



ENTERPRISE RISK MANAGEMENT SEMINAR

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Theme: Transformational Risk Management Practices for Professionals

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The Facilitator



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- Enterprise Risk Management and Business Continuity professional.
- Certified Fellow of the Institute of Risk Management
- Director at Pinebridge Training and Consulting Ltd.
- Over 22 years Risk Management Experience
- Positions held
 1. Director - Pinebridge Consulting
 2. Head of Risk Management - Kenya Power
 3. Senior Risk Consultant - Aon Risk Global
 4. Risk Surveyor - Safety Surveyors



Who is Pinebridge Training and Consulting?



Pinebridge Training and Consulting Ltd

- Training
- Consulting

- Enterprise Risk Management
- Business Continuity Management
- Risk based Strategic Management
- Business Process Analysis
- Retirement Planning
- Crisis Management

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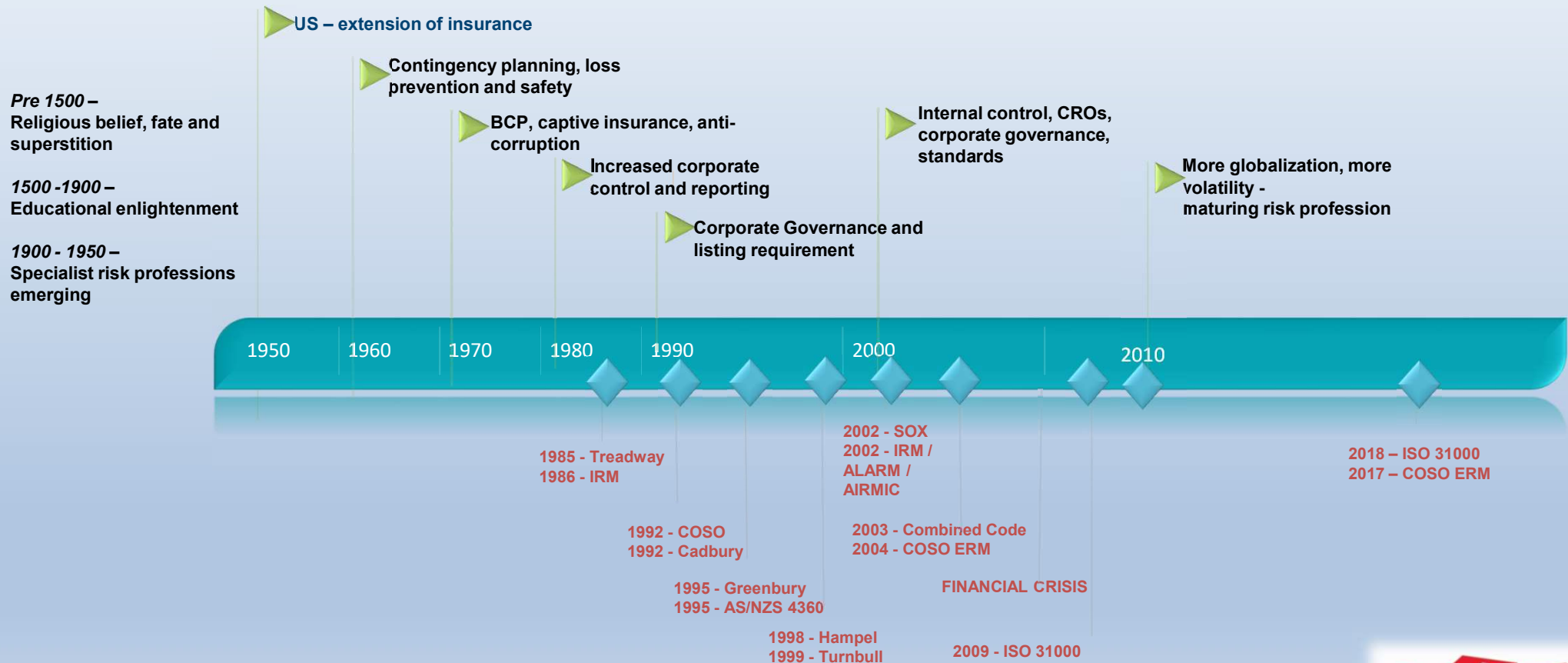
Differentiating Risk Management and ERM



ERM emerged as a concept in the mid 90's as a *systematic, integrated, holistic* process that addresses the Total of all risks that an organization faces.



How Risk Management has evolved.....



Historical timeline



Key drivers of Change from RM to ERM



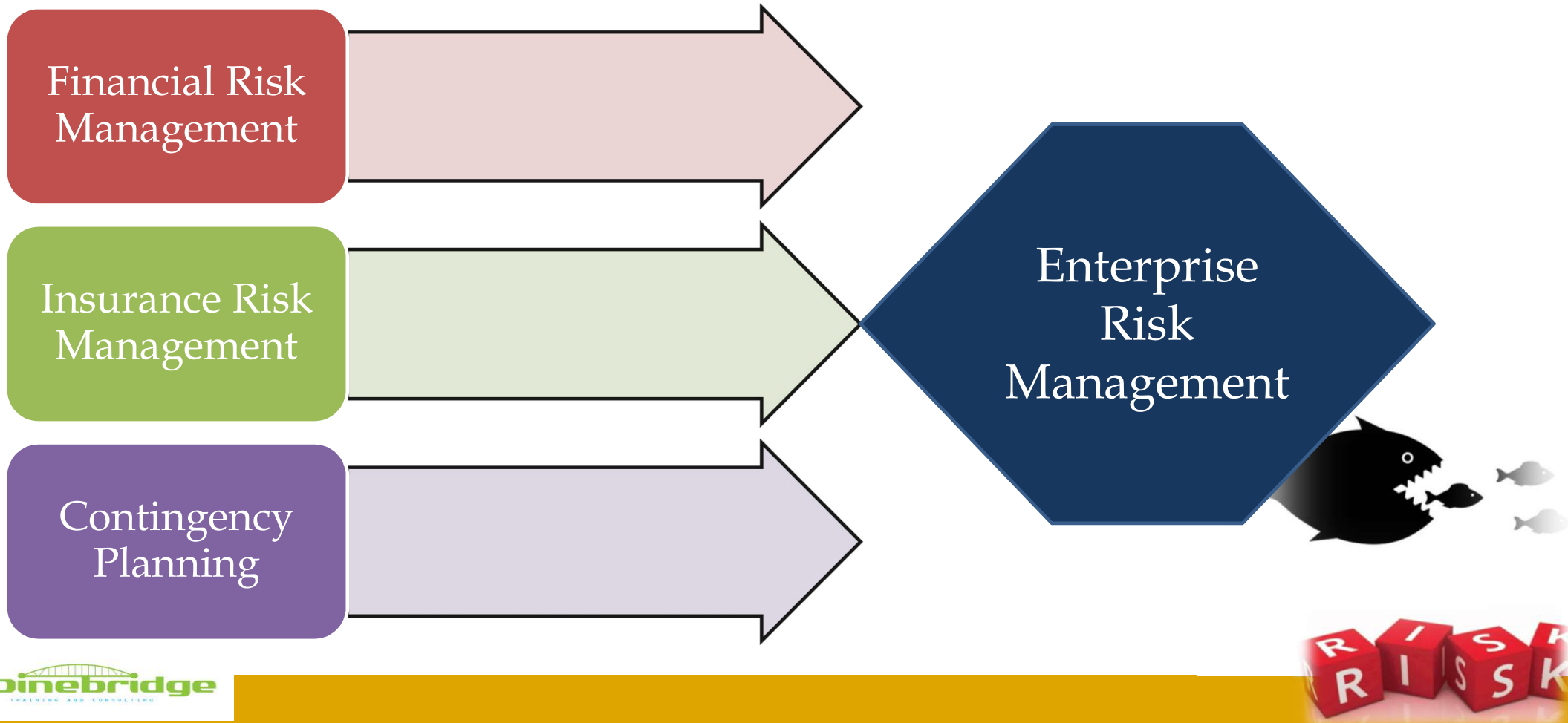
High Profile Company failures and preventable large losses

Inclusion of Risk Management in Strategic Planning which arose from Finance Theory

Integrated Risk Management that is not in Silos and addresses all risks including non financial risks



The Convergence



Check points driving the need for ERM



1. Greater Transparency
2. Financial disclosure with more strict reporting and Controls
3. Security and Technology issues
4. Business Continuity and disaster preparedness post 9/11 World.
5. Focus from rating agencies.
6. Regulatory Compliance
7. Globalization in a Continuous Competitive environment
8. New post pandemic World.... Low touch Economy



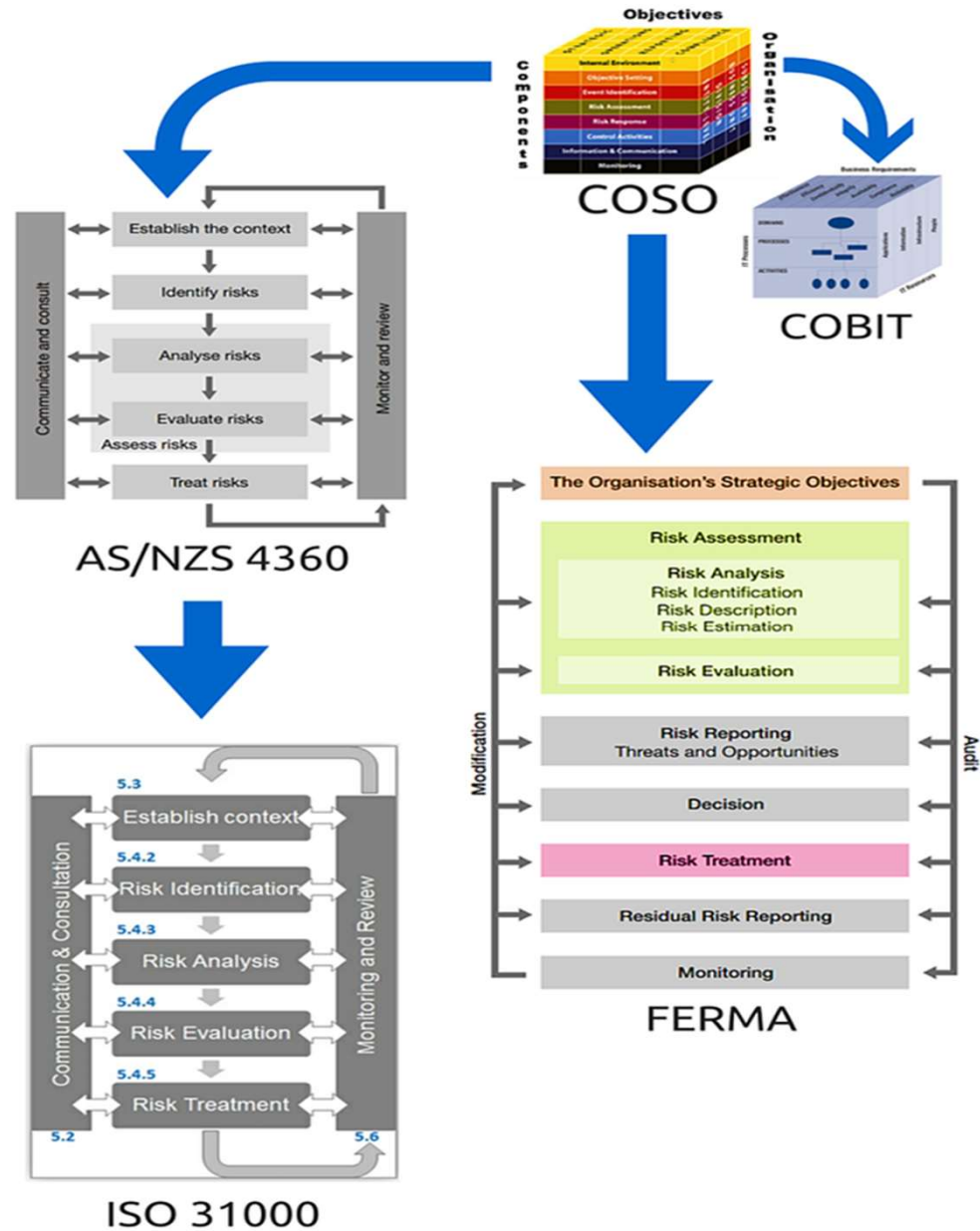
The Context....



- The World Economic Forum (WEF) has commented on the increasing **volatility, uncertainty, complexity and ambiguity (VUCA)** of the world.
- WEF states that the competitive landscape is defined by one word: **disruption**. The ideas of incremental progress, continuous improvement, and process optimizations do not necessarily work anymore.
- Those practices are necessary, but insufficient. It is now impossible to build enduring success without creating new ideas from within an organisation.



Common ERM frameworks



About COSO Framework



> 600,000
professionals

Originally formed in 1985, COSO is a joint initiative of five private sector organizations and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management (ERM) internal control and fraud deterrence



COSO 2017 framework



This framework is aimed at among others:

Providing greater insight into the value of **Enterprise Risk Management** when setting and carrying out **Strategy**.



The COSO framework 2017- Principles



Governance & 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 & Objective-Setting

6. Analyzes 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 & Revision

15. Assesses Substantial Change
16. Reviews Risk and Performance
17. Pursues Improvement in Enterprise Risk Management

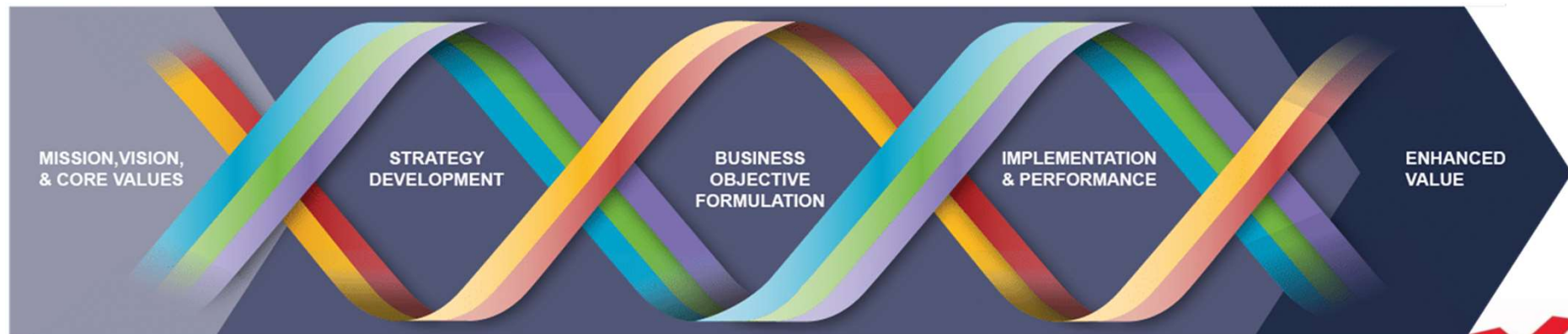


Information, Communication, & Reporting

18. Leverages Information and Technology
19. Communicates Risk Information
20. Reports on Risk, Culture, and Performance

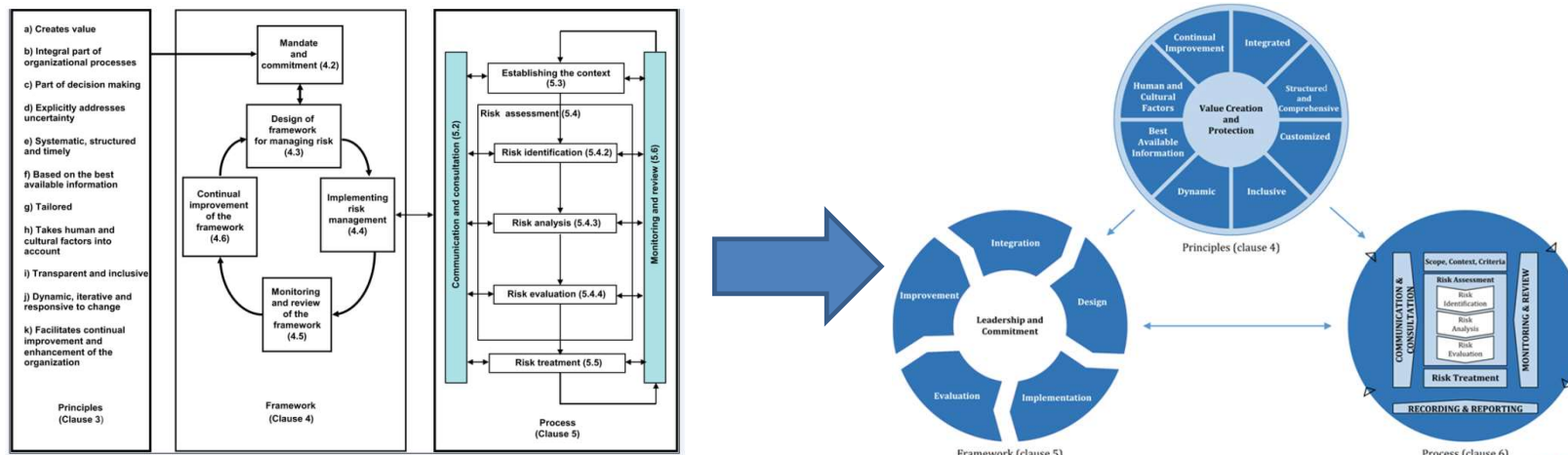


The COSO frameworks are strong on the **Context, Leadership** and **Support**, but less detailed on the plan, implement, measure and learn features required of a management system standard.

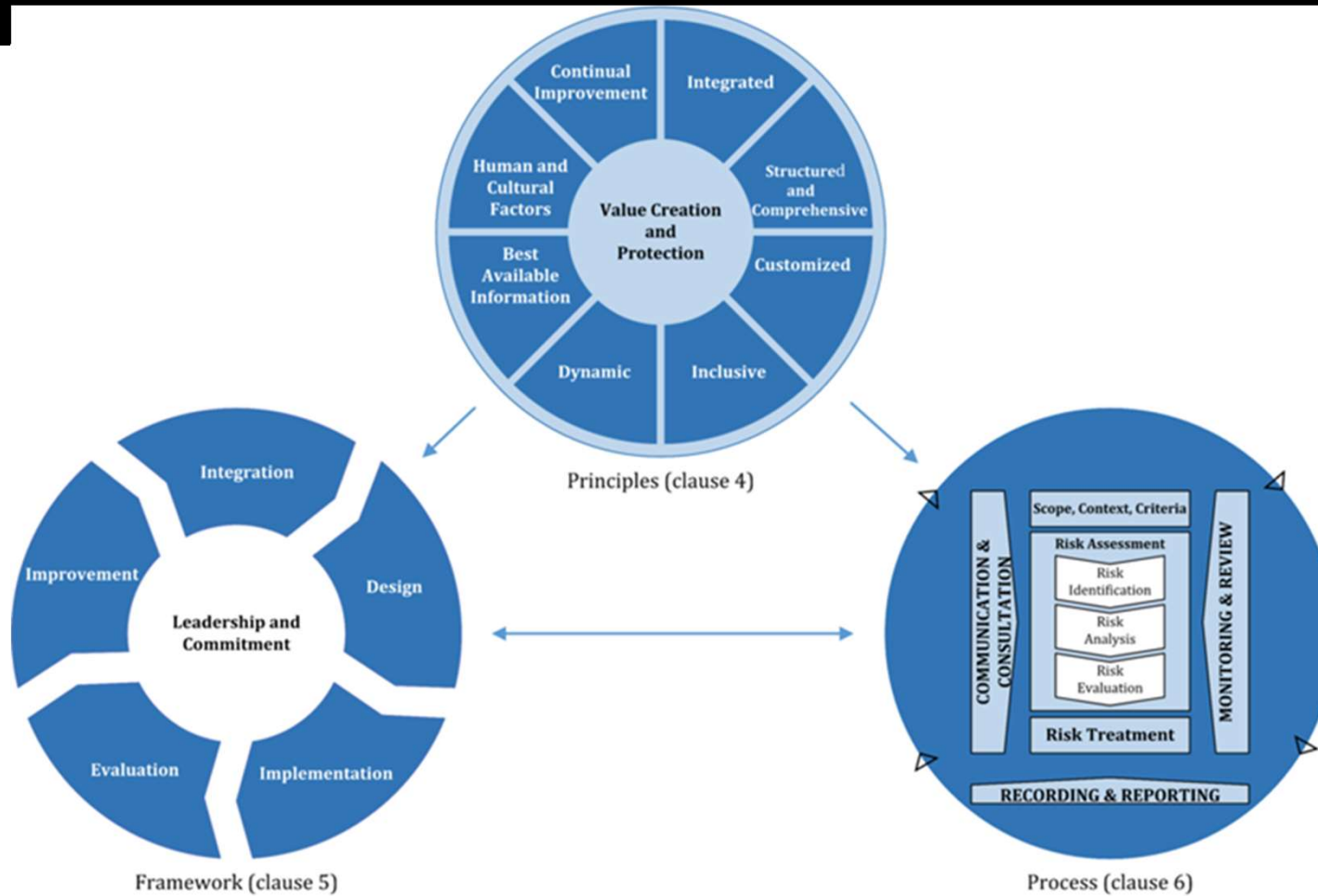


ISO 31000:2009 - 2018

- The ISO standard has only been around for slightly over 10 years, its origins dates back to 1995 when the [AS/NZS 4360](#) standard from Australia and New Zealand was first published.



The New ISO 31000: 2018



The Risk Management principles ISO 31000



- The purpose of Risk Management is the creation and Protection of value
- It improves performance, encourages innovation and supports the achievement of objectives



Source: ISO 31000:2018



Deep dive into pertinent regulation and guidelines on ERM (*PFM Act, Treasury Circulars, COSO ERM Framework, ISO 31000:2018 etc*)

Basis of Risk Management



- Treasury Circular No 3/2009 :- *Development and implementation of Institutional Risk Management Policy framework (IRMPF)*
- 'MWONGOZO' *Code of governance for State Corporations.*
- ISO 9001:2015 – *Quality Management System.*
- Public Finance Act.
- Generally the Constitution
- Sector Specific Regulators guidelines



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TO: All Accounting Officers,
All Chief Executives of State Corporations,
All Clerks to Local Authorities.

DEVELOPMENT AND IMPLEMENTATION OF INSTITUTIONAL RISK MANAGEMENT POLICY FRAMEWORK (IRMPF) IN THE PUBLIC SECTOR

1.0 INTRODUCTION

- 1.1 As part of ongoing public financial management (PFM) reforms a need has been identified for a more effective corporate governance framework as well as an accountable financial management system in the public sector.



ISO 9001 (2008 Versus 2015)



What are the major differences ?

The most noticeable change to the standard is its new structure. ISO 9001:2015 now follows the same overall structure as other ISO management system standards (known as the High-Level Structure), making it easier for anyone using multiple management systems. More information can be found in Annex SL of ISO/IEC Directives Part 1 (the rules for developing ISO standards).

Another major difference is the focus on risk-based thinking. While this has always been part of the standard, the new version gives it increased prominence. More information on how to adapt to this risk-based thinking can be found on the Website run by ISO/TC 176/SC 2, the group of experts behind the standard (www.iso.org/tc176/sc2/public).



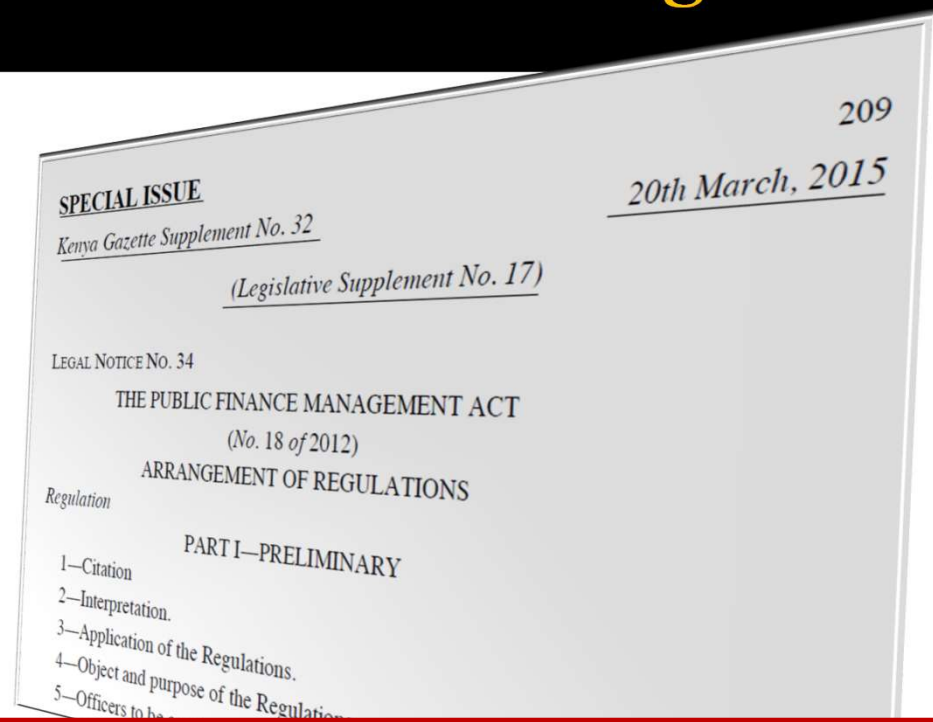
Mwongozo sec.3.2



Governance Parameter	Governance Practice
Risk Management	<p>1. The Board should:</p> <ul style="list-style-type: none">(a) Ensure the development of a policy on risk management, which should take into account sustainability, ethics and compliance risks.(b) Set out its responsibility for risk management in the Board charter.(c) Approve the risk management policy and the risk management framework.(d) Delegate to management the responsibility to implement the risk management plan.(e) Monitor that risks taken are within the set tolerance and appetite levels.(f) Review the implementation of the risk management framework on a quarterly basis.(g) Appoint a Committee responsible for risk management in the organization.(h) Ensure that the Committee obtains relevant technical advice where necessary.(i) Evaluate the performance of the Committee once a year.(j) Establish a risk management function within the organization.(k) Ensure that risk assessment is carried out on a continuous basis.(l) Receive from the Internal Audit function, a written assessment of the effectiveness of the system of internal controls and risk management.(m) Receive assurance from Management that the risk management framework is integrated in the daily activities of the organization.



PFM Act. 2015 Regulations



165. (1) The Accounting Officer shall ensure that the national government entity develops—

- (a) risk management strategies, which include fraud prevention mechanism; and
- (b) a system of risk management and internal control that builds robust business operations.

The role of Accounting Officer in risk management.



What does the future hold



1. Cognitive technologies augment human decision-making

Driven by developments in artificial intelligence (AI) and easy access to huge amounts of data, smart systems will assist, and at times even replace, human-led risk management.

2. Controls become pervasive

In a sensor-enabled, hyper-connected environment, organizations will deploy pervasive controls as part of their products, services, and business models to monitor and manage risk in real time.

3. Behavioral science informs risk insights

Advances in behavioral sciences will fuel efforts to understand risk perceptions, influence risk behaviors, and improve risk-related decision-making.



Future trends cont'd



4. Vigilance and resilience complement prevention as leading practices

Organizations are realizing that 100 percent risk prevention is not feasible, so investment in vigilance (detecting risk events as they happen) and resilience (containing and reducing the impact of risk events) will increase.

5. Risk transfer broadens in scope and application

Risk transfer instruments, such as insurance, contracts, and novel financial instruments, will increasingly be used by organizations to protect them from a wider range of risks

6. Innovation leads, regulation follows

The marketplace will reward organizations that take on strategic, high-risk innovations – even if they fall outside the scope of existing regulations.



Future



7. **Risk becomes a performance enabler** as risks become more measurable and tangible,
8. **The networked economy demands collective risk management** as businesses engage more deeply with a large number of external stakeholders.
9. **Disruption dominates the executive agenda** the constant threat of disruption resulting from emerging technologies, business model transformations, and ecosystem changes.
10. **Reputation risks accelerate and amplify** To survive in a hyper-connected world dominated by mobile devices, social media, and evolving expectations from society,



Lastly - Next Normal



According to Mckinsey and Company this is the Next Normal

<https://www.mckinsey.com/Videos/video?vid=6179664830001&plyrid=HkOJqCPWdb&aid=7329D72E-9A50-472C-8702-8CF3F2A5F290>

