



The Institute of Risk Management

# **Institute of Risk Management**

North East Regional Group

## **current issues in risk management**

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## Agenda of topics for discussion

1. Scope of risk assurance
2. Corporate governance standards
3. Risk Management standards
4. RM process + RM framework = RM standard
5. Qualitative or Quantitative
6. Risk appetite and contribution of ERM
7. RM qualifications
8. Role and responsibilities of the risk manager

## Essential Reading materials

1. A Risk Management Standard. The Institute of Risk Management (2002)  
[http://www.theirm.org/publications/documents/Risk\\_Management\\_Standard\\_030820.pdf](http://www.theirm.org/publications/documents/Risk_Management_Standard_030820.pdf)
2. Management of Risk: Principles and Concepts. The “Orange Book”. HM Treasury (2004)  
[http://www.fkkt.uni-lj.si/attachments/1969/management\\_of\\_risk.pdf](http://www.fkkt.uni-lj.si/attachments/1969/management_of_risk.pdf)

## Section 1: Introduction to Risk Management

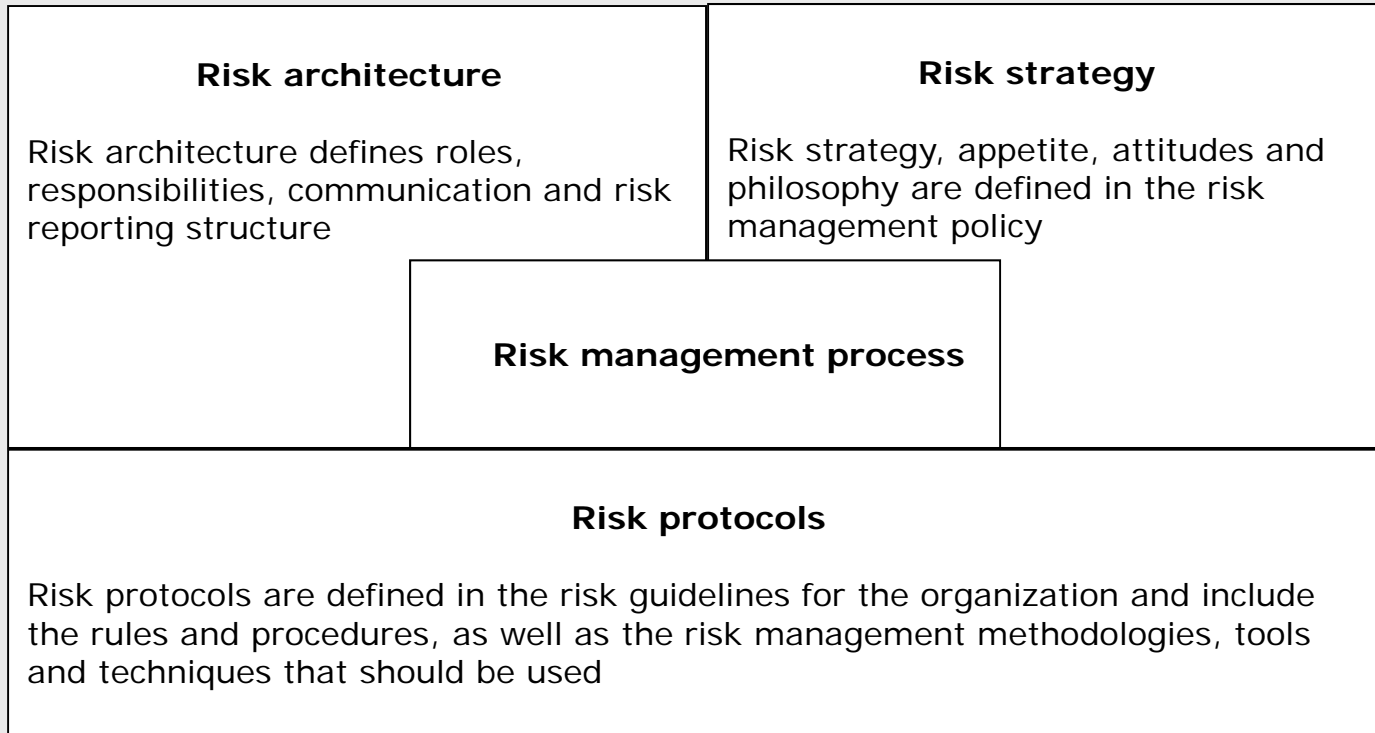
1. Internal Control: Revised Guidance for Directors on the Combined Code. Financial Reporting Council (2005)  
[www.frc.org.uk/documents/pagemanager/frc/Revised%20Turnbull%20Guidance%20October%202005.pdf](http://www.frc.org.uk/documents/pagemanager/frc/Revised%20Turnbull%20Guidance%20October%202005.pdf)
2. Enterprise Risk Management – Integrated Framework. Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2004)  
[www.coso.org/documents/COSO\\_ERM\\_ExecutiveSummary.pdf](http://www.coso.org/documents/COSO_ERM_ExecutiveSummary.pdf)

**Table 4.3 7Rs and 4Ts of (hazard) risk management**

1. Recognition or identification of risks and identification of the nature of the risk and the circumstances in which it could materialize.
2. Ranking or evaluation of risks in terms of magnitude and likelihood to produce the “risk profile” that is recorded in a risk register.
3. Responding to significant risks, including decisions on the appropriate action regarding the following options:
  - tolerate;
  - treat;
  - transfer;
  - terminate.
4. Resourcing controls to ensure that adequate arrangements are made to introduce and sustain necessary control activities.
5. Reaction planning and / or management. For hazard risks, this will include disaster recovery or business continuity planning.
6. Reporting and monitoring of risk performance, actions and events and communicating on risk issues, via the risk architecture of the organization.
7. Reviewing the risk management system, including internal audit procedures and arrangements for the review and updating of the risk architecture, strategy and protocols.



Figure 6.1 IRM risk management process



**Figure 6.2 Components of an RM framework**

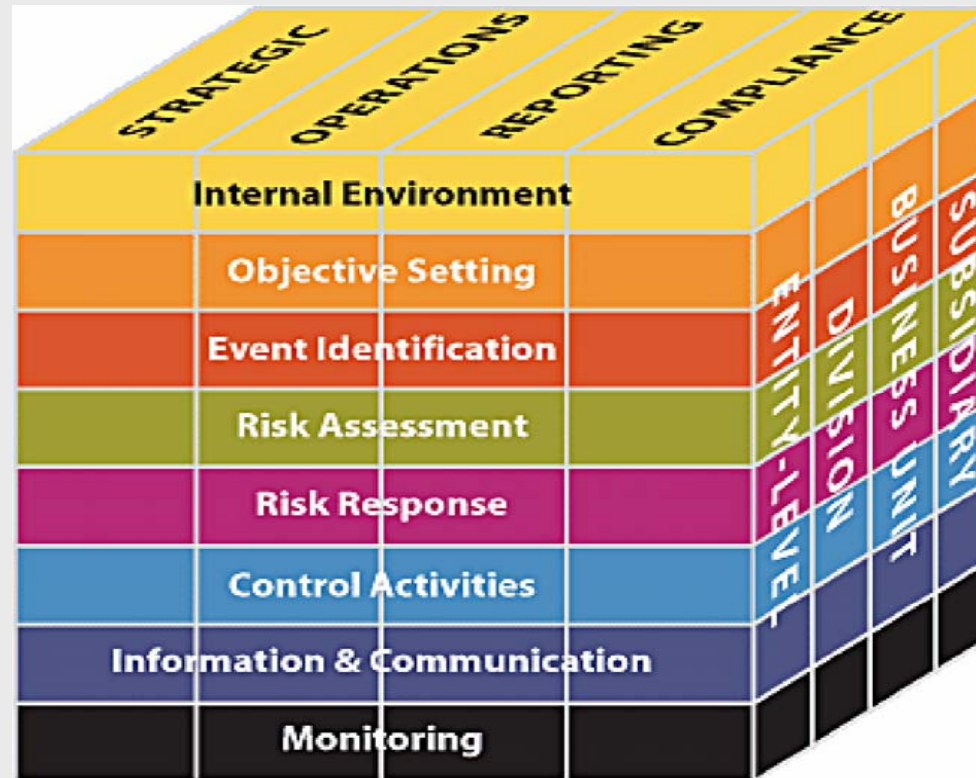


Figure 6.3 COSO ERM framework  
 COSO's ERM "Cube Diagram"

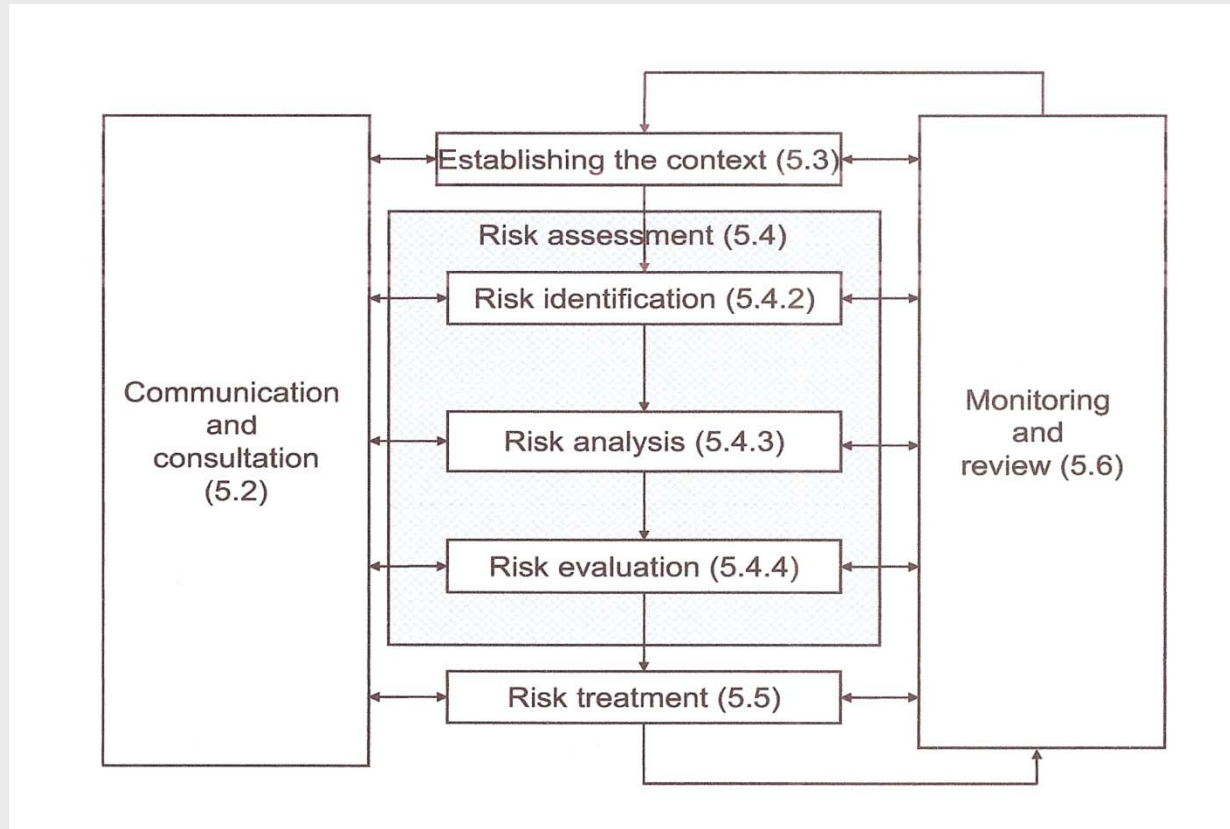
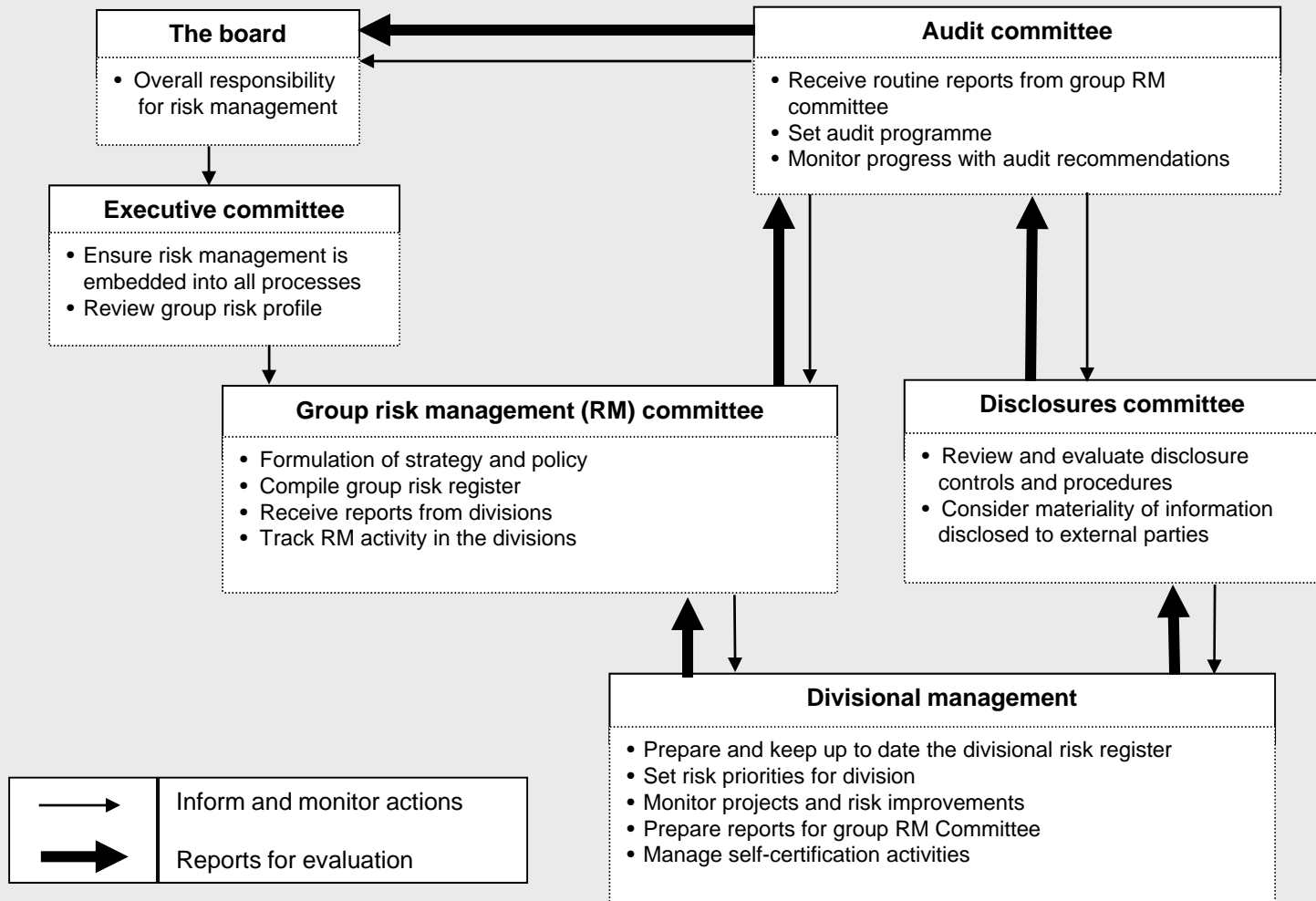
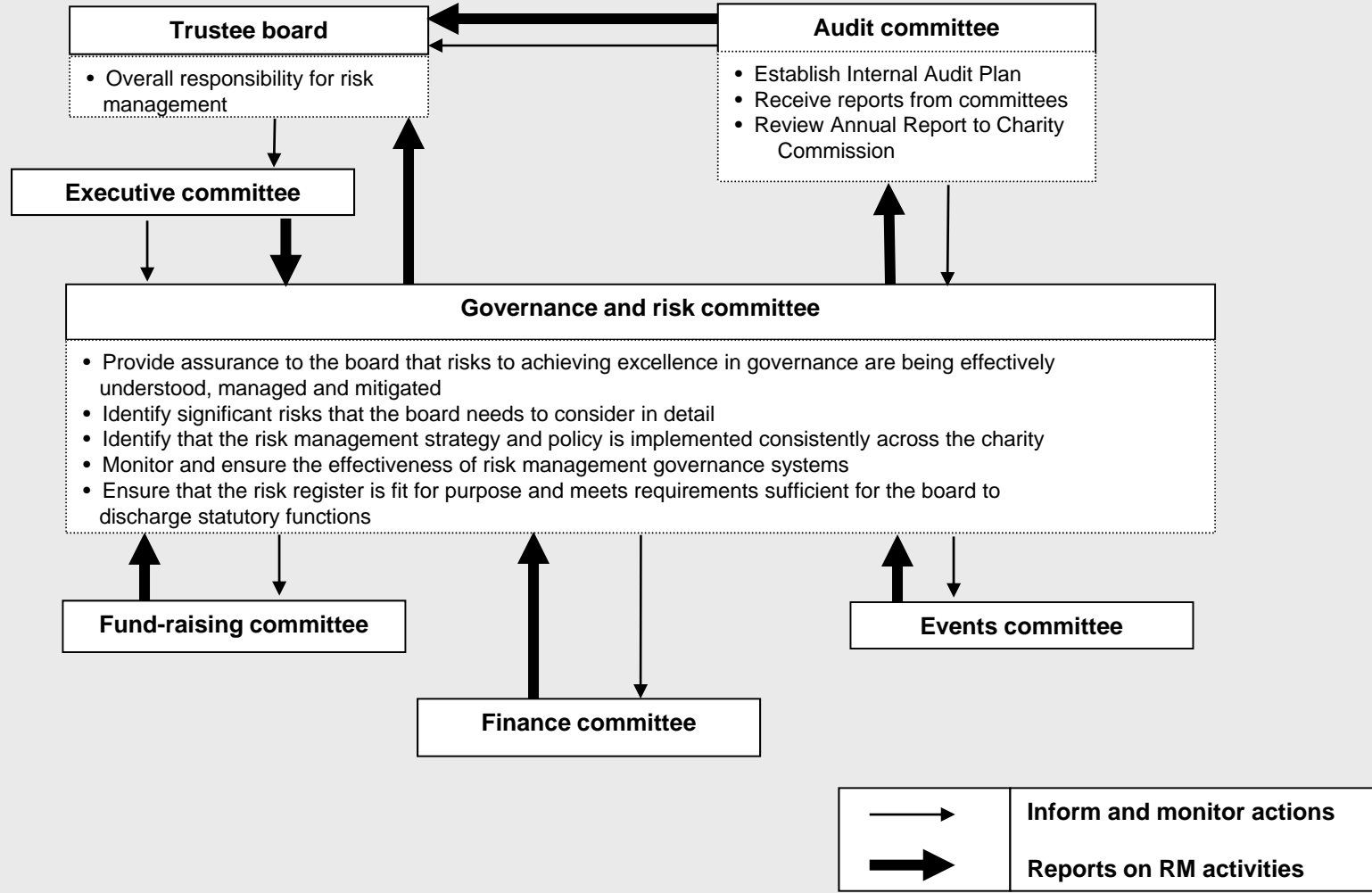


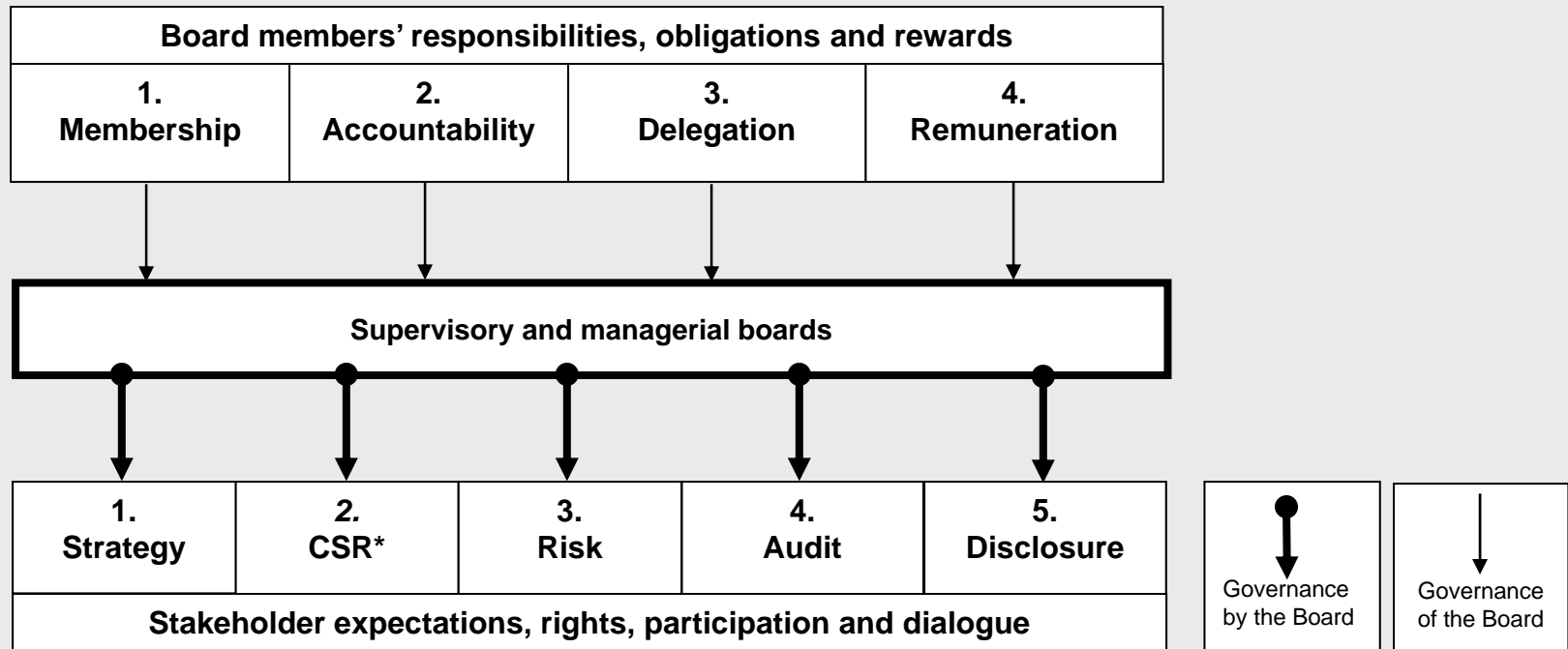
Figure 6.5 Risk management process from ISO 31000



**Figure 10.1 RM architecture for a large corporation**



**Figure 10.2 RM architecture for a charity**



\* Corporate Social Responsibility

**Figure 19.1 Corporate governance framework**

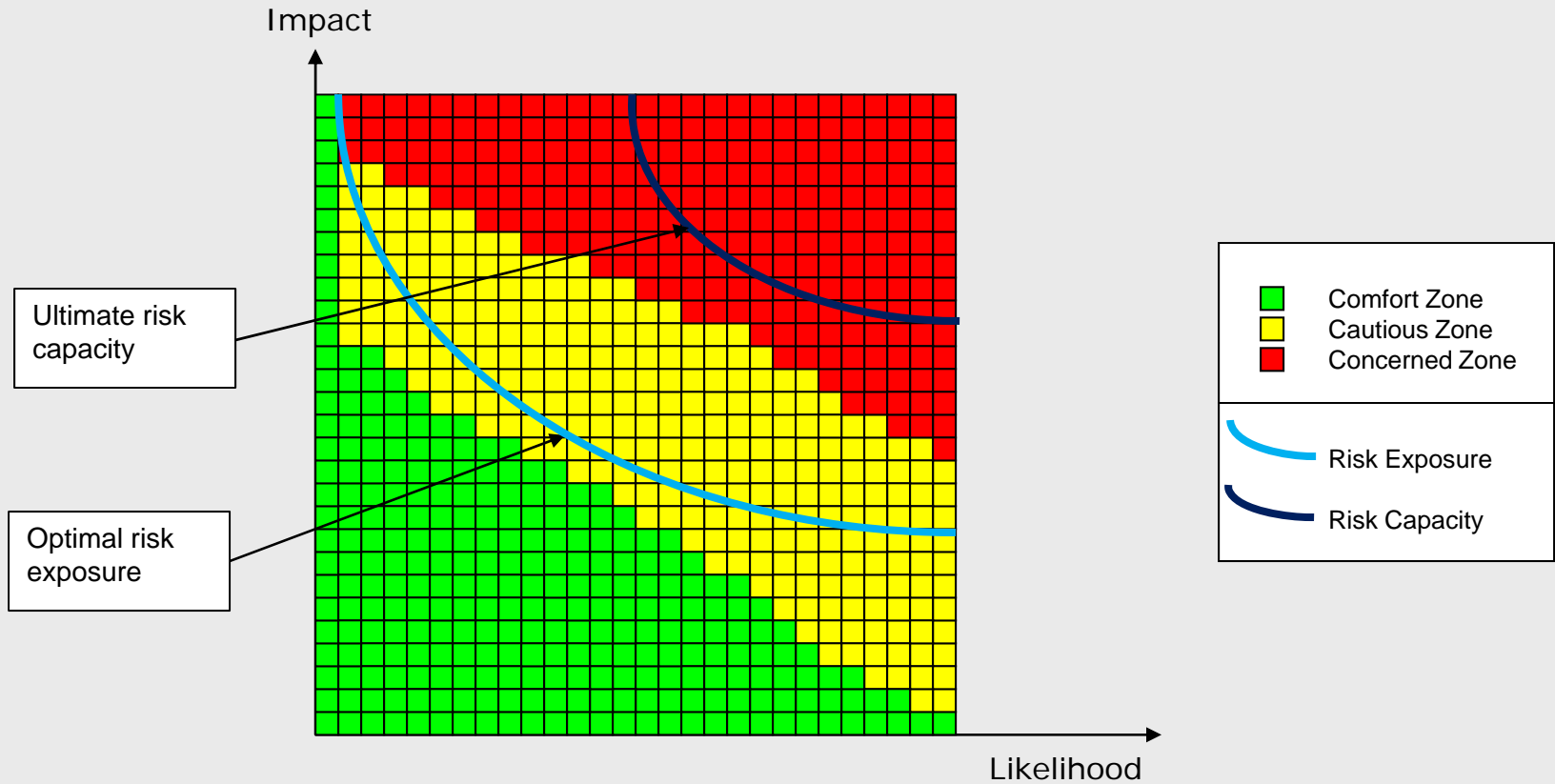


Figure 26.2 Risk appetite, exposure and capacity (optimal)

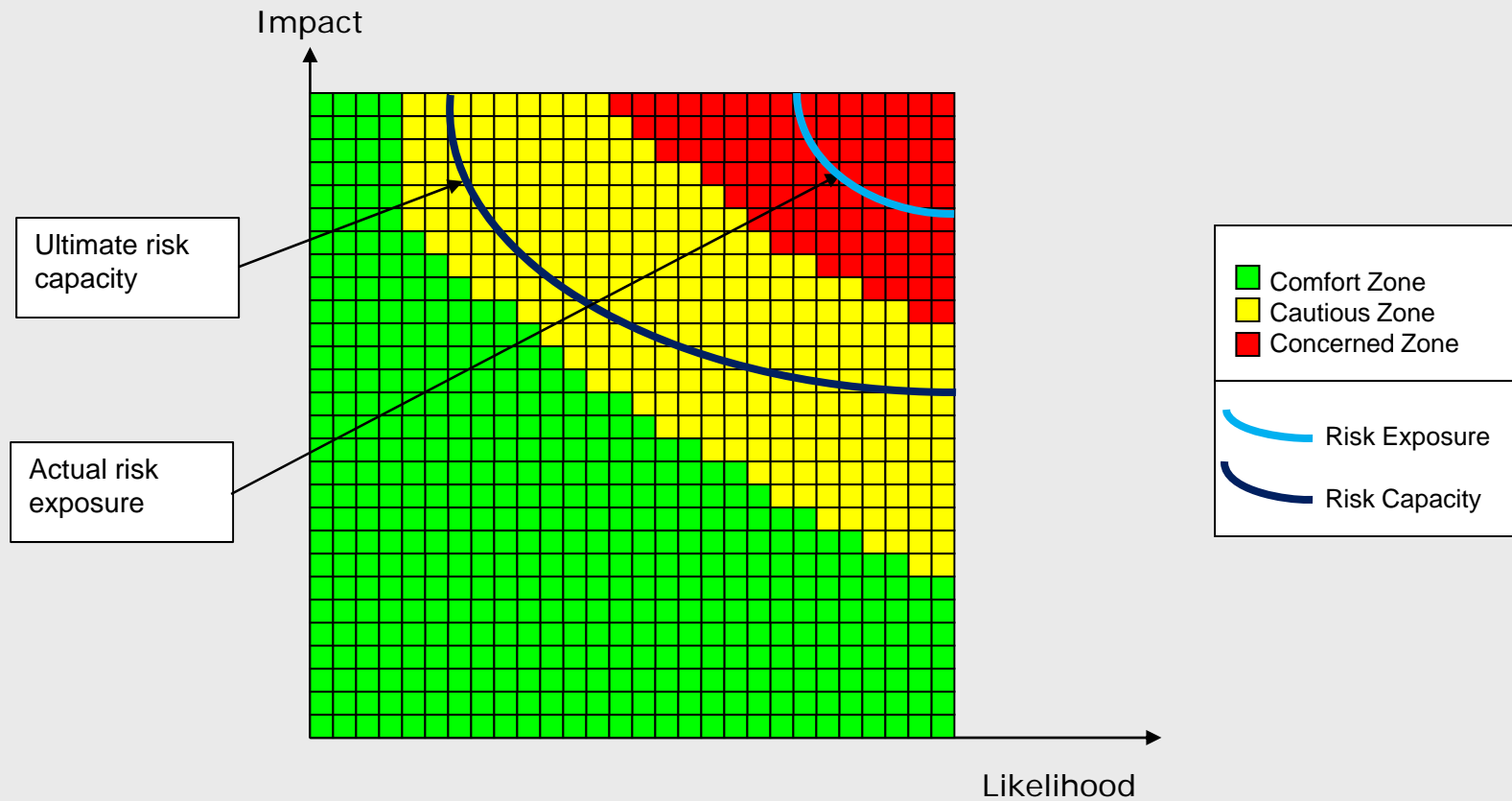


Figure 26.3 Risk appetite, exposure and capacity (vulnerable)

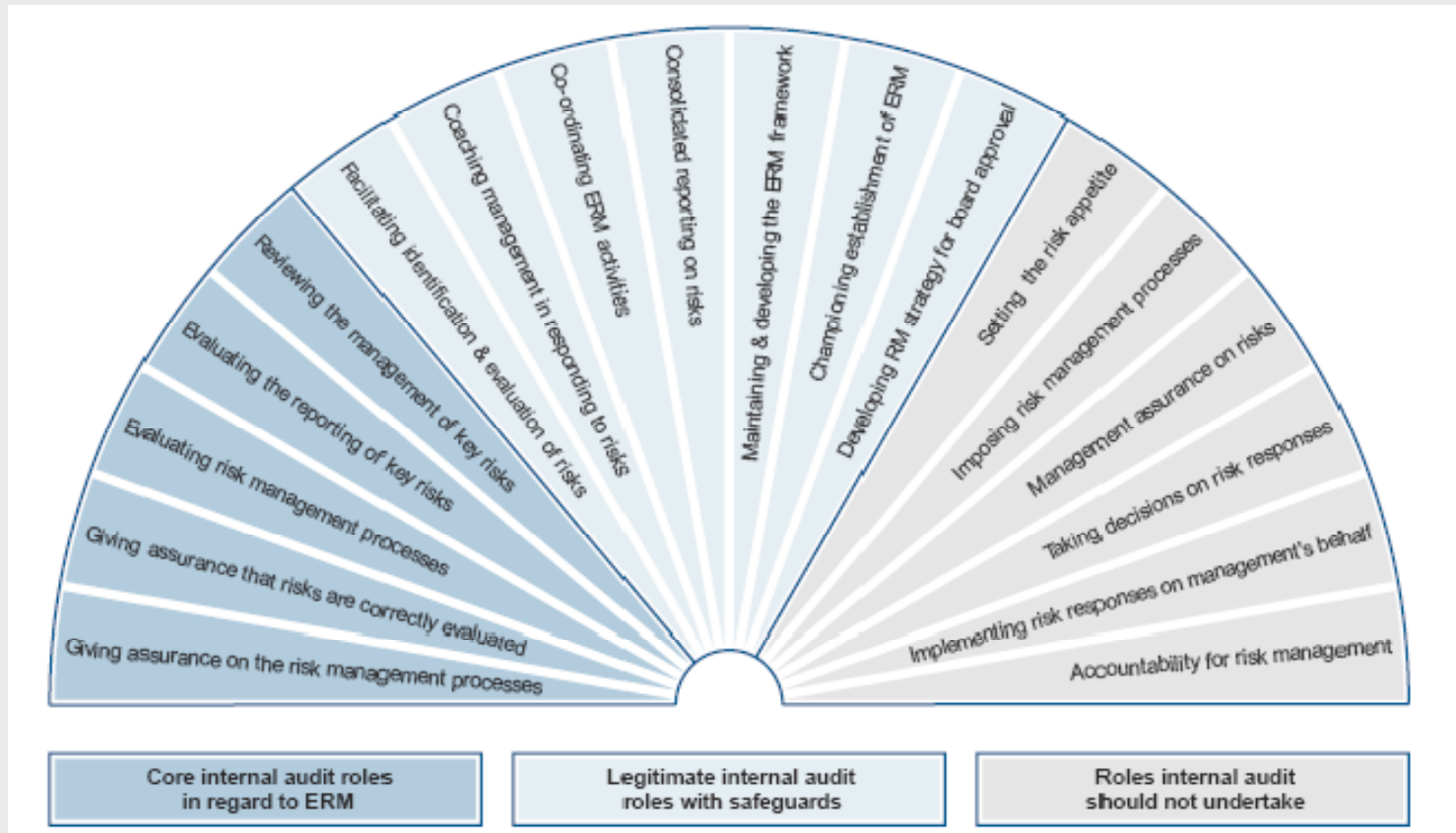


Figure 32.1 Role of internal audit in ERM

**Table 33.2 Sources of risk assurance**

<ul style="list-style-type: none"><li>● <b>Culture measurement</b> – by use of a recognized framework such as CoCo or COSO in order to gain a quantitative evaluation of the control environment</li></ul>
<ul style="list-style-type: none"><li>● <b>Audit reports</b> – produced by internal audit and external auditors on a range of issues including risk assessment, implementation, compliance and training</li></ul>
<ul style="list-style-type: none"><li>● <b>Unit reports</b> – produced by the unit itself on such issues as CRSA, response to audit reports and recommendations and reports on incidents that have occurred</li></ul>
<ul style="list-style-type: none"><li>● <b>Performance of the unit</b> – on risk-related issues, losses, significant weaknesses in control measures and details of any material losses suffered by the unit</li></ul>
<ul style="list-style-type: none"><li>● <b>Unit documentation</b> – on topics such as the risk management policy, health and safety policy, business continuity plans, disaster recovery plans and other relevant documentation</li></ul>