

South Wales & SW of England IRM Meeting

Meeting Notes

DATE:	17.05.06	LOCATION:	Marsh Offices, Bristol
CHAIRMAN	Fergus Dolan, Marsh		
SECRETARY	Sue Houldey, Ecclesiastical Insurance Group		
ATTENDEES:	Per distribution list		

1. Introduction

Chairman welcomed all those attending.

Each attendee gave a brief introduction of themselves and their roles within their own organisations.

2. Steve Fowler, Chief Executive Officer, IRM

SF highlighted

- The IRM has been awarded 2nd prize in the European Risk Management awards for the Certificate programme
- A review of the diploma has begun. A working group is looking at where risk management is going and what will be required from the qualification. A new diploma programme will be ready in 3 years.
- Changes to the grading structure of IRM membership take effect on 1st July. This is to reflect feedback from business and recruitment agencies. In future new members will have to prove they have achieved experience equivalent to the diploma.
- The discussion forum on the website is being used to comment on the marking of the assignments. If anyone has specific queries regarding their marks, they should phone or email the IRM office direct.

3. Tom Teixeira, Enterprise Risk Manager, Rolls Royce

TT gave an overview of the Rolls Royce organisation and its approach to integrating risk management.

Risk management reports to the Board via the Risk Committee and the Audit Committee, reporting both risks and opportunities.

Previously RM reproduced for the Committees the information that the business functions were providing. But, requirements have changed as the Chairman now asks what the information is saying. This has led to RM providing analysis of the data from the business.

They have used external consultants to carry out a Health check of the RM systems. The findings were that the systems support Corporate Governance but there is no proof of the business benefit it provides.

There are 5 reasons for RM

- For Corporate Governance and compliance
- To manage related risks and operations
- To avoid surprises
- To reduce costs
- Provide a consistent approach.

This leads into 4 strands

1. Deployment of a single software system (consistent process)
2. Group wide risk quantification (decision making, resources)
3. Improved corporate risk reporting (visibility, understanding)
4. Risk knowledge collection and management (lessons learned – good and bad)

Risk Quantification is a difficult area and they have selected the following objectives

- Improved definition quality
- Quantify risks and drivers
- Deterministic – risk adjusted forecasting
- Scope for decision making
- Establish quantification capabilities
- Develop tangible and actionable risk outputs
- Provide skills transfer

Lessons learnt?

- Involve the right stakeholders
- Clear risk definition
- Match risk owners to mitigation owners
- Balance downside risk with upside risk
- Tailor communications to audience
- Clarity of level of contingency included in financial forecasts

Final thoughts

- Will get to consistent communications across the organisation
- Challenge gut feel value of risk
- Model improves view of risk – includes understanding and timing of risk
- Aim to focus communications and resources

4. Shaun Delaney – Risk Solutions Team, Royal Mail

SD provided a brief overview of the business and its changing environment.

As well as the external environment changing, there has been a significant amount of internal changes.

For RM they have set up a layered approach.

- In the centre is the Board
- Around them is the various committees
- These are supported by the working departments e.g. Internal Audit, RM,
- Around these there are RM teams within each business

Regulation is a major risk to Royal Mail as it is public focused.

Structure

Risk Management, Internal Audit and Business Risk Solutions form the three points of the triangle. All three areas should work in close association.

Risk Management sets the framework,

Internal Audit provides assurance,

Business Risk Solutions facilitates improvements. They work with line management to provide solutions to mitigate risks and work with the business. Much of the information on areas requiring their input comes via the grapevine.

They have 4 assignment types

- Risk profiling
- Root cause analysis and solution identification
- Process re-engineering and solution development
- Advice on operational risk and control issues

Problems generally fall into the failure of one of the following categories

- Adherence to processes
- Awareness of processes
- Ownership of problems
- Performance management (not including process management)

All problems can be traced to people at the root cause.

SD provided a case study of a project failure – The change in the distribution structure within the postal service. The post event review found the following issues, which contributed to the problems in the project implementation and the resulting initial failure to meet customer and regulatory requirements.

1. Early warnings of issues were not raised
2. Inadequate cost and benefit valuations in business cases, (unable to test at the time)
3. Limited analysis of figures provided
4. No baseline set for change control
5. Weaknesses in organisation
 - a. Lack of communications
 - b. Conflicting objectives between departments
6. Exclusion of Finance team from discussions
7. Risk Management failures
 - a. Inadequate reporting process
 - b. Understated risks on the register

This has led to RM looking to be being involved early in projects to identify two levels of risk

- project specific
- generic project risks

Risks are rated based in terms of Political, Financial, People, Service Disruption, Reputation.

Highlight – The reporting of the one failed project led to the suspension of future projects until they were appropriately managed and monitored.

5. AOB

The next meeting is to be held on 11th October 2006. Venue and speakers to be confirmed.