Embedding Enterprise-Wide Risk Management in Organisations

ICAZ SEMINAR, 30 OCTOBER, 2014
CRESTA LODGE, HARARE
Agenda

1. **Definition of Enterprise-Wide Risk Management “ERM”**

2. **Benefits of a well embedded ERM**

3. **Challenges of implementing ERM**

4. **A practical approach to embedding ERM in organisations**
Background

“Many companies have already invested in a sound ERM foundation. Embedding ERM within the business will enable them to realize the benefit of their investment.”
Definition of Enterprise-Wide Risk Management

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 the achievement of entity objectives.

Source: COSO ERM Framework

ERM provides a link between the strategy of the corporation, its financial planning and its risk management objectives.”
Benefits of Enterprise-Wide Risk Management

Benefits of ERM

- Informed Strategic Decisions
- Improved perception of the organization
- More accurate financial reporting
- Reduced cost of capital
- Increased Operational efficiency
Challenges of Embedding Enterprise-Wide Risk Management

- Establishing a common risk language or glossary;
- Describing the entity's risk appetite (i.e., risks it will and will not take);
- Identifying and describing the risks in a "risk inventory";
- Implementing a risk-ranking methodology to prioritize risks within and across functions;
- Establishing a risk committee and or Chief Risk Officer (CRO) to coordinate activities of the risk functions;
- Establishing ownership for particular risks and responses;
- Demonstrating the cost-benefit of the risk management effort;
- Developing action plans to ensure the risks are appropriately managed;
- Developing consolidated reporting for various stakeholders;
- Monitoring the results of actions taken to mitigate risk;
- Ensuring efficient risk coverage by internal auditors, consulting teams, and other evaluating entities;
- Appropriate capability for risk control, monitoring and reporting.
Embedding ERM Requires Risk to Be Integrated With the Business at All Levels
Key priorities for embedding ERM

1. Risk Appetite Framework
2. Dynamic and Continuous Risk Assessment
3. Risk based performance management
4. Culture of Risk integral to Business Strategy and ERM
Key priorities for embedding ERM

Risk Appetite
Framework
Key priorities for embedding ERM

Dynamic and Continuous Risk Assessment
Key priorities for embedding ERM

Risk based performance management
Key priorities for embedding ERM

Culture of Risk integral to Business Strategy and ERM
Contact Details

Emmanuel Gwatidzo
First CPA Services P/L
empigwa@gmail.com
+263 (783) 142 240
Thank you!