



RISK GOVERNANCE – CRITICAL RISK MANAGEMENT INFRASTRUCTURE FOR MONITORING AND REPORTING

**Presented by Kefa Nyakundi
2021 ICPAK Annual Governance & Ethics Conference
Whitesands Hotel, Mombasa**

Structure



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- Risk, Risk Management, ERM
- Contrasting Traditional Risk Management and ERM
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Who Am I?



- **Student of Accounting**
- **Professional Banker**
- **Governance, Risk & Compliance Professional**
- **Business & Financial Consultant**
- **Entrepreneur**
- **Philanthropist - Youth Empowerment**
- **Leadership Group**

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Risk; Risk Management & ERM



- **Risk is the effect of Uncertainty on objectives – ISO 31000**
- **Risk Management is the co-ordinated activities to direct and control an organization in order to achieve its objectives**
 - **refers to the architecture i.e principles, framework and process for managing risk effectively;**
- **Enterprise Risk Management is a structured and disciplined approach aligning strategy, process, people, Systems, and knowledge with the purpose of evaluating and managing the uncertainties the enterprise faces as it creates value..... KPMG**

Traditional Risk Management Vs ERM



■ FROM

- **Fragmented**
- **Negative – threats**
- **Reactive**
- **Ad hoc**
- **Historical looking**
- **Silos based**
- **Functionally driven**
- **Cost based**
- **Narrowly focused**

■ TO

- **Integrated**
- **Positive – Opportunities also**
- **Proactive**
- **Continuous**
- **Forward looking**
- **Holistic**
- **Process driven**
- **Value based**
- **Broadly focused**

Introduction to ERM Infrastructure



- **ERM being a strategic discipline requires laying out critical 'beacons' to ensure that the enterprise view is in sync.**
- **Practical application of the ERM framework gives an organization risk intelligence that significantly helps in achievement of stakeholder objectives**
- **In a nutshell, the following Risk Management infrastructure for monitoring and Reporting are critical**

1. Senior-Level Risk Champion



- Risk is a strategic discipline and Board is accountable for Risk
- Change must start from the top (tone at the top)
- Risk is not BAU and implementation is always met with resistance
- Implementation requires resources – financial, human resources, change in processes, change in culture, etc

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2. Risk Governance Structure



1. A clear Risk Management Governance structure delineating roles and responsibilities for Risk across the enterprise – define risk/control owners



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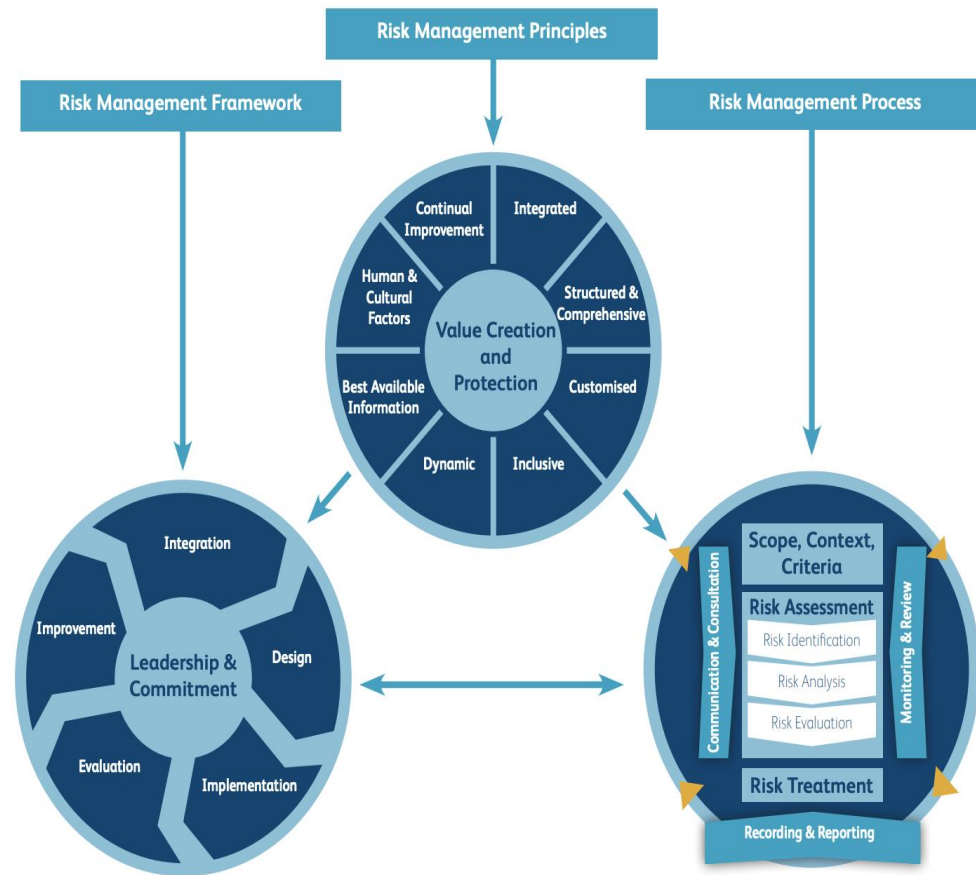
2. Risk Governance Structure



- Governance functions to report directly to the Board/Governing Bodies with dotted lines to management
- Give the Board/Governing Board transparency and clear visibility into the organization's risk management practices to enable them discharge their responsibilities
- Avoid too many management level committees – Groupthink

3. A Common Risk Management Framework

- A common Risk Management framework across the enterprise
- Design principles to guide all risk management activities
- A Common Risk Management Process



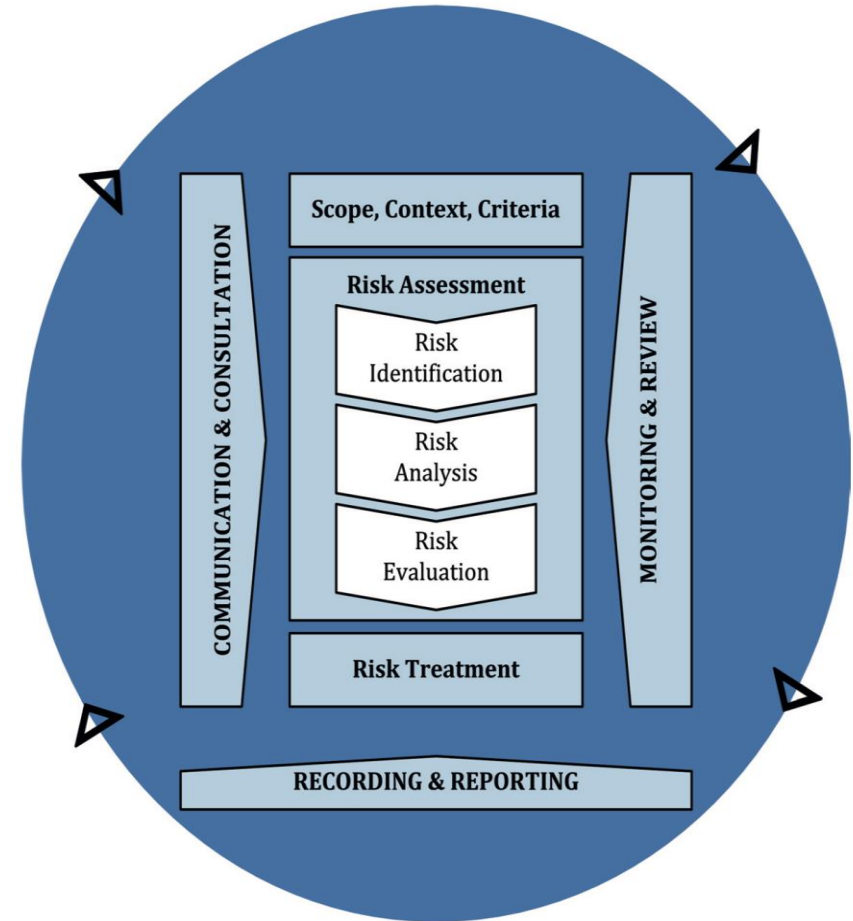
3. A Common Risk Management Framework



- A common Risk Management Process across the enterprise

- Risk Identification
- Risk Assessment
- Risk Treatment

- The Risk Management process is a “Super Process” that is adapted into all processes – strategic planning, procurement, recruitment, new products, etc



4. Integrate Risk Management processes into 'Normal' Management Processes



- Risk Management is best managed at source
- Integrate with strategic planning (strategic Risk management tools?)
- Integrate with Performance Management
- Accountability - Risk Ownership rests with business unit owner and KRIs embedded into Performance contract
- Risk Champions from business units with dual functions – JD/PM
 - Implementation of Risk tools – Incidence registers, CRSA, Risk Registers
 - R-A-C-I Charts for every process
 - On-going training and capacity development

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5. Common Risk Language



- Taxonomy is very important to ensure everyone is on the same page
- Definitions of key Risk Terminologies
- Risk categories – granulated
- Risk rating – Risk/audit/compliance/BCM – 5X5? 3&3?

6. Board Reporting



- Reports to the Board to be aggregated reports – summaries (dashboard view)
- Avoid bulky reports
- Segmental reporting (operational risks, credit risks, etc)
- Risk to be sensitive to Board at various stages
- Invest in a simple report tool (MS excel and MS access are good for most)
- Use cloud technology to share most information and reduce paper - google/MS/Specialised Board applications?
- A comprehensive Board tracker – by who, by when, etc



Questions

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