

risk@kpmg

Executive Risk Reporting

Development of a Department-wide risk profile and revised monitoring and reporting arrangements



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- **Not a technical risk presentation**
- **Provide insight into the Executive agenda on risk**
- **Pragmatic implementation material**
- **Chance to discuss practical ways to engage Executive level management more effectively**

Executive agenda

- **Concerned that risks aren't effectively escalated**
- **Have low 'process appetite'**
- **Want risk management to be embedded BUT are resistant to having to partake in process themselves**
- **Want to be able to 'drill down' and hold senior officers accountable**
- **Most are supportive of risk management but have varying levels of understanding of what it really means**
- **Are often turned off risk management as the expense / effort doesn't often translate into anything of direct / tangible benefit to them personally**

Identifying the real issues

- **Often the problem isn't lack of risk data it's too much or lack of practical 'BI'**
- **Few agencies realistically are able to align 'top down' with 'bottom up'**
- **Often lots of specialist risk activities that aren't 'plugged' in to Executive risk reporting**
- **Executives often struggle with having to assess BIG risks using traditional impact and likelihood matrices**
- **Need to effectively stimulate risk management conversation at Executive level and tie into rest of their monthly agenda**
- **Has to be easily compiled and updated!!!**
- **Lots of wordy risks nicely rated as 'high', 'medium' or 'low' ... but lack the SO WHAT assessment**

One approach is to introduce a new Executive risk report:

- **populated both at Agency-wide (top down) and Business Unit/Division (bottom up) levels**
- **summarises risk themes (doesn't get bogged down in 'pet' negative risk descriptions)**
- **is supported by existing management information and other risk management materials (e.g. OHS, Environment Scan, Performance information)**
- **is easily understood by management and intuitive at high level**
- **used as the basis of risk management challenge and debate at each Executive meeting**

Initial risk model / scorecard design

Management of agency reputation and success

Operations		Relationships	People	Information & infrastructure	Governance
Service delivery	Operational performance	Stakeholder engagement	Leadership	Physical security	Business Model
Program management	Quality management & assurance	Public perceptions	Skills / Capability / Capacity	Information security / privacy	Project management
Cross-agency co-ordination / priorities	Operational Guidelines & Training	Cross-agency cooperation & alignment	Values / Culture	Record keeping / Knowledge	Regulatory / Legislative Compliance
Policy development		Customer satisfaction	Effective communication	ICT capability	Financial management
		Media	Safety	Business continuity	Governance and assurance
				Premises / facilities	



Assessment considerations

Options

- Use traditional ‘risk language’ – e.g. high, medium, low
- Use simple traffic light type indicators
- Score based on management’s assessment of control environment

Recommendation: Control environment assessment:

- Is easily understood by management and intuitive at high level
- Can be closely linked to and informed by existing risk management information
- Is better linked to ‘ownership’ than risk
- Can be defined in a way that articulated ‘risk appetite’ and trend
- Highlights both risk reduction and control reduction opportunities

Example assessment criteria – simply and intuitive

Ranking

Weak



*Improving /
Incomplete*



Adequate



Strong



*Over-
controlled*



Guidance

Significant improvement required on newly identified issues/exposures not controllable but actively monitored

Actions already established to address known control weaknesses but not fully implemented

Some improvement desirable (but subject to confirmation that the benefits outweigh the costs)

Controls are believed to be operating effectively

Room for efficiency improvements / cost reduction opportunities

Assessment and reporting

Management of agency reputation and success

Operations		Relationships	People	Information & infrastructure	Governance
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		Media	Safety	Business continuity	Governance and assurance
				Premises / facilities	

Assessment key:

Weak / Ineffective

Improving / Incomplete

Adequate / Reasonable

Strong / Optimal

Over-controlled / Distraction



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Engaging the Executive

- **Understand their risk agenda - what do they need most / what will make a difference?**
- **What is the missing link?**
 - Understand the 'as-is'
 - Identify the real need
 - Develop a proposition
- **Remember – in today's climate ...**
 - Can't cost too much or introduce administrative burden
 - Must have tangible benefits for Executive officers
 - Should consider both increasing and decreasing control improvements
 - Has to easily implemented and updated
- **... but can't be all fluff and no substance – they have to be committed to the detail as well as the quick fix**

DISCUSSION



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