

4 Opportunities to improve risk management

1

Strengthen governance of your risk management framework

- Traditional risk management has led to reactive and compliance approaches.
- ERM needs to be led by the most senior people of organisations and take an approach of accountability and promote a robust risk culture.
- Organisations should have a framework that is designed for their context, reviewed at least annually and defines governance, resources and processes for risk management. Frameworks should be consistent with ISO 31000: 2018.
- Appropriate auditing and assurances should be in place to support oversight of the controls environment.

2

Raise risk management to the strategic level

- Refocus the risk approach to a stronger alignment with navigating uncertainty and achieving objectives. Risk registers are often a grab bag of issues, incidents and hazards.
- Make risk identification a formal part of the business / corporate cycle, involving boards and senior leaders.
- Consider the broad range of risks – the ‘in view’ and ‘out of sight’ risks. Many organisations get stuck on only one or two risk sources and don’t have enough focus on new or emerging risks.
- Ensure each risk has a treatment plan, with a risk owner and regular reporting of progress.

4 Opportunities to improve risk management continued

3

Know your insurance

- While many organisations actively transfer some risks through insurance, often the explicit consideration of the linkage between insurance and risk is vague.
- Improved oversight of risk management should include better understanding of insurable risks and optimisation of insurable risk transfer.
- Board and senior leaders should receive regular reports on the performance of its insurance program, together with an assessment of its adequacy, likely changes to the risk profile and implications for the insurance program.
- Claims themes and trends offer a rich source of insight into current and new risks, but reporting this rarely makes it to the leadership table.

4

Use your data and insights to navigate uncertainty

- Not necessarily a problem of lack of information, but inadequate translation of information to insights.
- Common to see risk registers that have not changed for many years, tools and templates that are paper based and non-integrated systems that make quality, internal audit and monitoring complicated.
- Risk analysis is often focused on events or incidents that have occurred and use traditional reporting sources and methods; lead risk indicators, for example, are rarely established
- Information systems should be secure, easily accessible to users according to their roles, tailored to the organisation and reviewed regularly. They should be linked to and support the overall risk management framework

Questions to assess your current risk management framework

- Do you have a risk management framework and is it documented?
- Does it outline risk governance, resources and process?
- When is the last time it was reviewed and were senior leaders involved in the review?
- Do you have a risk register?
- Have you identified strategic risks?
- How often are risks reviewed at meetings? What information is discussed?
- Do you have systems, tools and templates to support risk management?