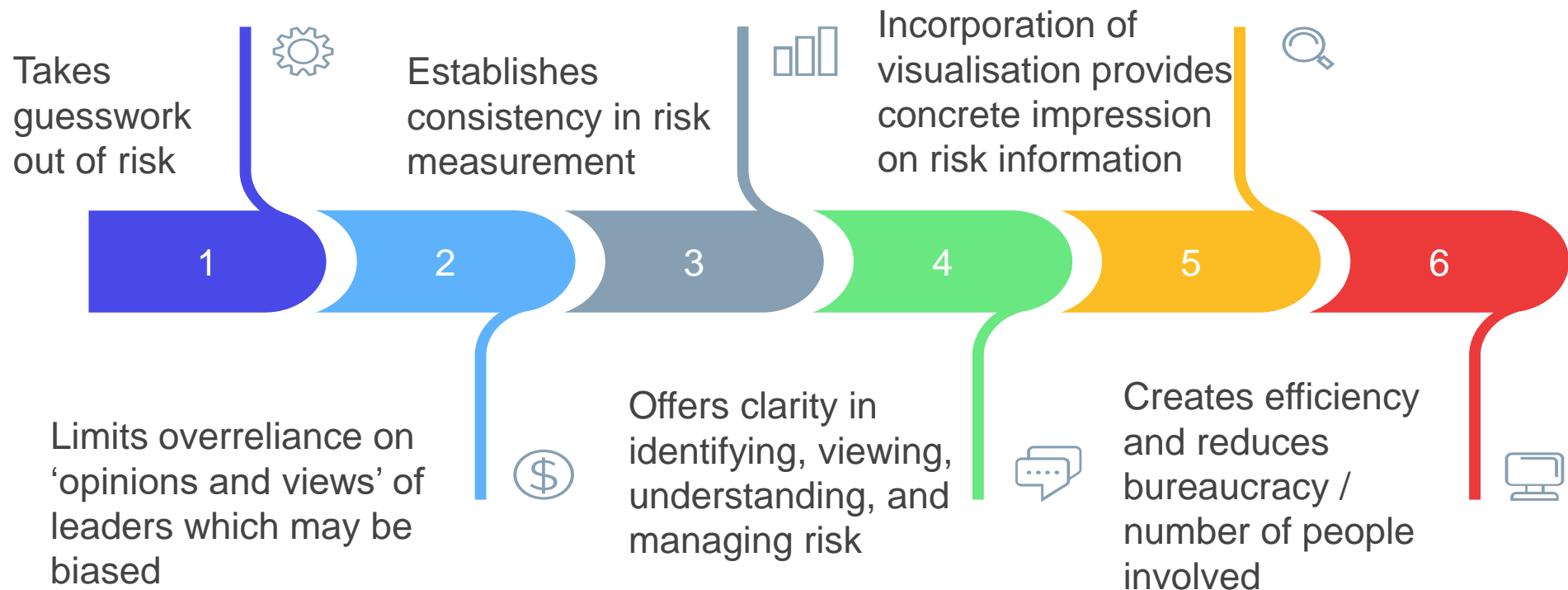
2

Many organizations use historical data to visualize risks and their causes – descriptive analytics. However, prudent risk functions are required to utilize prescriptive or predictive analytics to be more effective and dynamic

Importance of risk modeling and analytics



Importance of risk modeling and analytics

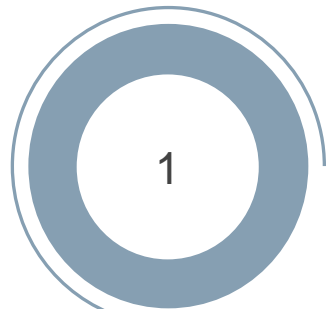


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Important factors while performing RM & A



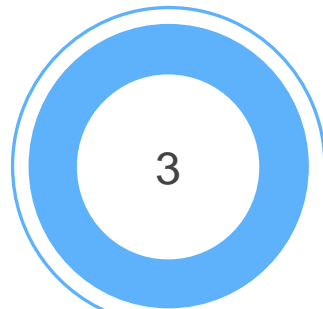
Effective risk modelling and analytics should consider at least the following



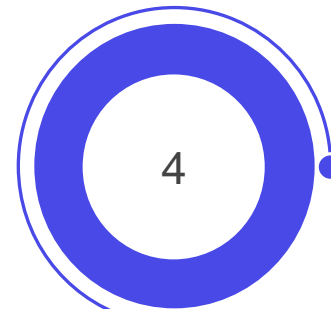
Targeted modelling: – Specific to the needs of a company and not off the shelf solutions



Sustainability : independent on a person and flexible for future improvement



Governance: Robust accountability on model performance and results



Analytics and insights: Produce insights for decision making



Data: Amount and availability of data informs complexity of models

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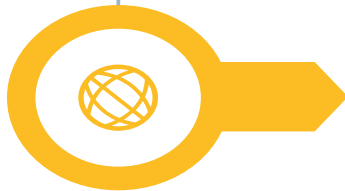
How to get started



Don't be a jack of all trades

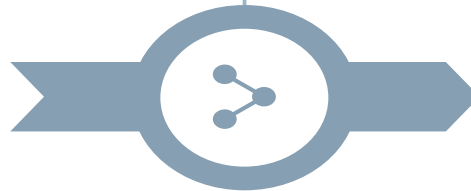
Ask the right questions

Which areas are critical?
People, Clients?



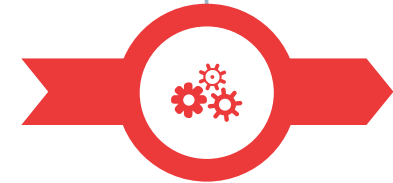
Independencies

Understand cross
functional insights



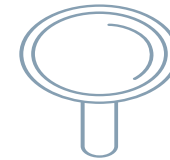
Establish effective programs

Use risk information to make
informed decisions / take
actions



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Maturity should look like this



Predictions

Decisions

Effects

Risk analytics should answer the following:

- What will happen?
- When will it happen?
- Why would it happen?

How do we benefit from these insights?
What should change?

How will these decisions impact everything else?

PREDICTIVE ANALYTICS

PRESCRIPTIVE ANALYTICS

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Wrap up



Thank you

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Q&A

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