



# ICPAK RISK TRAINING

## 20 MAY 2021



# Topics of discussion

- Template of a risk register & how to develop it.
- Risk Identification.
- Risk Assessment.
- Risk Quantification.
- Risk Monitoring.
- Risk Reporting & Communication.



# Risk Management Process – Five steps

## Five Steps of Risk Management Process





# Template of a risk register & how to develop it



## Exercise 1: On the chat box answer

- What is a risk register?
- What information would you like to get from a risk register?



# What is a Risk Register

“A risk register is a document used for **recording risk management process** for identified risks” ISO Guide 73



# Template of a risk register

- The risk register will cover the **significant risks** only.
- The purpose of a risk register is to form an agreed record of **significant risks** identified.
- It is a **record of actions** proposed to control risks.
- There is no fixed format of a risk register.
- Provide a guideline on **critical columns** or a risk register.



# Developing a risk register

- Use your **risk management plan** to create your risk register.
- Identify **risk events** and the **potential impact** of those risks.
- **Analyze, prioritize, and assign risk.**
- Plan on how to **mitigate risks**.
- **Monitor** and adjust accordingly.
- **Report** risk.



# Template for a risk register

- [Risk Register.xlsx](#)

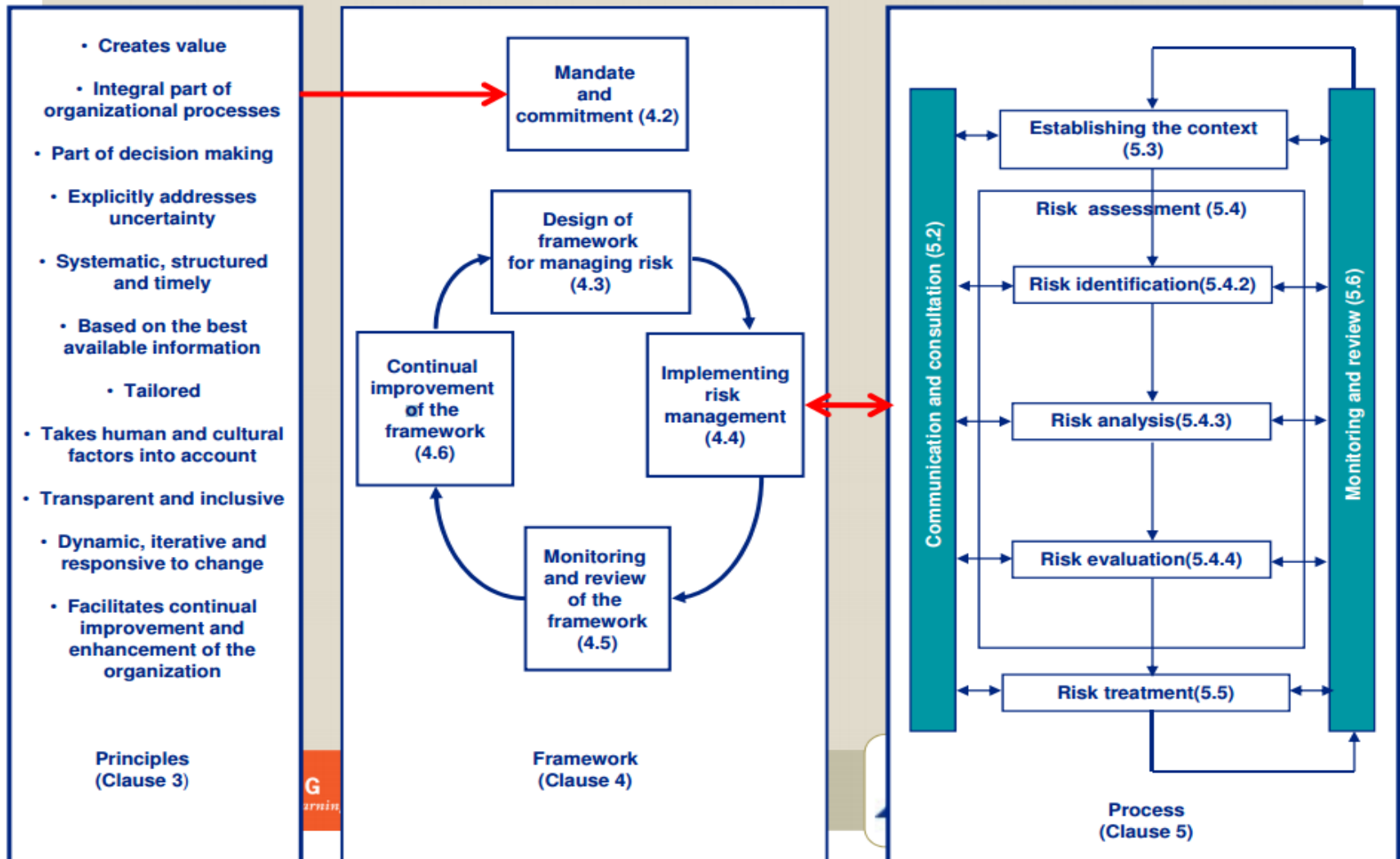


# The Risk Framework



# The Risk Framework

## ISO 31000 – An Overview

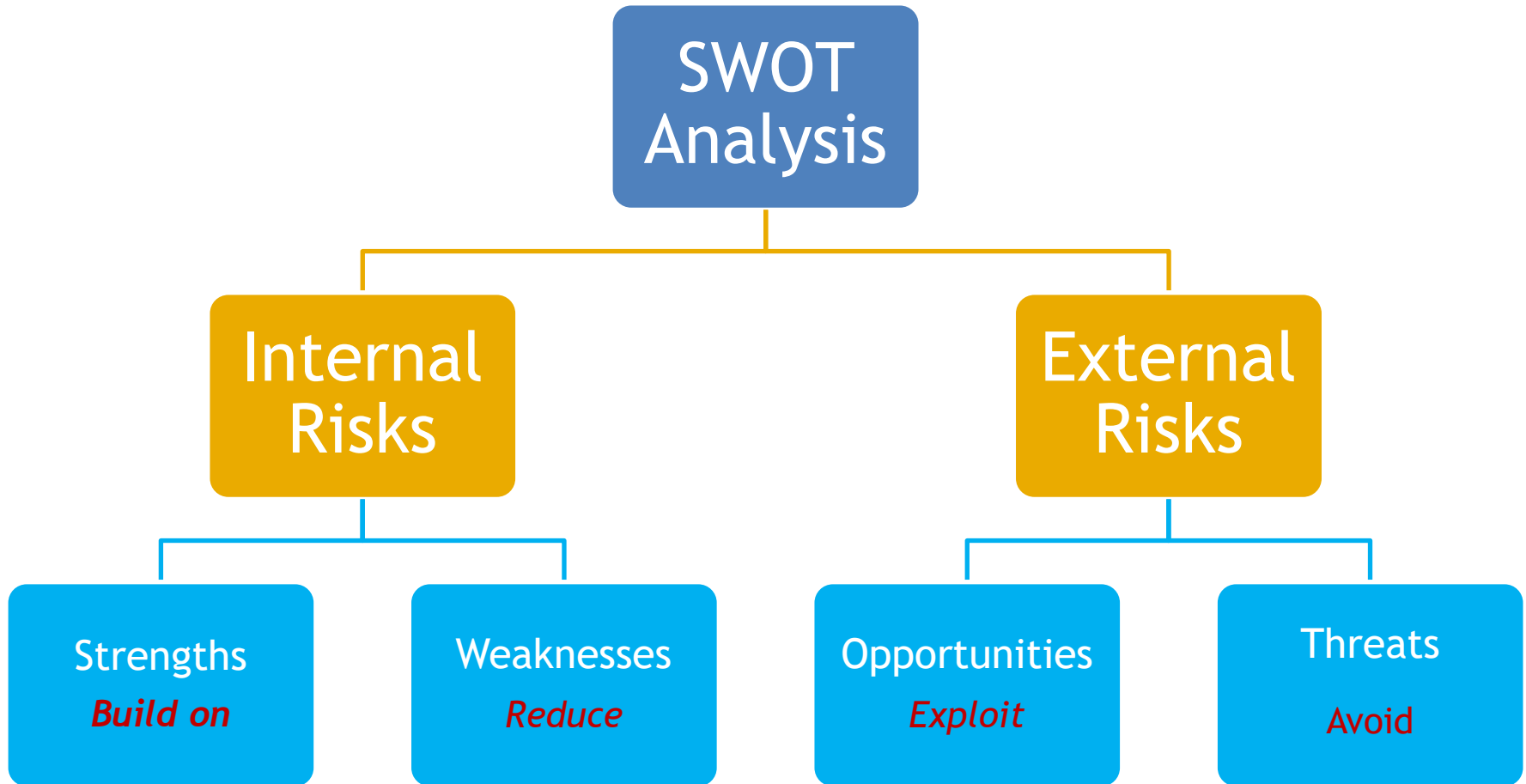




# Risk Identification



## Understand your internal & external Context





# Risk Identification

Exercise: On the chat-box, indicate the Strengths and Weaknesses of your Business: **Remember:** The things the business has control over.

Strengths	Weaknesses



# Risk Identification

External Environment	Sources of Risk (opportunity or Threat)
Political	<ul style="list-style-type: none"><li>• Government type and stability &amp; Changes.</li><li>• Freedom of the press, rule of law and levels of bureaucracy and corruption</li></ul>
Economic	<ul style="list-style-type: none"><li>• Stage of a business cycle.</li><li>• Current and projected economic growth, inflation and interest rates</li><li>• Supply of labor and Labor costs.</li><li>• Levels of disposable income and income distribution</li></ul>
Social	<ul style="list-style-type: none"><li>• Cultural aspects, health consciousness, population growth rate, age.</li><li>• Education, occupations, earning capacity, living standards</li><li>• Demographics: age, gender, race, family size</li></ul>



# Risk Identification

External Environment	Sources of Risk (opportunity or Threat)
Technological	<ul style="list-style-type: none"> <li>• Maturity of technology, competing technological developments, research funding, technology legislation, new discoveries.</li> <li>• Information technology, internet, global and local communications</li> <li>• Technology access, licensing, patents, potential innovations.</li> </ul>
Legal	<ul style="list-style-type: none"> <li>• Current home market legislation, future legislation.</li> <li>• International legislation.</li> <li>• Regulatory bodies and processes including Industry specific</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• Ecological issues</li> <li>• Environmental issues, environmental regulations.</li> </ul>



# Risk Identification

Exercise: On the chat, indicate the Opportunities and Threats faced by the organization?

**Remember:** PESTEL (Political, Economic, Social, Technological, Environmental, Legal)

Opportunities	Threats



# Risk Identification

- Determining the risks that affect your organization.
- Techniques of risk assessment:
  - Questionnaires & checklists.
  - Workshop & Brainstorming
  - Inspection and audits.
  - Flow charts & dependency analysis.
- A statement of risk should encompass three things:
  - **The Event** (linked to objectives).
  - **The cause of the event.**
  - **The consequences.**



# Risk Identification - Bowtie Risk Analysis





# Risk Identification

**Objective - to travel by train from A to B for a meeting at a certain time**

**Risk:**

Missing the train causes me to be late and miss the meeting.

Cause: Missing the Train.

Event: Going for the meeting at a certain time.

Consequence: Late for the meeting



# Risk Identification:

On the chart box write: **cause, event, consequence**

**Objective - Growing revenue by 20% (Ksh160million) from previous revenues, last year's of Kshs800million.**

Missing to attain 20% revenue target for the year 2020.

Cause:

Event: Achieving 20% growth in the financial year 2021.

Consequence:



# Risk Assessment



# Risk Assessment

- Likelihood.
- Consequence.
- Risk Rating.



# Risk Assessment

- Risk Analysis methods vary from quantitative to qualitative methods.
- Their likelihoods in the form of a probability distribution.
  - Rare, unlikely, possible, likely, almost certain.
- There is need to determine the consequences or impact of the risk.
  - Insignificant, minor, moderate, major, Catastrophic.
- Risk factors are determined by:
  - Industry wide indicators
  - Studies in specific areas.



# Risk Assessment

CONSEQUENCE	Catastrophic	TOLERABLE	HIGH	VERY HIGH	VERY HIGH	VERY HIGH
	Major	LOW	TOLERABLE	HIGH	VERY HIGH	VERY HIGH
	Moderate	LOW	LOW	TOLERABLE	HIGH	HIGH
	Minor	VERY LOW	LOW	TOLERABLE	TOLERABLE	HIGH
	Insignificant	VERY LOW	VERY LOW	LOW	TOLERABLE	TOLERABLE
		Rare	Unlikely	Possible	Likely	Almost Certain



# Risk Assessment

## Determination of risk category

Standard or Framework	COSO ERM	IRM Standard	FIRM Risk Scorecard
Classification headings	Strategic	Financial	Financial
	Operations	Strategic	Infrastructure
	Reporting	Operational	Reputational
	Compliance	Hazard	Market place



# Risk Quantification

## Risk Treatment – 4Ts

Dictated by risk appetite and risk rating:

- **Terminate** (Avoiding Risk): Decision not to engage in a high risk activity.
- **Transferring** Risk: Risk is transferred to another entity (e.g. subcontracting, outsourcing, insurance).
- **Tolerate** (Accepting Risk): Exercised when likelihood of occurrence is low and impact is negligible.
- **Treat** (Controlling Risk): Engaging in risk mitigating activities.



# Risk Quantification



# Quantitative Tools and Techniques

- Decision Tools
  - A diagram that shows the implications of choosing one or other alternatives.
- Expected Monetary Value (EMV)
  - This the product of a risk event probability and the risk event's monetary value.
- Sensitivity Analysis
  - a technique used to determine which risks have the greatest impact on a project.
- Monte Carlo Analysis



# Overall Risk Quantification

- What are the risks in my project? (Risk Register)
- How risky is the project as a whole (risk of the project)?
- What is the probability of success of the project?
- How do you know how the project will perform?
- How do we **quantify the riskiness of the project?**
- What is the **potential range of variation** in outcome?



# Managing Overall Project Risk

- “**Exposure of stakeholders** to variation in outcome”
  - Good or bad?
  - How big is it?
- **Effect on uncertainty** on the project as a whole
  - Overall project objectives.
  - Delivery date, the budget, satisfying of customer requirements etc.
- Monte Carlo simulation provides this clarity.



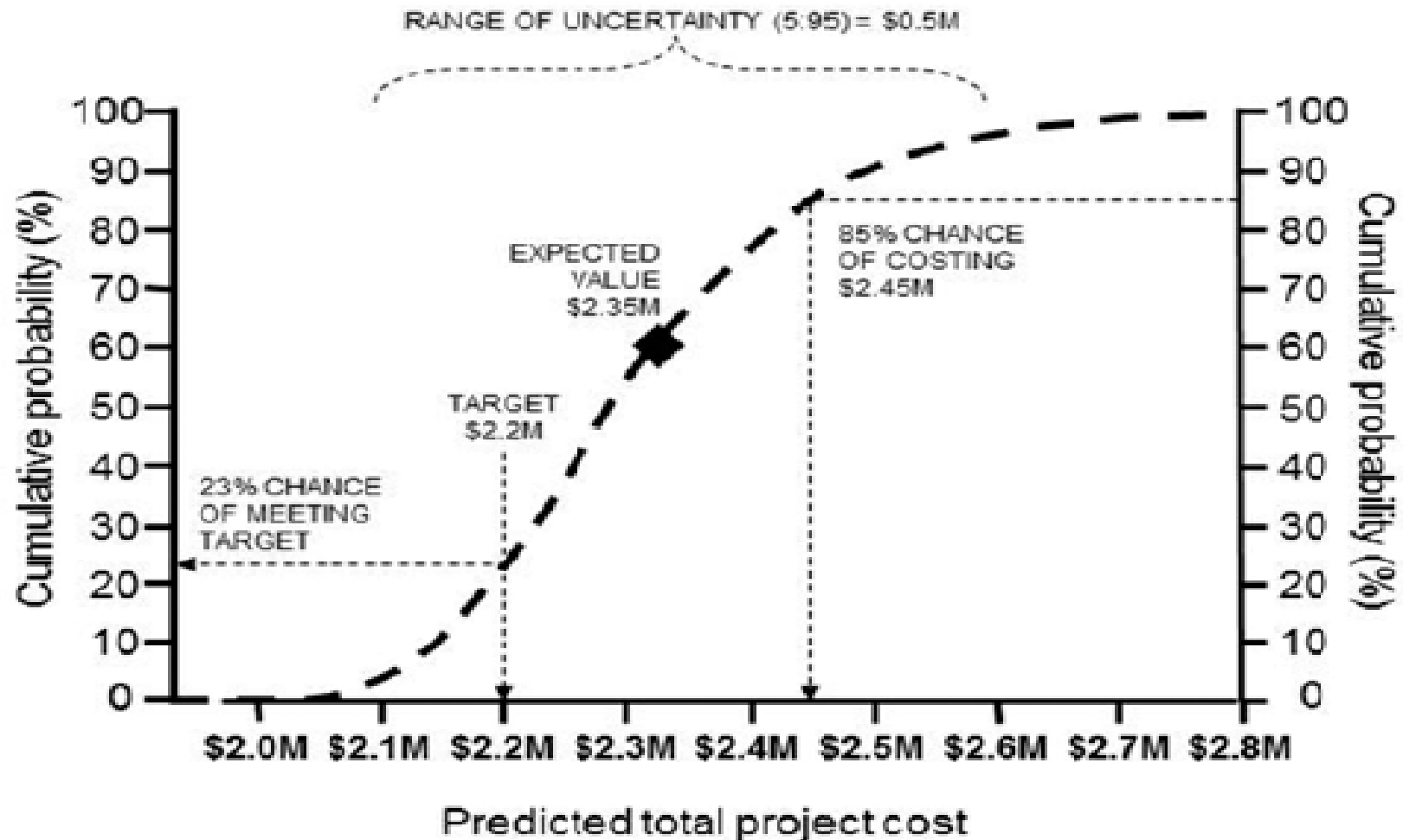
# Monte Carlo simulation

- It a statistical method applied in **financial modeling**
- Used to **predict the probability** of different outcomes when the intervention of random variables is present.
- It helps to **explain the impact of risk and uncertainty** in prediction and forecasting models.



# Monte Carlo simulation – Cost S curve

- Probability to meet target at different budget sizes to target \$2.1m = 23%





# Risk Monitoring



# Risk Monitoring

- Having an **early warning sign** system.
- For **every risk identified there should be someone who is responsible.**
- Managers should have the **authority** for managing risks or controls on an on-going basis.
- Managers performance should be evaluated and awarded based on how they manage risks.



# Risk Monitoring

- Everyone in the organization should know **who owns each risk**.
- The information **who owns the risk** is contained in the:
  - Risk registers, treatment plans, reporting templates and assurance plans.
- ERM framework itself should have **an owner who is accountable for the implementation of ERM**.



# Risk Reporting & Communication



“Communication and consultation - **continual and iterative processes** that an organization conducts to provide, share or obtain information and to participate in dialogue with stakeholders and others regarding the management of risks.”

ISO Guide 73



# Risk Communication

- Consultation on risk matters with stakeholders.
  - Consultation is a process.
  - Consultation about inputs into a decision making.
  - International communication should be recorded.
- Communication about the framework should with both internal and external stakeholders.
  - To inform & be informed.
- Everyone in the organization should know about the ERM framework.



# Risk Communication

- Communication during **crisis**:
  - What is a crisis?
  - Who is in charge?
  - Who is authorized to the official spokes person?
  - What should employees do?
  - What steps should be taken?
  - Who should communicate to customers?
  - What communication principles and guidelines should be followed?




# Risk Reporting

- Risk Dash Board.
- Risk Departmental registers.
- Linear risk analysis reports.
- Corporate risk registers.
- Risk Heat Maps.




# Risk Dash Board - Risk-Tab


Lannis Port

Lukwa Boniface 

 Dashboard

 Risks >

 Registers >

 Organisations



## Dashboard

OPEN RISKS

4



PRIORITY RISKS

2



OVERDUE RISKS

0



QUICK LINKS

[Add Risk](#)

[Manage Risk](#)

[Corporate Register](#)





# Risk Departmental register – Risk-Tab

[department\\_risk\\_register\\_download\\_1660a5132e869c96.27313290.xls](#)

X

department_risk_register_download_1660a5132e869c96.27313290.xlsx - Excel											
File Home Insert Page Layout Formulas Data Review View Help Tell me what you want to do											
A5											
A	B	C	D	E	F	G	H	I	J	K	L
1	ABC										
2	Department Register										
3											
4	Risk ID	Date Raised	Raised by	Risk Category	Risk Event	Cause	Consequence	Residual Risk Analysis		Action	Plan
5								Likelihood	Consequence	Risk Rating	
6	FN001	09-May-14	Sharone Adhiambo	Financial	Liquidity challenges in the office	1. Pre-financing client projects	1. Daily cash flow challenges including lack of money to finance daily operations.	Almost Certain	Major	Very High	Reduce
7	FN004	09-May-14	Sharone Adhiambo	Legal/Regulatory	We have pending tax liability from the regulatory bodies.	1. We have not had money to pay for the tax liabilities.	1. We have fines, penalties and interest owing to the regulatory authorities.	Almost Certain	Catastrophic	Very High	Reduce
8	FIN008	02-Sep-19	Caroline Gathii	Financial	Risk of theft of funds due to lack of internal controls and overriding of procedures.	1. Lack of proper internal procedures and comprise of staff members of the audit team	1. Loss of funds for the organisation and lack of proper service delivery	Possible	Catastrophic	Very High	Reduce
9	FN002	09-May-14	Sharone Adhiambo	Financial	We have internal and external fraud cases	1. Weak internal controls, lack of adherence to internal policies. 2. 3. Lack of policies to guide relations with external parties.	1. Reduced profitability of the business due to loss of funds.	Likely	Moderate	High	Reduce
10	FN003	09-May-14	Sharone Adhiambo	Financial	Credit Risk	1. Extending credit to the customers without any form of criteria	1. We have cash flow challenges and unable to meet operational obligations.	Possible	Major	High	Reduce
11	PRO020	13-Jun-19	Caroline Gathii	Human Resource	There is no procedures for financial reporting in the organisation to train new members of staff.	1. There has not been any developed procedures in the past. The activities of reporting are done based on personal knowledge.	1. There are errors in the financial reports and the tax obligations of the company. The company may incur penalties and interest from such errors.	Possible	Major	High	Reduce
12	FN017	25-Sep-19	Caroline Gathii	Governance	The Board has not approved the risk appetite	1. The board has not convened.	1. We cannot generate impact scales. We cannot define our risk parameters	Possible	Major	High	Reduce



# Corporate Risk Register

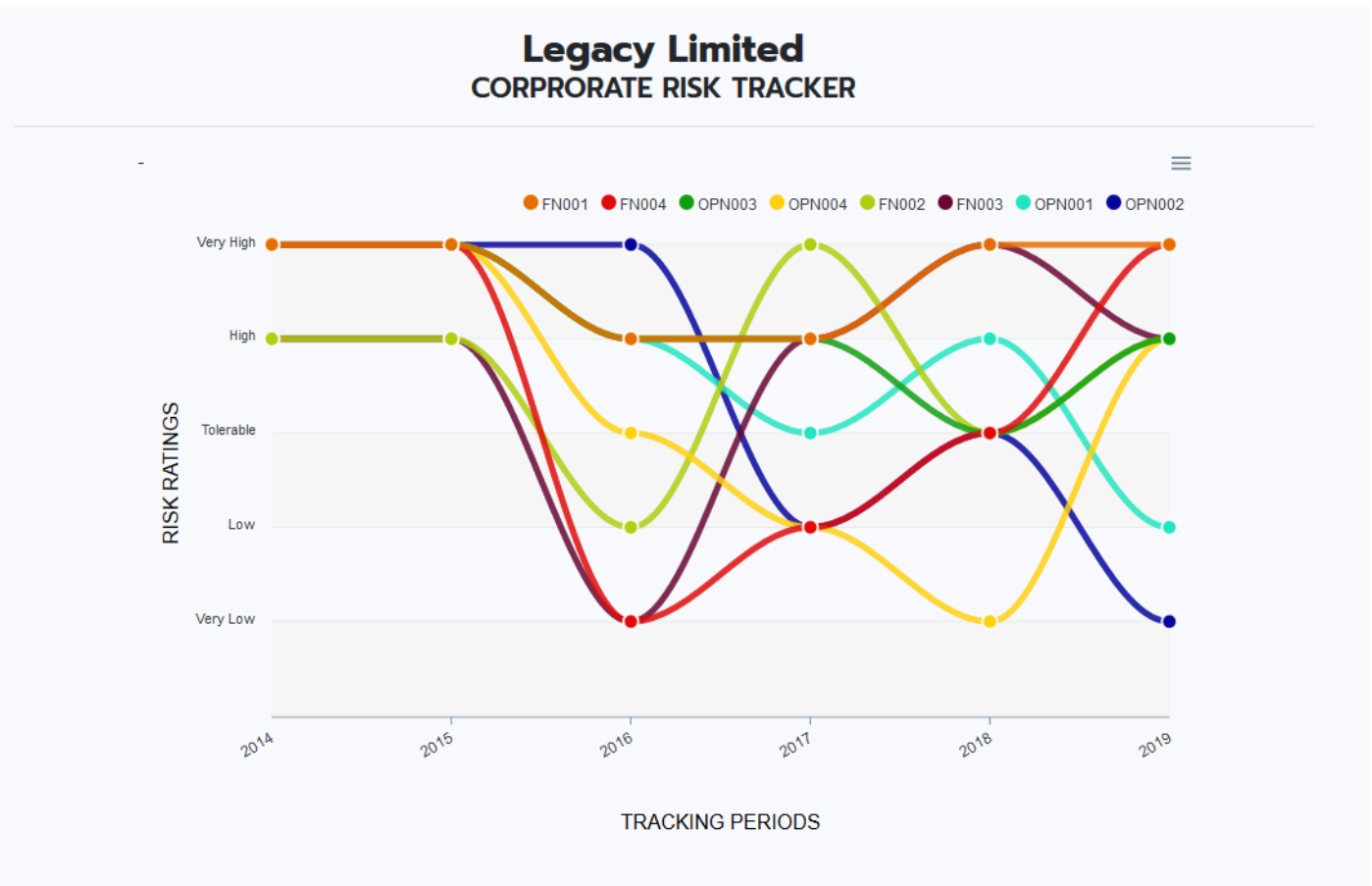
[corporate\\_risk\\_register\\_legacy\\_limited\\_1660a51510850d97.21659286.docx](#)

Rank	Ref	Risk Description	Risk Treatment Plan	By Who	By When
1	OPE002	Accidents in the generals workshop.  Non adherence to occupational health and safety rules at workplace.	1. Conduct OSHA training frequently.  2. Ensure that all workers in the workshops wear health and safety equipment  3. Train first aid champions to tend to injured quickly to reduce injuries during accidents.  4. Ensure that Legacy limited has a WIBA insurance scheme to reduce financial exposure in case accidents occur.	1. Human Resource Manager  2. Operations Manager  3. Human Resource Manager  4. Finance Manager	31-Jan-20
2	OPE004	There is a possible attack on our operating system  Employees working from home	1. To introduce additional controls in use of company network  2. To train staff on use of company equipment	1. Operations Manager  2. Operations Manager	31-Mar-21
3	FN001	Liquidity challenges in the office  Pre-financing client projects	1. To make it contractual to receive mobilization fees from all client projects	1. Finance Manager	28-Jun-19
4	FN004	We have pending tax liability from the regulatory bodies.  We have not had money to pay for the tax liabilities.	1. To obtain funds from the share holders to pay the pending tax obligations to reduce the penalty and interest accruing.	1. Finance Manager	28-Jun-19



# Linear Series Report – Risk-Tab

- Shows how risks have moved over time





# Risk Heat Map – Risk-Tab

## Legacy Limited RISK HEAT MAP

13-May-19

CONSEQUENCE

Catastrophic	TOLERABLE	HIGH	VERY HIGH	VERY HIGH	VERY HIGH FN004
Major	LOW	TOLERABLE	HIGH FN003	VERY HIGH	VERY HIGH FN001
Moderate	LOW	LOW	TOLERABLE	HIGH OPN... OPN... FN002	HIGH
Minor	VERY LOW	LOW OPN...	TOLERABLE	TOLERABLE	HIGH
Insignificant	VERY LOW OPN...	VERY LOW	LOW	TOLERABLE	TOLERABLE
	Rare	Unlikely	Possible	Likely	Almost Certain

LIKELIHOOD



Five Take Homes!



# Five Take Homes!

1. An effective early warning mechanism is critical, **do you have any?**
2. Crisis communication is critical, **do not waste a good crisis!**
3. Empower everyone to speak, it is a **critical for success in risk management!**
4. Learn from past mistakes, **risks often recur!**
5. Risks are every where in the work place, **risk is everybody's responsibility!**



# Our Services

## **Risk Advisory services**

- Risk Framework development (ERM)
- Risk Assessment
- Internal Audit
- Developing Risk Policies
- Risk Control implementation support
- Risk Monitoring “*RiskTab*”
- Business Continuity Planning
- Business Process Mapping

## **Credit Management**

- Credit Training
- Credit Scoring
- Credit Risk Management
- Credit Survey

## **Risk Training**

- Board Risk Training
- Risk training for Practitioners
- ERM Training
- Tailor-made Risk Training Programs



# Presenter Contact Details

CPA Caroline Gathii

Risk & Governance Consultant

FirstIdea Consulting Limited

Email: [cgathii@firstideaconsulting.co.ke](mailto:cgathii@firstideaconsulting.co.ke)

Tel: +254 722 943 656

Website: [www.firstideaconsulting.co.ke](http://www.firstideaconsulting.co.ke)





Biblica Office Suites, Dennis Pritt Road  
P.O. Box 56095, 00200 Nairobi Kenya

OFFICE LINE: **020 4400686** | OFFICE CELL: **0799 008248**  
EMAIL: **[info@firstideaconsulting.co.ke](mailto:info@firstideaconsulting.co.ke)** | WEBSITE: **[www.firstideaconsulting.co.ke](http://www.firstideaconsulting.co.ke)**