

Risk Assessment – Where to Next?

21 April 2009

Alf Esteban
Head of Consulting & Client Services
Governance, Risk & Compliance

Email: alf.esteban@saiglobal.com
Web: www.saiglobal.com



SAI Global (ASX: SAI) is an applied information services company that helps organizations manage risk, achieve compliance and drive business improvement.

Access to Standards & technical information

SAI Global is your source for global technical content such as Standards and legislation.

Comply with Standards, technical & legislative requirements

Sarbanes-Oxley, Basel II, Anti-money laundering, CLERP 9... compliance can be a burden.

Empowering people through training

SAI Global trains business professionals around the world every day.

Recognize assurance achievements

SAI Global provides independent assessment, certification and registration services, offering you one of the most widely recognizable symbols of excellence and assurance, the “five ticks” StandardsMark™.

Our journey

Sustainable business performance delivered by good people, working together as a great team in the interests of customers, shareholders and the community. At SAI Global your business performance is our journey.

Our people

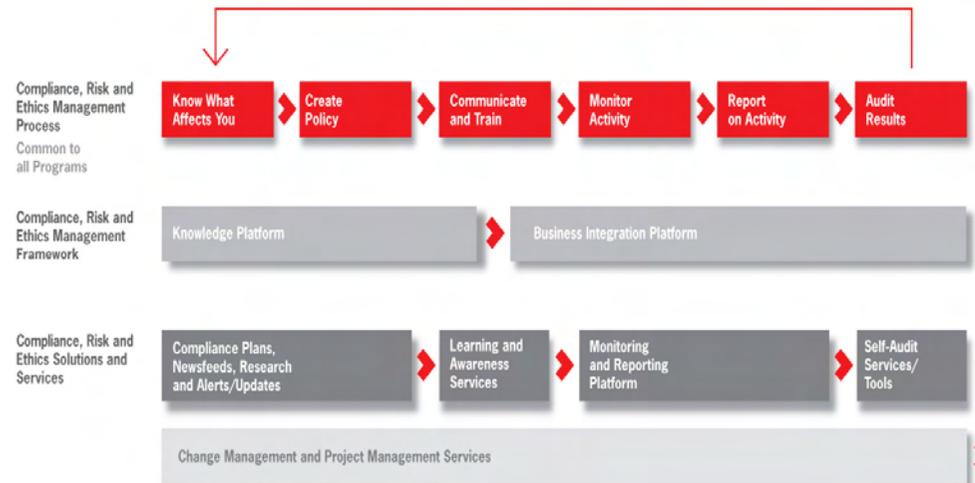
SAI Global’s people know your business. Our people come from diverse backgrounds and offer a wide range of skills. Business professionals, innovators, technologists, scientists, engineers, designers and many more. There is an SAI Global expert near you ready to start thinking about your business

SAI Global Governance, Risk and Compliance

Increasingly complex business environments, dynamic regulatory landscapes, the increasing expectations of stakeholders and the public's awareness of ethical breaches are driving a convergence in ethics, governance, risk and compliance initiatives at organizations worldwide. Critical to this convergence is the need to improve performance and build and maintain a workplace where an ethical culture permeates all aspects of the workplace.

At SAI Global we break down this complexity and help organizations manage risk, achieve compliance and promote an ethical culture.

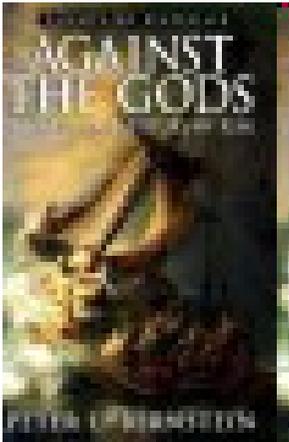
We provide legal, compliance and risk management professionals with a broad range of technology enabled programs and consulting services that facilitate good governance and awareness of compliance, ethics and policy issues.



With more than twenty years experience, offices in 25 countries, well over a thousand clients, and millions of satisfied users, we're ready to work with you to integrate a flexible suite of solutions and services specifically tailored for your business and industry.

Risk – A Modern Concept

“The revolutionary idea that defines the boundary between modern times and the past is the mastery of risk: the notion that the future is more than a whim of the gods and that men and women are not passive before nature.... [the] discoveries about the nature of risk, and the art and science of choice, lie at the core of our modern economy... The ability to define what may happen in the future and to choose among alternatives lies at the heart of contemporary societies.”



“The word “risk” derives from the early Italian risicare, which means “to dare”. Risk is a choice rather than a fate. The actions we dare to take, which depend on how free we are to make choices, are what the story of risk is all about.”

- Peter Bernstein, *Against the Gods: The Remarkable Story of Risk*, 1996

Risk Management – What is it?

5

“The chance of something happening that will have an impact on objectives”

- AS 4360: Risk Management

“Risk is the possibility that an event will occur and adversely affect the achievement of objectives”

- Committee of Sponsoring Organisations of the Treadway Commission (COSO)

“All activities of an organisation involve risks that must be managed. The risk management process aids decision making by taking into account uncertainty and the possibility of future events or circumstances (intended or otherwise) and their effects on agreed objectives”

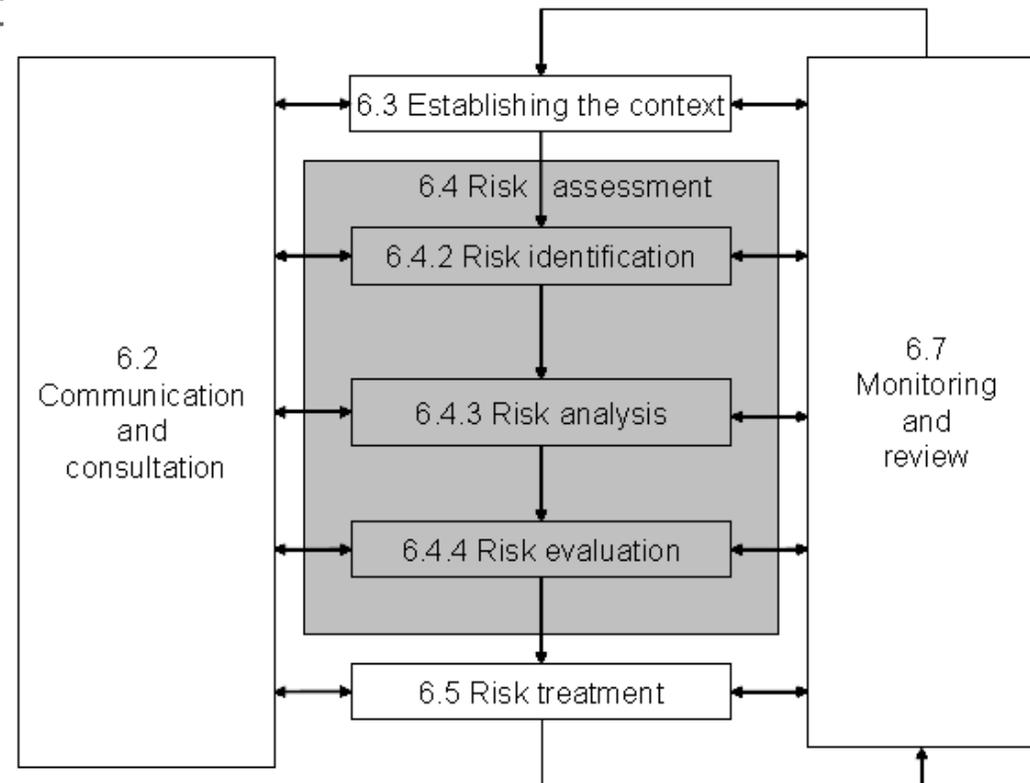
- ISO 31000 Risk Management (Draft)

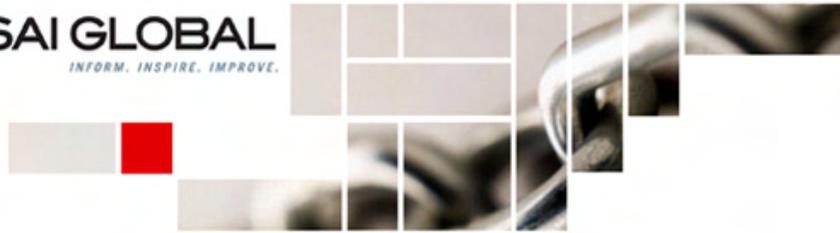
© Original Artist
Reproduction rights obtainable from
www.CartoonStock.com



“Be careful! All you can tell me is ‘be careful?’”

- Communicate and consult
- Establish the context
- Identify risks
- Analyse risks
- Evaluate risks
- Treat risks
- Monitor and review





Communicate & Consult, Establish the Context

7

- Consult with relevant internal and external stakeholders in each stage of the risk management process
- Communicate the risk management process to relevant internal and external stakeholders
- Understand and document the context in which risk management is to operate, including the amount of risk the organisation is willing to take (the “risk appetite”)



Australian Government
Department of Health and Ageing
Therapeutic Goods Administration



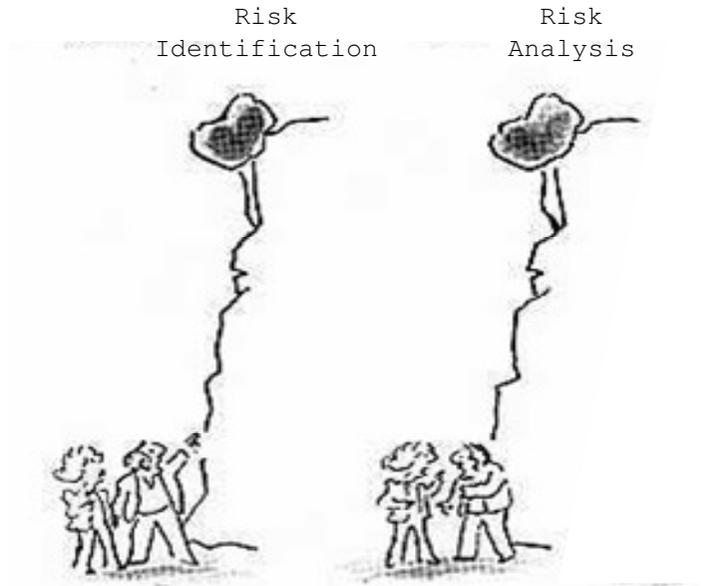
EUROPEAN COMMISSION
ENTERPRISE AND INDUSTRY DIRECTORATE-GENERAL
Consumer goods
Pharmaceuticals



ICH HARMONISED TRIPARTITE GUIDELINE

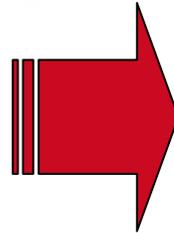


- Identify the risks
 - The ‘where, when, why, and how’ events
 - Results in a risk register
- Analyse the risks
 - Determine the consequences and likelihood of a risk event
 - Results in a determination of the inherent risk
- Evaluate the risks
 - Determine whether the organisation is willing to accept the inherent risk or whether the risk requires treatment



Risk Assessment – Identify the Risks

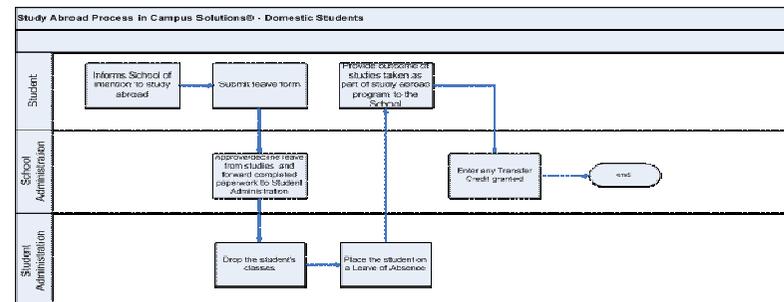
- Identify the risks
 - The ‘where, when, why, and how’ events
 - Results in a risk register
- Analyse the risks
 - Determine the consequences and likelihood of a risk event
 - Results in a determination of the inherent risk
- Evaluate the risks
 - Determine whether the organisation is willing to accept the inherent risk or whether the risk requires treatment



- What information is available?
 - Process maps
 - Incident reports
 - Insurance claims
 - Results of audits / inspections
 - Checklists
 - Focus groups



- People, processes and systems
 - Swim lane diagrams
 - Source of the risk
 - Effect on objectives

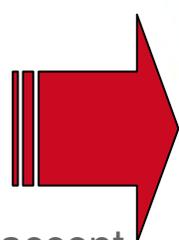


Risk Assessment – Analysis and Evaluation

- Identify the risks
 - The ‘where, when, why, and how’ events
 - Results in a risk register

- Analyse the risks
 - Determine the consequences and likelihood of a risk event
 - Results in a determination of the inherent risk

- Evaluate the risks
 - Determine whether the organisation is willing to accept the inherent risk or whether the risk requires treatment



Likelihood		
Level	Descriptor	Example detail description
A	Almost certain	Is expected to occur in most circumstances
B	Likely	Will probably occur in most circumstances
C	Possible	Might occur some time
D	Unlikely	Could occur some time
E	Rare	May occur only in exceptional circumstances

Consequence		
Level	Descriptor	Example detail description
1	Insignificant	No injuries, low financial loss
2	Minor	First aid treatment, on-site release immediately contained, medium financial loss
3	Moderate	Medical treatment required, on-site release contained with outside assistance, high financial loss
4	Major	Extensive injuries, loss of production capability, off-site release with no detrimental effects, major financial loss
5	Catastrophic	Death, toxic release off-site with detrimental effect, huge financial loss

Qualitative Risk Analysis Matrix - Level of Risk					
Likelihood	Consequences				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A (almost certain)	H	H	E	E	E
B (likely)	M	H	H	E	E
C (possible)	L	M	H	E	E
D (unlikely)	L	L	M	H	E
E (rare)	L	L	M	H	H

Example Risk Matrix (Mining Sector)

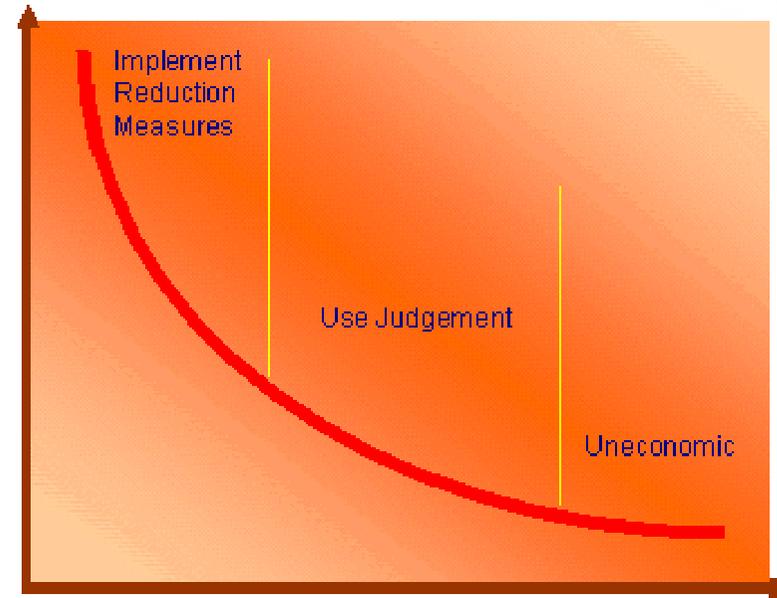
					LIKELIHOOD					
					A	B	C	D	E	
					Remote	Rare	Unlikely	Possible	Likely	
C O N S E Q U E N C E S	Safety	Environment	Damage							
	Zero Harm	No Effect	Zero Damage	0	No Effect	0	0	0	0	
	Minor injury, no lost time.	Slight Effect	Slight Damage	1	Negligible	1	2	3	4	5
	Minor Injury/Illness, Restricted Work Case or Lost Work Case <4 days.	Minor Effect	Minor Damage	2	Minor	2	3	4	5	6
	Major Injury/Illness, Permanent Partial Disability or Lost Work Case >4 days	Localised Effect	Local Damage	3	Moderate	3	4	5	6	7
	1-2 Fatalities (or Permanent Total Disabilities)	Major Effect	Major Damage	4	Major	4	5	6	7	8
Multiple Fatalities (or Permanent Total Disabilities)	Massive Effect	Extensive Damage	5	Massive	5	6	7	8	9	

- Change the consequences and / or likelihood of a risk event through specific cost-effective strategies and action plans to increase potential benefits or reduce potential losses
 - Avoid the risk
 - Reduce the likelihood
 - Reduce the consequences
 - Transfer the risk
 - Retain the risk
- Resultant risk after risk treatment is the “residual risk”

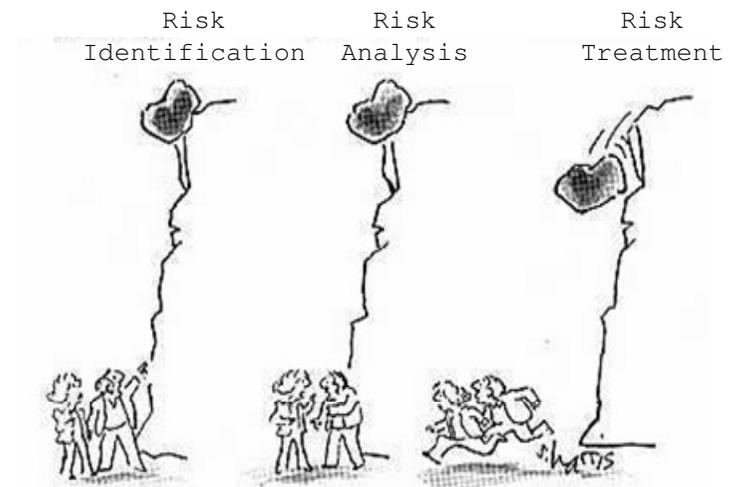
Risk Treatment

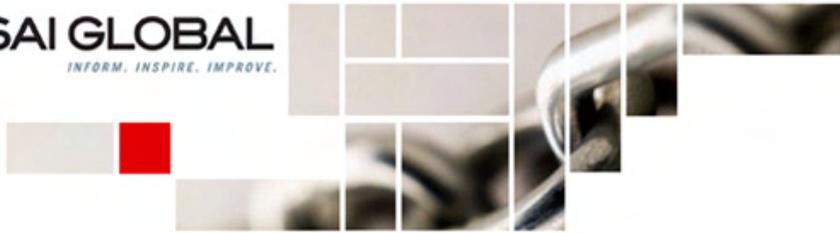
12

Overall Level of Risk



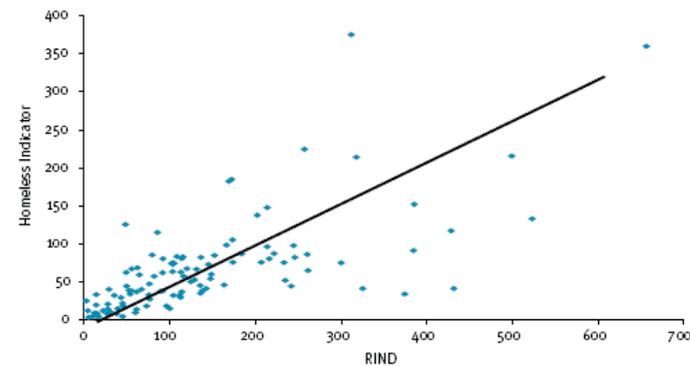
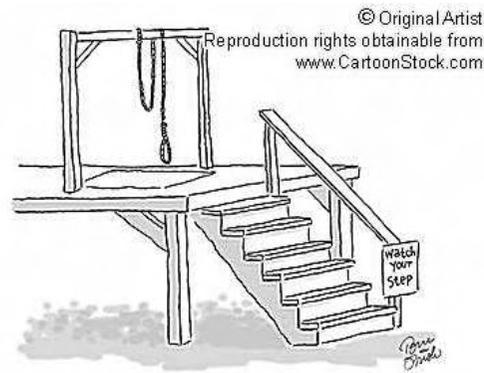
Costs

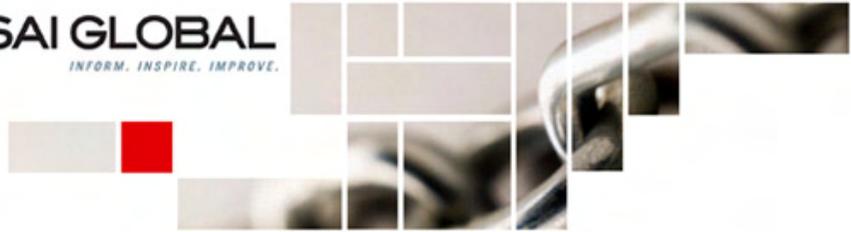




Monitor and Review

- Analyse and learn lessons from events, changes and trends
- Detect changes in external and internal context including changes to the risk itself
- Ensure risk control and treatment measures are effective and meaningful in both design and operation





Questions?



Thank You



Alf Esteban

Head of Consulting and Client Services - Asia Pacific

SAI Global

Solutions for Governance, Risk and Compliance

286 Sussex Street
Sydney NSW 2000

Phone: +61 2 8206 6672

Fax: +61 2 8206 6019

Mob: +61 411 838 723

www.saiglobal.com

alf.esteban@saiglobal.com