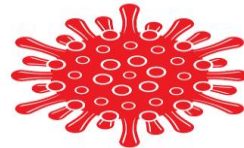




# RISK MANAGEMENT STRATEGIES

**UNDER**



**COVID-19**  
CORONAVIRUS

**Presenter:**

**CPA Jones M. Kimeu {BCom(hons), MBA, CISA, CPAK, FCCA}**

## Risk management strategies following the effects of COVID-19

- Why risk management is crucial in a crisis.
- Strategy formulation in an uncertain environment (dealing with risk)

Think the unthinkable! ..Expect the unexpected!

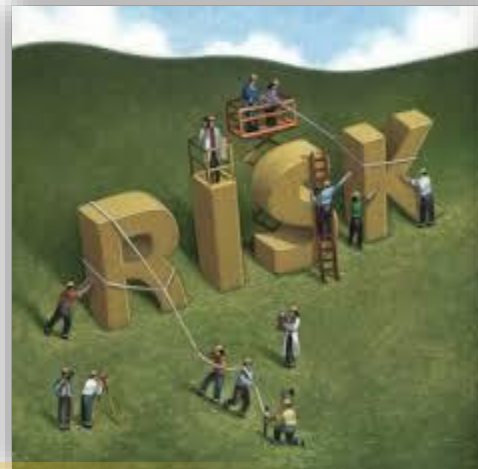


On April 15, 1912, RMS Titanic sank with the loss of more than 1500 lives-  
one of which was its Captain-E.J.Smith

# OVERVIEW OF ERM Methodologies and Approaches

WE UNDERSTAND  
THAT TIME IS MONEY

GET 24HRS 7DAYS A WEEK  
365DAYS A YEAR UPTIME



# Recap of definition of Risk, Risk Management and RM Framework



**Risk :** Effect of uncertainty on objectives

**Risk Management:** Coordinated activities to direct and control an organization with regard to risk.

- Aim achieve best balance of risk and opportunity and not to eliminate risk

**RM Framework:** A set of components that provide the foundations and organizational arrangements for designing, implementing, reviewing and continually improving risk management throughout the organization.

**ISO 31000**

# ENTERPRISE RISK MANAGEMENT (ERM)



“... 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 – Integrated Framework*

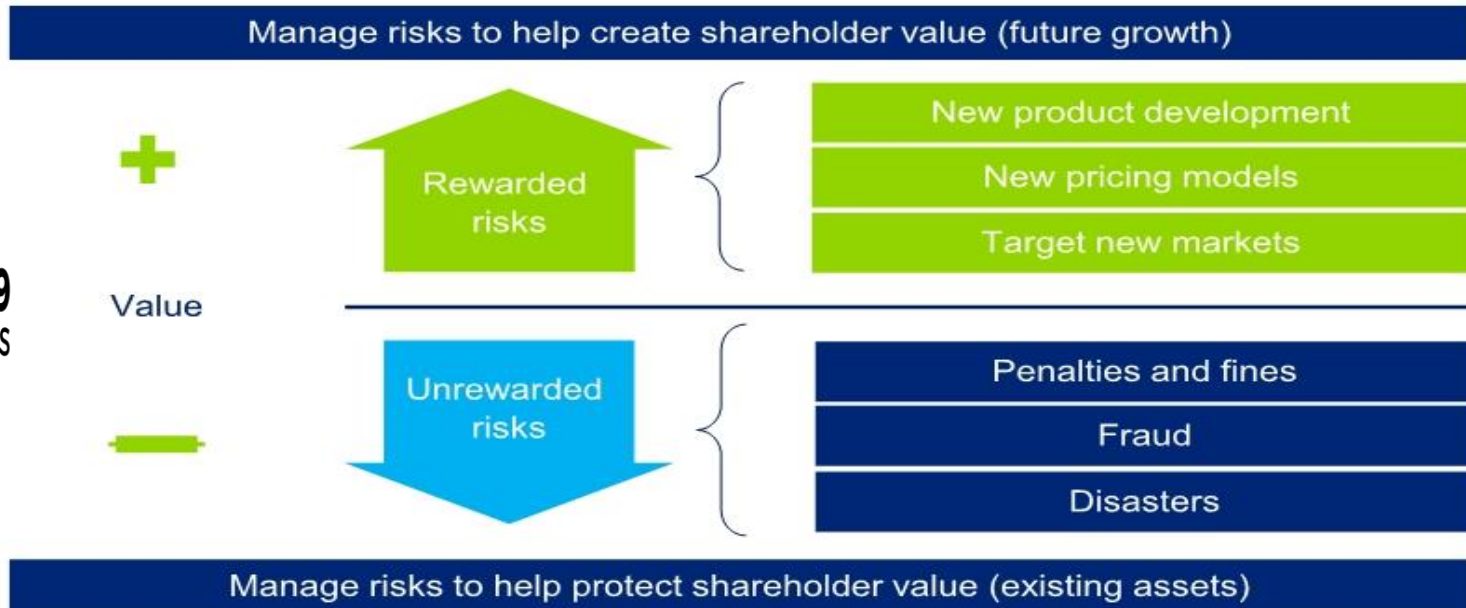


# Two Faces of Risk



## Two Faces of Risk

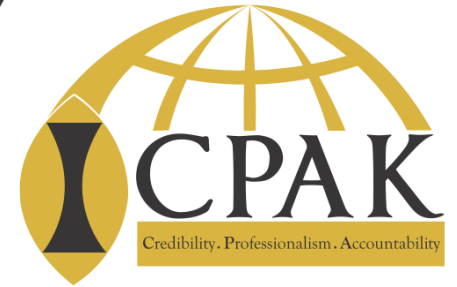
In value based risk management, it is important to recognize that risks should be managed, not just mitigated or avoided



**COVID-19**  
CORONAVIRUS

Businesses thrive by taking risks, but falter when risks are managed ineffectively. Organizations should devote resources for both risk taking and risk management.

# RM Frameworks



ISO

COSO

Basel III

Solvency II

ANZAC

FSA

Similarity

1. Identify

2. Assess

3. Manage

4. Monitor

Objectives



# RISK UNIVERSE

The Risk Universe



**Definition:** All risk types and categories across all business lines, functions, geographical locations and legal entities that could affect an organization.

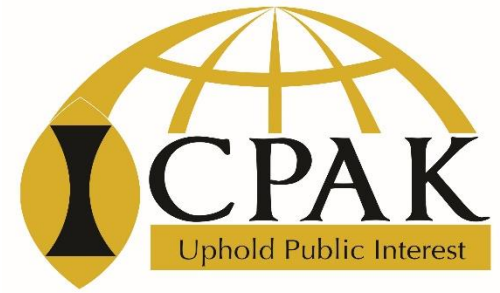
Strategic

Financial

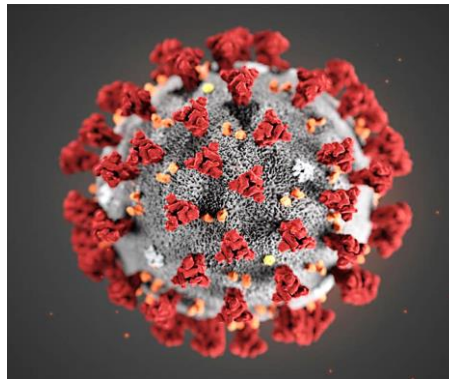
Operational

Compliance

Environmental



# Why Risk Management is crucial in a Crisis....



# Best Practices in ERM

## - Risk Institute Survey on ERM impact

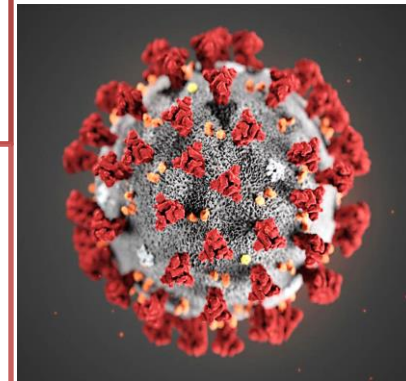


# Board Oversight During The COVID-19 Pandemic: A Checklist For Directors



The **global COVID-19 pandemic** and its rapid evolution has placed enormous pressure on organizations as they seek to adapt to the situation and communicate their response.

- It is crucial that **boards and management** collaborate to find the best way forward for the organization.
- Management has the principal role in navigating this storm, by taking steps to **safeguard** the organization's people and resources, **executing on a crisis response plan** and addressing the organization's **day-to-day needs**



# A Checklist For Directors



## 1. Focus on top priority: Health and Safety

- Monitor management's efforts to support containment of COVID-19 and
- Satisfy planning and execution of those plans is sufficient.
- on the agenda of every board meeting,
- Communicated externally



**Vision:** A world class Professional Accountancy Institute.

# A Checklist For Directors



**2. Stay Informed -**  
directors should track  
reports on the effects of  
the pandemic



**3. Assess and reassess  
financial resources**



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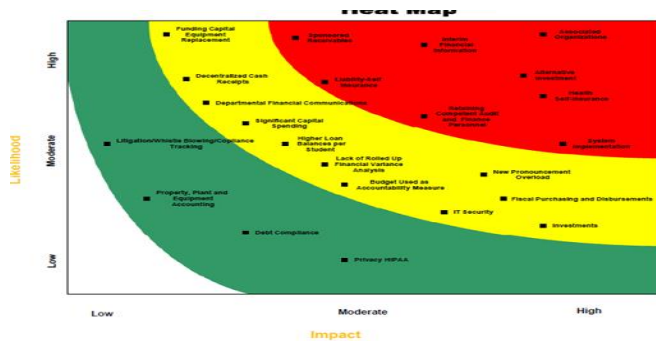


# RISK HEATMAP - PROFILE



Impact

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



## Probability

"controls" in ISO 27001 speak refers to the policies and actions you take to address risks.

# A Checklist For Directors



## 4. Review Crisis Response plans

- highlight the **responsibilities and contact details** for key team members, both internal and external
- address **responsibility for communications**, including a media spokesperson and leadership internally for employee communications
- require **careful prior review of public statements** about the organization's decisions to minimize the risk that they may be misconstrued
- require consideration of the **potential impact on affected stakeholder groups**, including contact information for communicating with key stakeholders
- include a **business resumption plan** to get things back on track as quickly and efficiently as possible.



## 4. Review Crisis Response plans..cont.

- balances the competing needs of preserving corporate reputation and minimizing legal liabilities.
- **Consider vulnerabilities** that may not have been fully considered by management in preparing the crisis response plan and identifying and managing the principal risks of the organization.



## 5. Oversee and assess management's assessment of risks and its response to manage them

- Supply chain risk
- Technology risk
- Regulatory/legal
- Cashflows
- Internal Controls
- Human capital
- Business Continuity/Contingency risk



# A Checklist For Directors



**6. Assess managements communication strategy: - in a fair, balanced and timely manner.**

## **7. Oversee Managements response of the crisis**

- considering and asking probing questions regarding management's plans;
- considering the long-term implications of decisions that are being made in the heat of the moment;
- helping management find the right balance for communications;
- assessing and advising management on its handling of the crisis; and
- helping management prepare for the eventual transition back to the new reality.



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# A Checklist For Directors



8. Help safeguard the organisations values and culture:- **"we cannot lose sight of who we are."**

9. Consider Opportunities..?

10. Assess risk of opportunistic behavior

11. Keep a long term focus

12. Engage in a “Lessons learnt” exercise once the dust settles



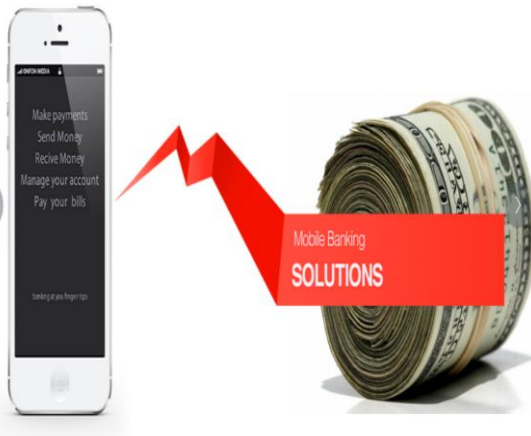


# A Checklist For Directors: -

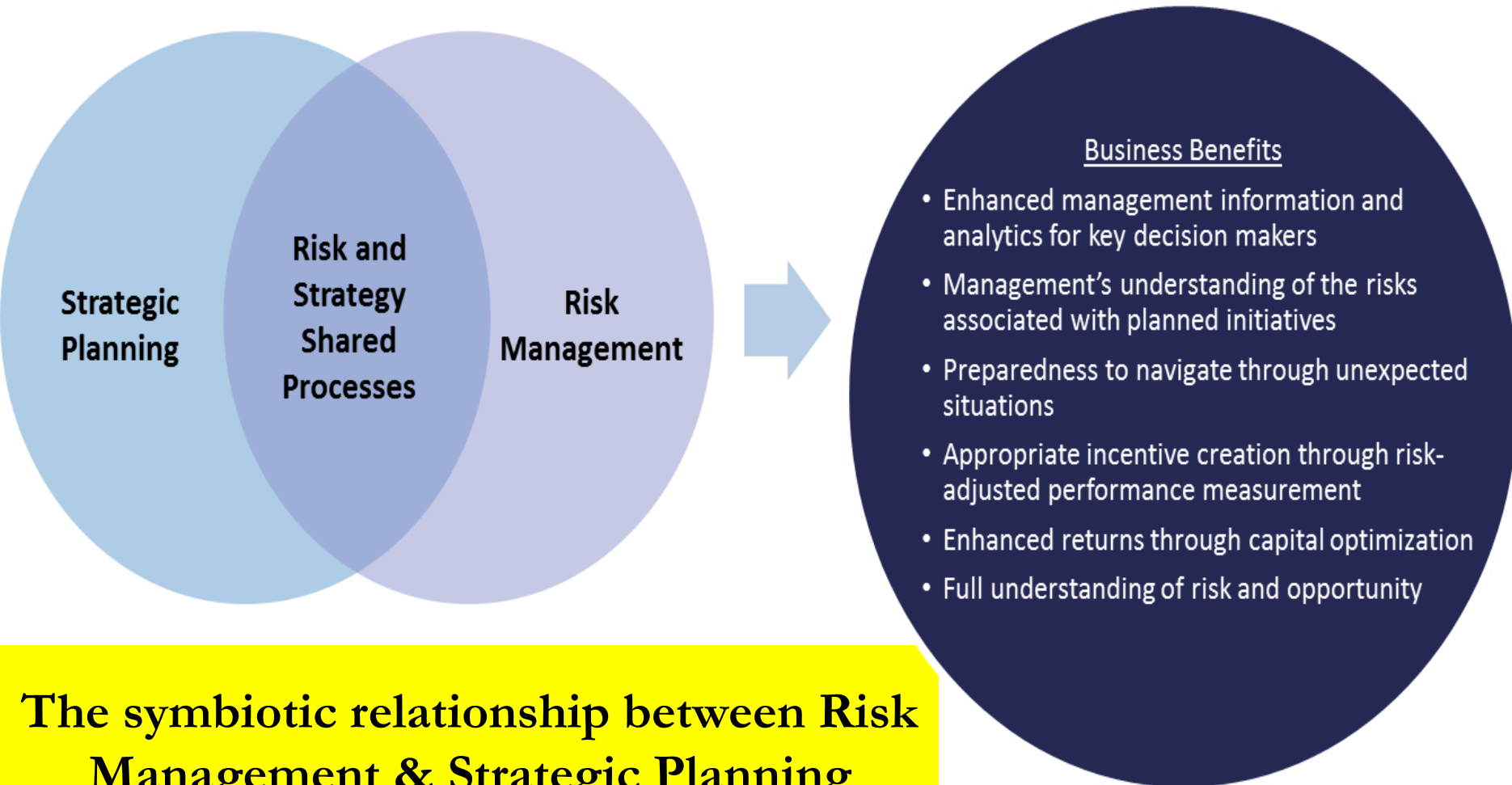
## 9. Opportunities???



### 9. Covid-19 Opportunities

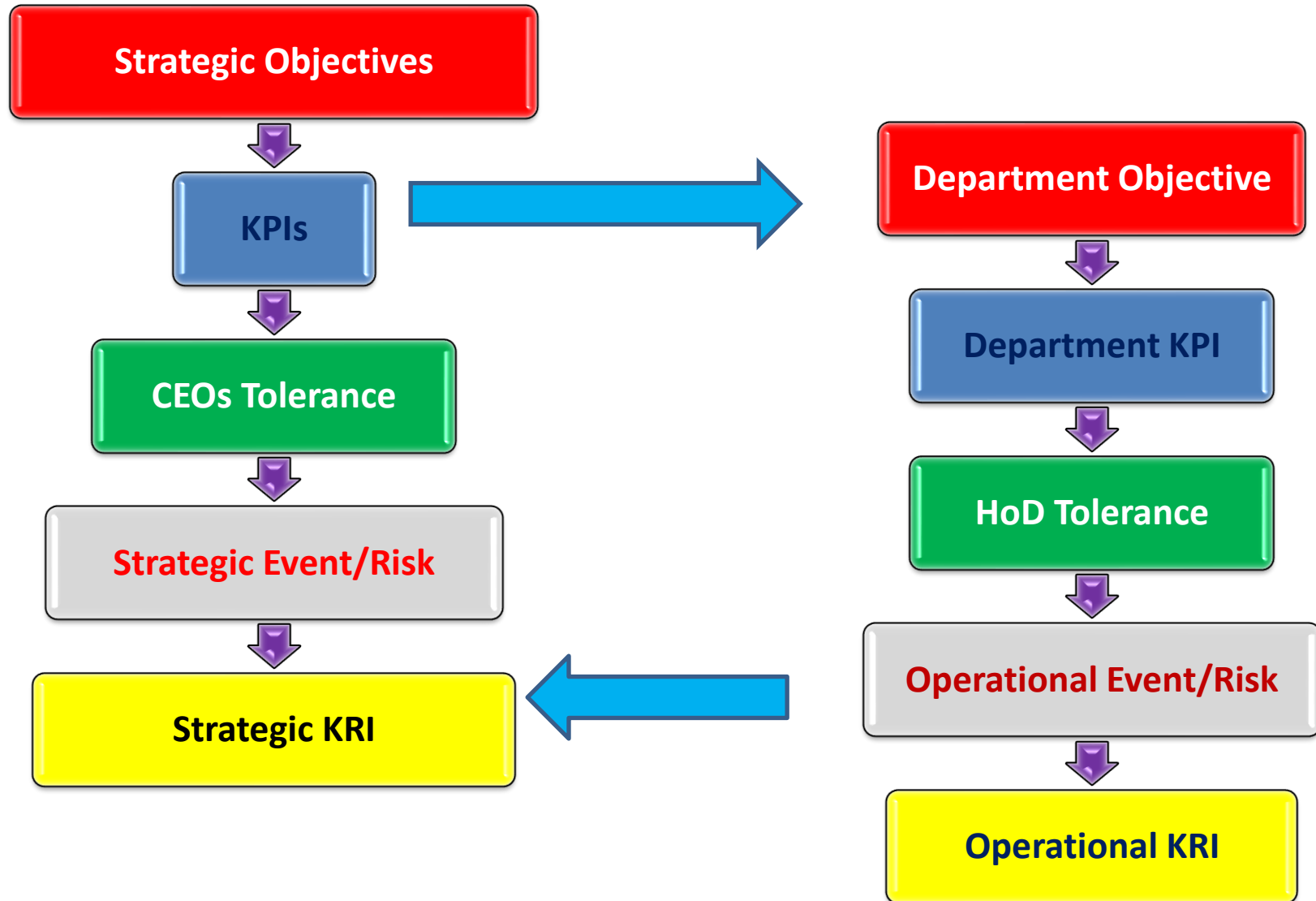


- businesses operating in the health care industry and those which support them. **Facilities and employees may be repurposed to meet** some of the urgent needs of healthcare providers and the community during the pandemic.
- The **sudden drop in stock market prices** has not affected everyone equally, and there may be new investment or acquisition opportunities that would be value-enhancing.
- **Some technology-based companies** are facing unprecedented demand as a result of the accelerated move to telecommuting, online ordering and increased use of technology precipitated by the pandemic.



**The symbiotic relationship between Risk Management & Strategic Planning**

# Internalizing GRC....





NATIONAL  
CONSTRUCTION  
AUTHORITY

# GRC Improves traditional RM

**ERM**  
focuses on  
a global  
array of  
risks

**Strategic**  
**Financial**  
**Operational**  
**Environmental**  
**Human Capital**  
**Reputation**  
**Technology**  
**Compliance**

ERM is able to  
improve strategic  
decision making  
by addressing:

- Strengths
- Weaknesses
- Threats
- Opportunities

(SWOT/PESTEL)

**Integrates risk  
management  
into Strategic  
Process**

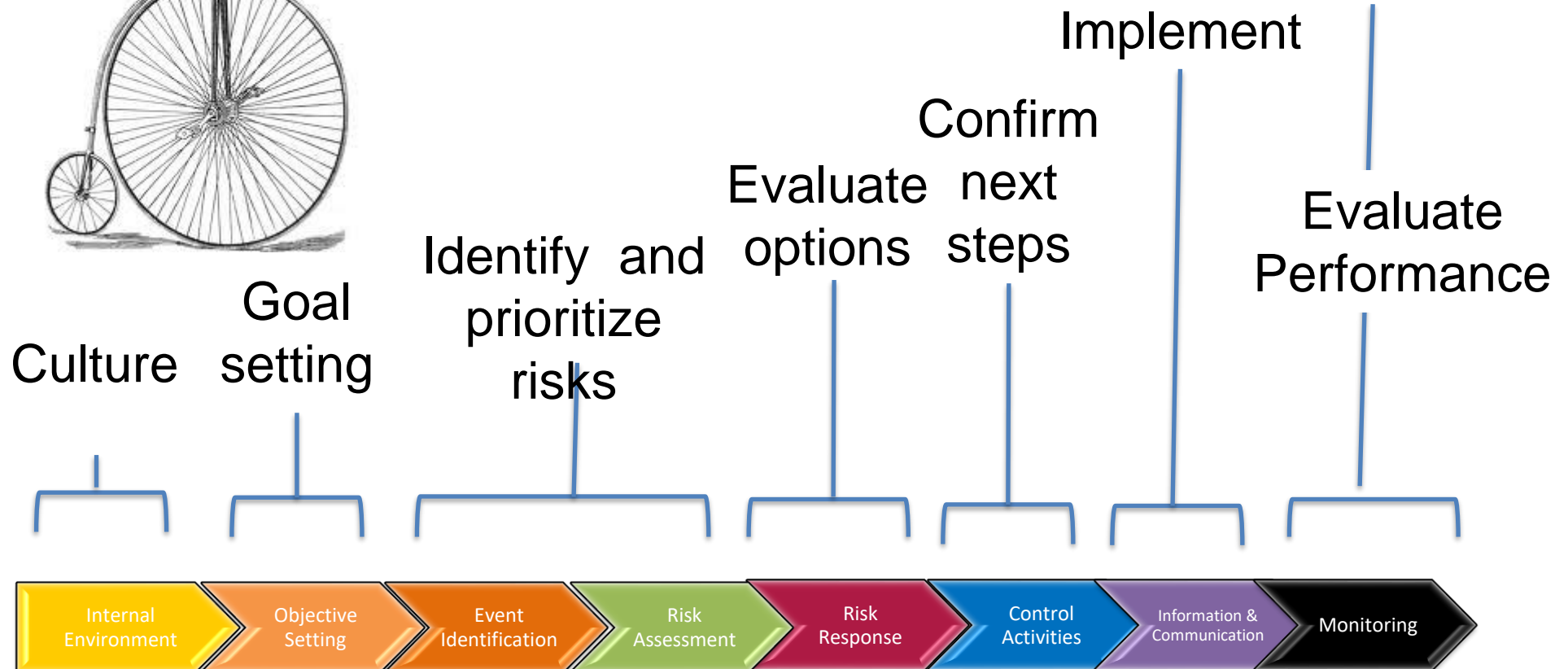
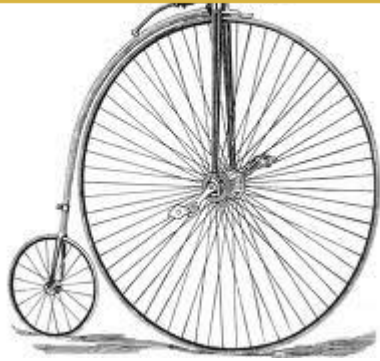
## Deployment of ERM into Strategic Planning

Seeks to  
maximise  
value  
when  
setting  
goals

Find an optimal  
balance between  
performance  
goals and targets  
to related risks

ERM also  
considers how  
one strategic  
initiative might  
introduce risks  
that are  
counterproductive to goals  
associated with  
another strategy

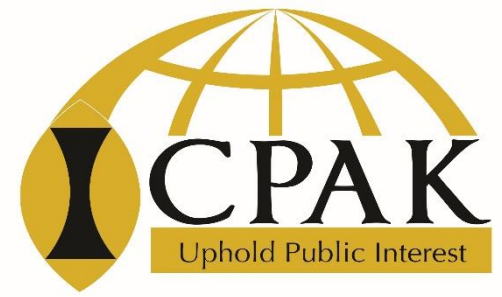
ERM may reveal  
areas where the  
organization is  
being too risky  
averse or is  
ineffectively  
responding to  
some of their  
risks



# ERM Life Cycle

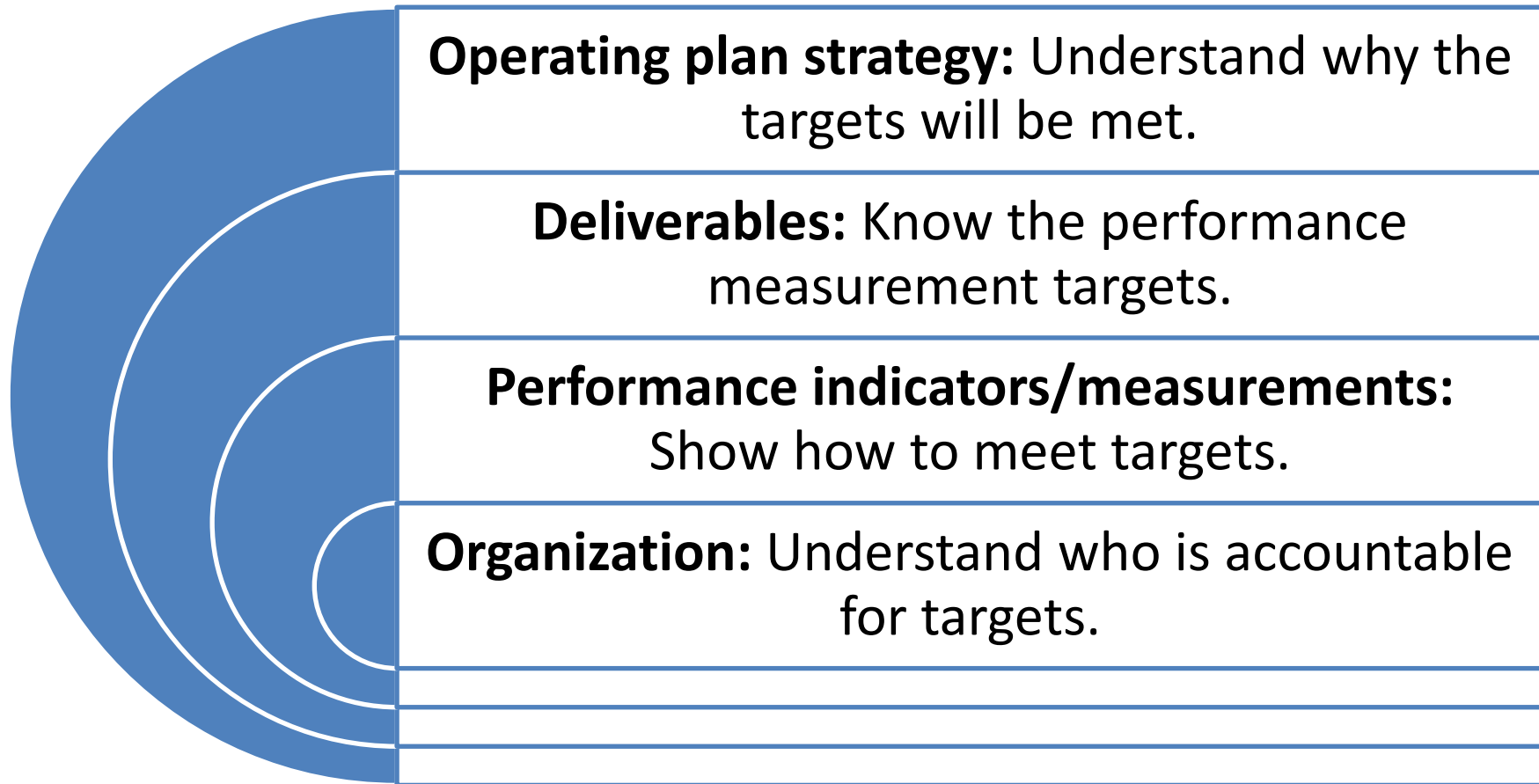


# Linking Organizational Performance to Strategy

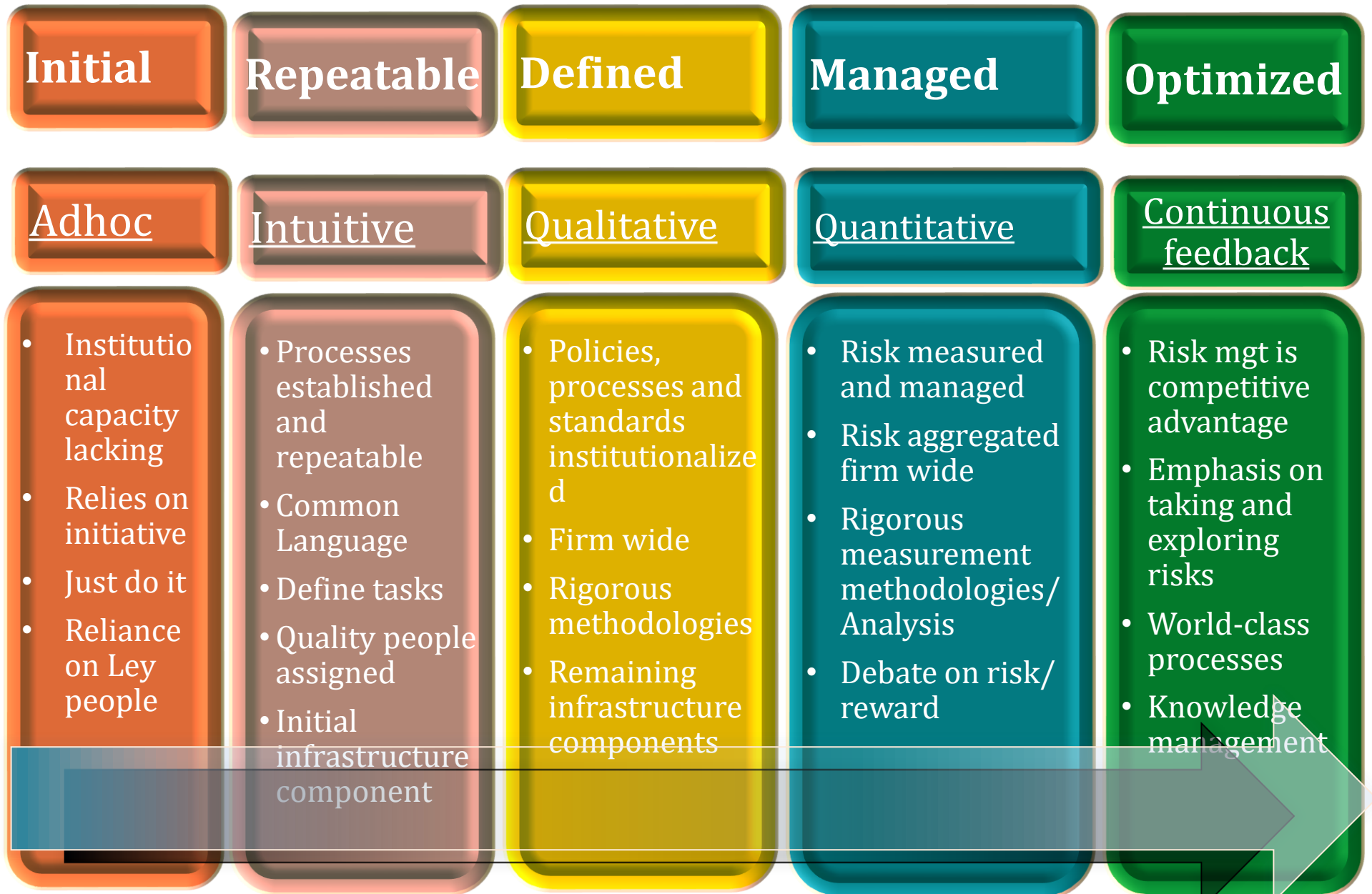


- ❑ Leaders and staff can be assured of being headed in the same direction when the organization's strategy is aligned with:
  - ❑ **Key projects or program areas** that link to personal and team accountability.
  - ❑ **Business process** with key program areas that link to personal and team accountability.
  - ❑ **Business plan objectives** with key indicators that link to personal and team accountability.

# Key components of Balanced Scorecard Approach



# ERM Maturity Continuum



## QUOTABLE QUOTES

“In looking for people to **hire**, you look for **three qualities: Integrity, Intelligence, and Energy**: And if they don't have the **first**, the **other two** will **kill you** “

*Warren Buffet*

“A body of men holding themselves accountable to nobody ought not to be trusted by anybody.”

**Thomas Paine**

# Way Forward – to overcome Challenges



**Review of Risk Policy**

**Review Audit Charter/Structure**

**Institutionalise RMF**

**Integrate Risk into PC/Appraisal system**

**Risk Based Strategic Planning**

**Cascade TRAINING to all levels**



# Way Forward - to overcome Challenges



- The PFM Act, 2012
  - The PFM Regulations 2015
  - Strategic Plan for the Entity
  - The Service Charter
  - Performance Contract
  - Budget
  - Procurement Plan
  - Risk policy framework and risk profile
- Internal Audit Strategic Plan
  - Internal Audit Charter
  - Internal Audit Budget
  - Internal Risk Based Annual Work Plan
  - Audit Committee Charter
  - Any other relevant legislations, guidelines or documents