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### 1 of 2 – Current News

With the first stage of the Guide preparation awaiting approval in the **irm** office, detail attention is being paid to . . . .

*Appendix 1 attached*

### 2 of 2 – continuing the theme of “audit and beyond”

The SIG believes this can be achieved for People and Communication considerations in all matters – in other words, part of . . . .

*Appendix 2 attached*

### *And now for something different*

After all this looking at new material, we perhaps need to get back to basics. Many readers are or have . . . .

*Final Appendix attached*

### *Thought of the month*

Once upon a time, when your editor was a strapping young man (always wondered where that expression came from), he sometimes worked outside the day job in the building trade to earn a few extra pennies. There was one general labourer who was about in the early 70s who I worked with and will refer to as *Grimer*. He was a bit of a known local character and was renowned for two things: firstly a habit which I would not wish to repeat within these hallowed pages and secondly; for his catch phrase which he chuntered at least four times in a working day,

**“You’ve got to get the byyvers, before they get you”.**

The *they* in this context was anyone who had upset him, more often than not the professional (architects) and boss (his gaffer) classes.

Having read many learned works in the research for the Guide, I find that this quotation from *Grimer* is so good that it still keeps haunting me after all these years and I intend to use it as a form of mission statement to open up Part 4 (Enabling). Of course it will need translating from the English of the street, to the Queen’s version and will probably come out something like this:

**You must aim to be proactive with all people, otherwise they may bring about a situation where you have to become reactive.**

That’s all well and good for the text book scenario, but I preferred the original version, didn’t you?

See you soon with NEWSLETTER No 45.

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## Appendices

### 1 of 2 - Current News

With the first stage of the Guide preparation awaiting approval in the **irm** office, detail attention is now being paid where more research is needed. Under the opening sub-section of Part 1 "People", it is intended to show how a person's nature can evolve during life from the type of inborn nature (with early nurture during childhood) into a fuller working personality during the career period by focus on Emotions, Perception, Self-efficacy and Desire - all such progress being multi dimensional with Philosophy and Relations with Society, Emotional Stability, Openness to Experience (intellect and imagination) and Impulse, Neuroticism and Aggression. Fortunately, in addition to reference to various literatures, we do have people within the SIG with suitable qualifications who have promised to try to keep your editor on the *straight and narrow*.

One particular point that Professor Agi Oldfield made at our AGM talk keeps coming back to me - the loss of the *owner manager*. The need for larger business units to cope with ongoing developments is not new. What is needed is a responsible culture to replace the *owner manager* concept, whilst a motivating driver might be a new form of long term incentive bonus, this would be very difficult to apply - also, I suspect that personal desire for the satisfaction created by ownership has a part to play and that British companies have perhaps suffered here more than others, the heritage of "a nation of shopkeepers" culture allowed our industry to flourish in the days of smaller units and more local enterprise.

Indeed, something else to be considered for our Guide under Part 4 Enabling and will be commented on in more depth within these *NEWSLETTERS* shortly.

### 2 of 2 - Continuing the theme of "Audit and beyond"

The SIG believes this can be achieved for People and Communication considerations in all matters - in other words, part of better outcomes through co-operation between management of all professions. More effective liaison with Audit and Internal Audit and then Human Resources and other professionals really becomes the "second generation" enabling tool, building on what has been achieved already with the integration of Project Management RM thinking in the immediate past.

The following is an extract from the Guide in the context of ERM and then audit and I would be grateful if readers had time to check this over and let me have comments:

#### *Technical Box - Guide extract ... ..*

ERM Framework

**Draft of an extract - not yet ready for professional use - comments only please**

At this point I think it would be helpful, especially for our student readers, if we examined what is meant by Enterprise Risk Management -

One definition often quoted within the UK is COSO (2004) - this defines it as: "Enterprise risk management is 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 risk to be within its risk appetite, to provide reasonable assurance regarding achievement of entity objectives.”

In the **irm** International Diploma coursework, an interesting historic (US written) interpretation is provided, which is shown in slightly amended form below:  
“Historically there have been two dominant views of risk management. The first view, often called *traditional risk management*, is defined from the insurance driven source (then plus Health and Safety) – this was often evident through safety programs and other measures to control (threat) risks. The second was first established in financial institutions where risk management was defined as the coordinated management of financial risks (interest rates, currency, price and credit, for example), a view known as *financial risk management*. Both views have broadened over time and overlapped to a certain degree with the result that some links have been established in recent years.”

The Diploma coursework, continues, “Independently of these histories, other forces have emerged in recent years leading to a third, and broader, interpretation of risk management. There are numerous reasons for these external forces, but suffice to say here that legal, regulatory, internal control, managerial, and even academic factors have influenced the development of a view of risk management that is comprehensive, systematic, organisation-wide, and mission driven. This view has come to be known as Enterprise Risk Management. (ERM).”

*Indeed, it could be said, that “organised RM” in the world today is at the stage of a driver who has just passed the Test. It needs to be developed within everyday functions so that people multi-task with holistic RM in a similar way that an experienced driver deals with changing gear, indicating, steering and keeping a look out all at the same time – the tick boxes systems becoming something like the Highway Code, a proper thing that you have to have, but don’t need to look at very often – but that stage is probably years away!*

Of interest, “insurance” driven and “accountant / financial / audit (quoted as one in this context)” driven RM are different in their culture if an organisation’s original policy was written by one of them, then ERM needs to be checked that it has been suitably adapted over the years to include required aspects of the other(s) – plus of course the correct influence from the third elements that are stated in the definition. To know the origins of a particular RM policy can be very useful. This is because accountants work from the very basic premises “that figures don’t lie” whereas insurance people, are sensitive to moral hazard and the historic cultural build up in an organisation. Both are so important..

Incidentally, in the case of Internal Audit writing up RM (I understand that this is actually quite common in the public sector with some Local Authorities where the Internal Auditor is also the Risk Manager). At this stage we can look at Internal Audit:

### ***Internal Audit and RM***

Set out below (in blue) is an accepted definition as a reference, but in brief, the Risk Manager is proactive and should really be “out and about and into everything”. It has been argued that the Internal Auditor is there to overview as the “eyes of the board” - to see that the RM is effective, in fact the IA viewpoint is quoted by some as being narrower as well as different. In the financial services context, it has been stated that there were 3 lines of defence, firstly the Business Manager, secondly the Risk Manager and thirdly the Internal Auditor – if this is true, then a line of defence is lost if RM is too close to IA?

The roles of risk manager and auditor are complementary – an auditor’s role is to review the detail of compliance with policies and procedures, and to offer assurance (based on a review of historical records) that the organisation has complied with appropriate policies and procedures. The risk manager’s role is to see the ‘big picture’ and to identify risk in a broader, forward looking sense – which may be partially based on the findings of the internal auditor. Risk identification by a risk manager should be based on lateral and visionary thinking, in association with representatives of all groups of employees, which should include an understanding of risk behaviours and attitudes. It is part of a risk manager’s brief to engage in constructive challenge of all risks accepted by an organisation, at strategic, tactical and operational levels.

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*And now for something different*

After all this looking at new material, we perhaps need to get back to basics. Many readers are or have been **irm** Diploma students and will be familiar with the use of the six Ws. These were the opening feature of the old Module One, from which the inspiration for this SIG originated during 2005 and today are featured in the conclusion of the current Module One. Ward (2005) wrote the RMOC text, based on earlier research by Chapman and Ward, but five of the six Ws, albeit that one of them was often shown as an “H”, have been around for ages and even form the basis of teaching fiction writers and story tellers. Different authorities use different running orders to suit the context and sometimes the last one, the 6<sup>th</sup> W, is dropped off altogether as it effectively means the finance - in some contexts, that is already in place or not directly needed, so then it can be disregarded.

The theory will also be embedded within our Guide – the first five Ws are:

WHAT; WHEN; WHY; WHO and HOW (WHICHWAY).

The easy way to remember that HOW is really a W, is that if the methodology used works, it really is a WOW as well as a WHICHWAY

WHERWITHALL is the sixth, and in our case this means additional funding and resources to carry out our objectives. you know what they say, “The best things in life are free”. Well (and there’s a 7<sup>th</sup> W for you) not exactly, but if you simply apply the basic ideas that we are trying to introduce within existing organisational activity, then the cost is restricted to the implementation expenses which are fairly low and

once holistically embedded really will pay for themselves in the ongoing scenario. In fact our division of RM should be the lowest cost of all!

\*\*\*\*\* End of Transmission \*\*\*\*\*