



THE ANNUAL INTERNAL AUDIT, RISK & FORENSIC CONFERENCE

Our Conference..



THEME:

***IMPLEMENTATION OF IMPROVED
INTERNAL CONTROLS AND ENHANCED
ORGANIZATIONAL COMPLIANCE***

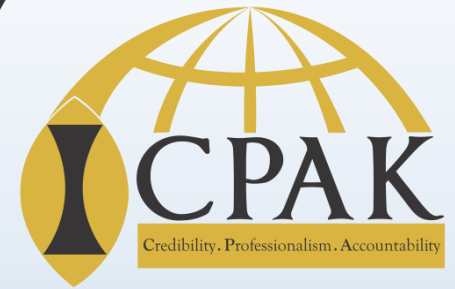
TOPIC

***Implementation of an effective risk
management Framework-***

***A paradigm Shift from Qualitative to Quantitative Risk
Management***

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The Focus...



*Growing in **Risk Maturity**
through Quantitative **risk**
Analysis.*

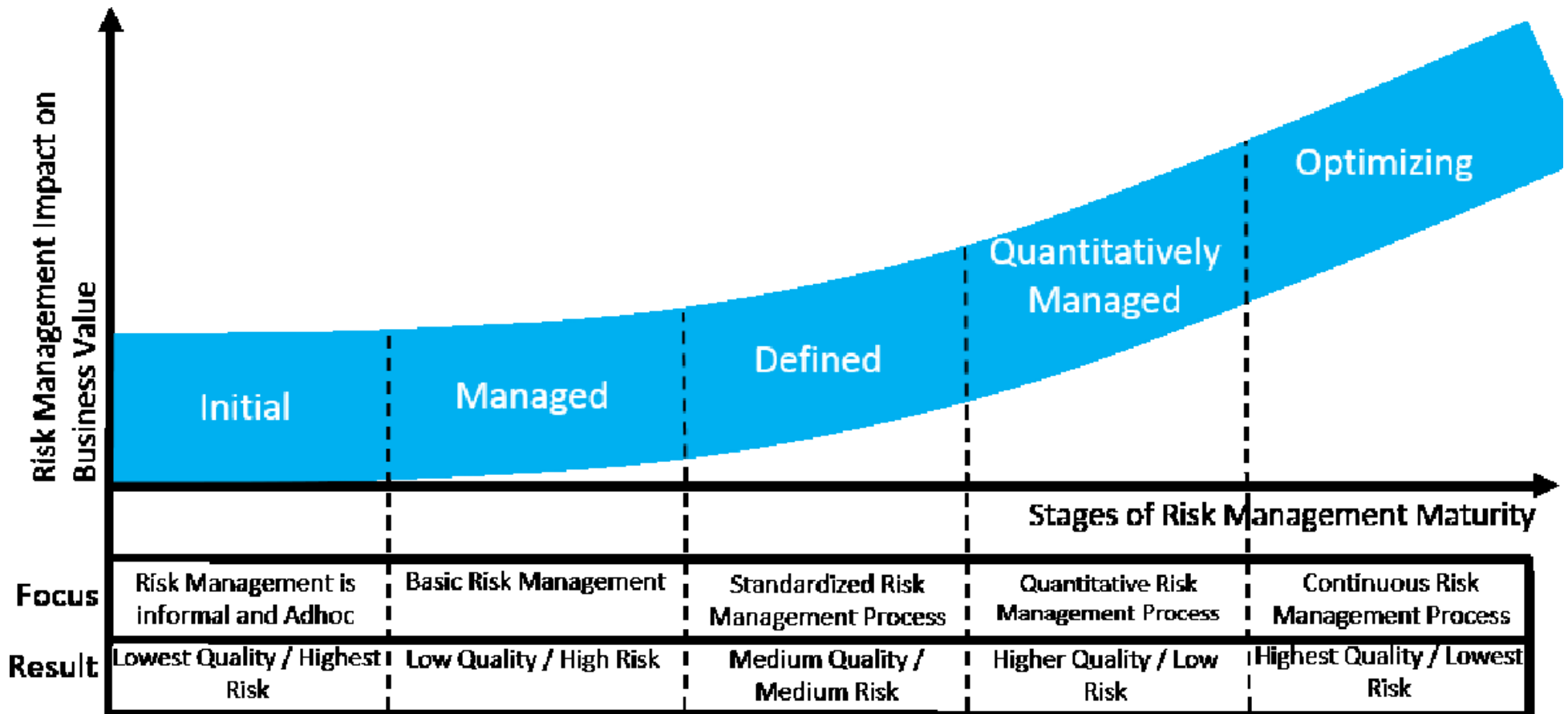
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Qualitative vs Quantitative



- **Quantitative Risk Analysis** uses available relevant and verifiable data to produce a numerical value.
- **Qualitative Risk Analysis**, on the other hand, applies a subjective assessment of risk occurrence likelihood (probability) against the potential severity of the risk outcomes (impact)

Risk Maturity



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Role of the Board



1. Ensuring development and implementation of the Risk Management framework and Risk Appetite.
2. Assessment and regular review of the Key risks facing the organisation and the updating of the organisation's risk registers;
3. Determining the materiality of those risks and the development of a risk response plan.
4. Formulation and updating of the organisation's risk management processes and procedures to address the significant risks;
5. Creating of tone at the top and monitoring that the risk culture of the organisation is consistent with the board's risk appetite and risk priorities;
6. Monitoring the extent to which the organisation's risk management framework, and procedures have been implemented and operating effectively;
7. Identifying risks including any emerging risks;

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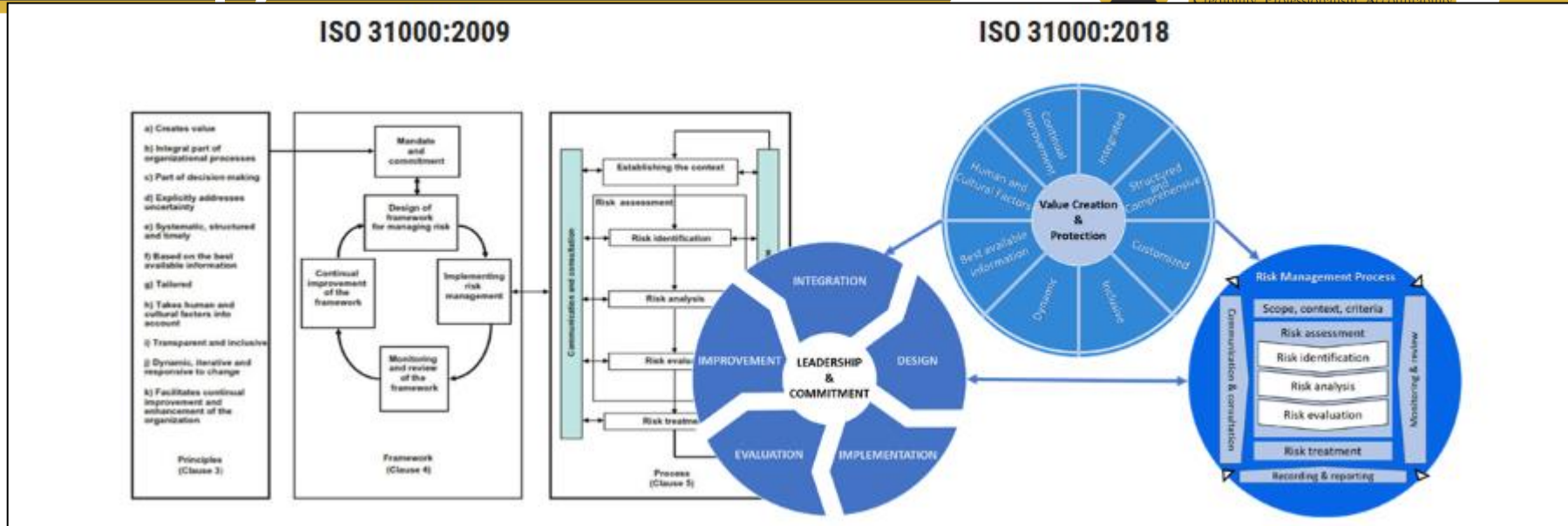
The ERM Framework



- The definition of framework is a support structure or system that holds parts together.
- Rules, standards and policies and in ERM it means:- Risk policies, Risk Manuals, Risk management plans, Risk registers....
The Architecture!



Global Framework guidelines



Enterprise Risk Management



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“The Fourth Industrial Revolution”



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The Emerging risk landscape...*The Future?*



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Emerging Risk.....



From **'Just in Time (JIT)'** *to* **'Just in Case'**

- supply chain disruption
 - Global recession
 - Climate Change (ESG)
- Cyber crime and Data Fraud.
- Accelerated digital transformation.
- Employee engagement and Wellbeing

Our Context



S.M.A.C : Social,
Mobility, Analytics
and Cloud...

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Why Quantitative?

- *It's the only way forward!*

What has changed?



- Traditionally Risk has been measured by

$$\text{Likelihood} \times \text{Impacts} = \text{Risk}$$

- This is no longer sufficient to measure risks and there is need for more facets of risk hence introduction of additional facets such as Risk *Velocity* and *Vulnerabilities*

Vulnerability



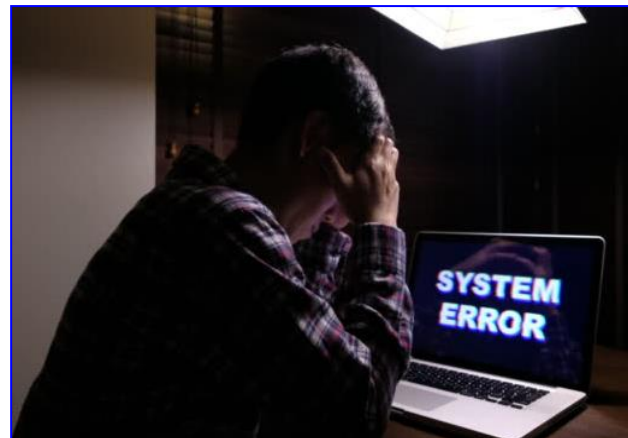
- vulnerability assessment involves **looking inside the organization for structural flaws and weaknesses.**



Risk Velocity



Risk velocity is the time to impact. Think of velocity as an estimate of the time frame within which a risk may occur.



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Risk Measurement



- **Impact vs Likelihood** and now *Velocity*

Likelihood

Impact

Velocity

When the velocity is low, we have more time to respond to the risks.

Changing Risk Rating due to Velocity



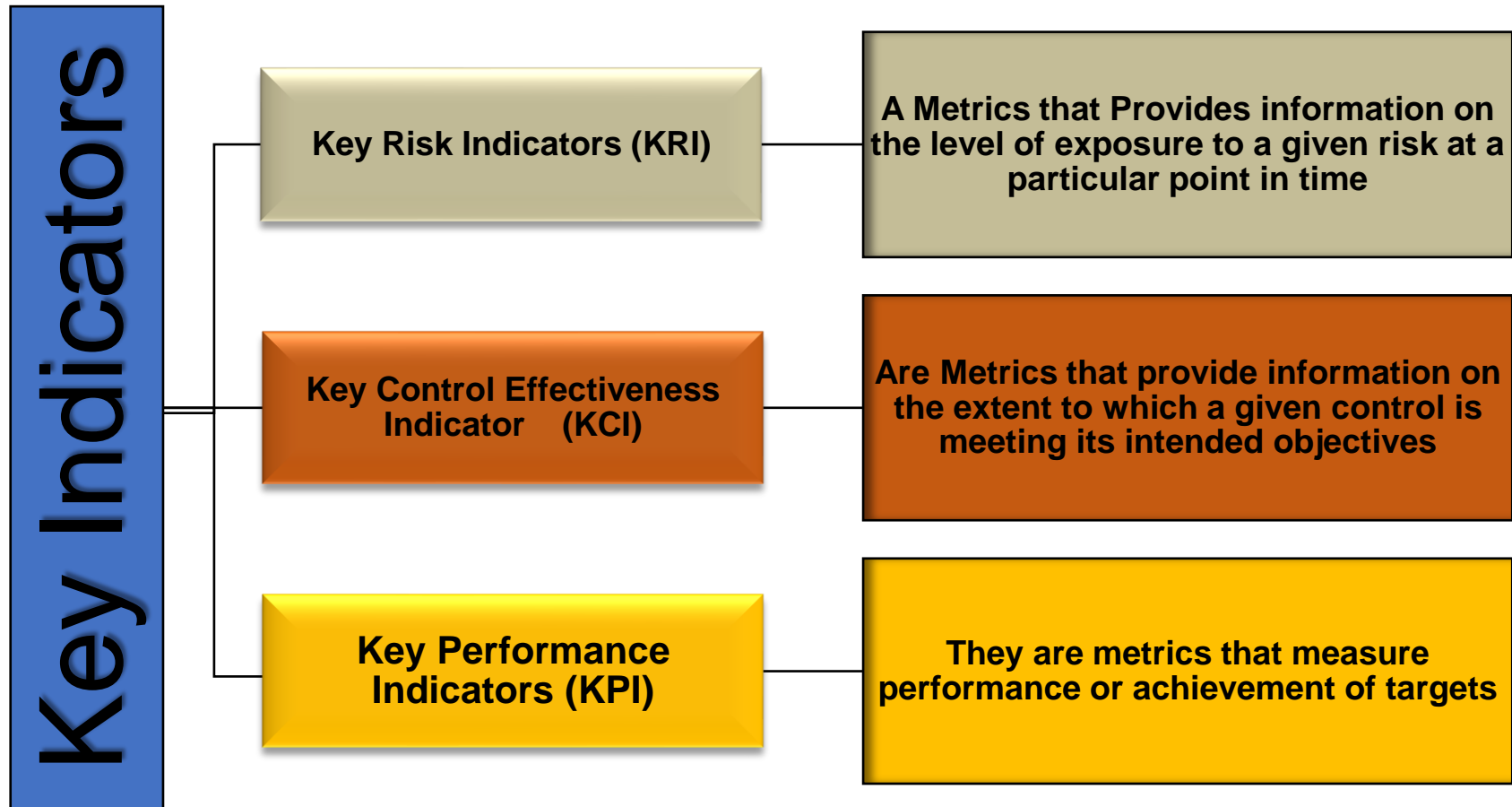
Risk	Likelihood	Impact	Overall Rating	Velocity	Velocity + Likelihood	New Overall
Risk # 1 Legal risk	4	3	12	2	2 + 4 = 6	18
Risk # 2 Fire	3	4	12	5	5 + 3 = 8	32
Risk # 3 Cyber Attack	1	5	5	3	3 + 1 = 4	20
Risk # 4 Reputation	2	2	4	3	3 + 2 = 5	10

Risk = Likelihood x Impact

Risk = (Likelihood + velocity) x impact

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Key Risk Indicators in relation to other indicators



More about KRI's



- KRI as the name suggests, **are indicators** over the key risks to which the organization is exposed to.
- They **are identifiable** pieces of information that can act as a ploy or indicator of the current or potential level of that Key risk.
- They **are important tools** to facilitate monitoring and review of the risk
- KRI **is a metric** that provides information on the level of exposure to a given risk which the organization has at a particular point in time



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Thank You
Q & A time.



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