



# ENTERPRISE RISK MANAGEMENT

## PRESENTATION TO THE CREDITINFO ACADEMY

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Megan Deane, CEO

CREDITINFO JAMAICA LIMITED



# What Is Risk Management?

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The culture, processes and structures directed towards realising potential opportunities while managing adverse effects

# What Is Risk Management?

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Risk management is the systematic application of management policies, procedures and practices to establish the context, identify, analyse, evaluate, treat, monitor and communicate risk.

Risk is anything that could thwart the achievement of established objectives of an organisation.

# Risk Management

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Minimising  
Losses



Realising  
Opportunities  
for gains

# Many Types Of Risk Management

- Business Continuity
- Communication
- Compliance
- Credit
- Environmental
- Financial
- Accounting
- Tax
- Economic
- Treasury
- Fraud
- Human Resources
- Information
- Security
- Industrial Relations
- Insurance
- Legal
- Process
- Reputational Social
- Technology Risk
- Strategic
- Political
- Project Management
- Quality
- Physical Infrastructure
- Physical Security
- Third Party

# Enterprise Risk Management

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Enterprise Risk Management (ERM) analysis is the process of identifying and assessing which of the many risks affect a particular company and could thwart the achievement of the company's business objectives and even cause the company to go out of business

# Risk Management Standards

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- RIMS Risk Maturity Model (RMM)
- COSO "Enterprise Risk Management-Integrated Framework"
- Casualty Actuarial Society framework
- ISO 31000:2009
- AS/NSZ 4360:2004

# Steps In Enterprise Risk Management

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1. Identify the various processes carried out in the different areas of the organisation and their periodicity;
2. Identify the risks associated with each of those processes;
3. Assess the level of impact on CIJ if that risk is not managed/mitigated;
4. Identify and rate the controls that are in place to manage/mitigate the risk.

# Enterprise Risk Management – How much?

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- A lot of it is intuitive – Do the right thing
- Environment dependent – Industry; Culture
- Board and Management Dependent
- Can operate at different levels-ERMC; RM; RC
- Can cause paralysis
- Can make the difference between success and failure
- How to strike the right balance

# Assessment Of Organisational Impact

Grading	Description - Financial	And /Or	Description – Non-financial
<b>5 – Catastrophic</b>	Greater than > €s/\$s???	<b>And</b>	Loss of ability to sustain on-going operations. A situation that would cause CIJ to cease operations for a sustained period, with grave adverse effects on its customers and other key stakeholders
<b>4 – Major</b>	Greater than > €s/\$s???	<b>Or</b>	Reduced ability to achieve business objectives (i.e. loss of key suppliers, loss of key employees, short term loss of production capability, and reduction in quality.)

# ASSESSMENT OF ORGANISATIONAL IMPACT

Grading	Description - Financial	And /Or	Description – Non-financial
<b>3 – Moderate</b>	Between €s/\$s? and €s/\$s?	<b>Or</b>	Disruption to normal operations with a limited effect on achievement of business unit strategy and objectives.
<b>2 – Minor</b>	Between €s/\$s? and €s/\$s?	<b>Or</b>	No material impact on on-going operations and on the achievement of business strategy and objectives.
<b>1 – Insignificant</b>	Between €s/\$s? and €s/\$s?	<b>Or</b>	No material impact on on-going operations and on the achievement of business strategy and objectives.

# Quantifying Risk Tolerances

In quantifying the financial impact, first seek to establish the upper limit that must be exceeded before a risk is considered to be catastrophic. The reference point to this upper limit, should include reference to, but not limited to one of the following :

1. Estimates based on 5% of the actual profit or loss for the last financial year or the average for ensuing years.
2. A percentage of Shareholders' Equity for the last financial year
3. A percentage of Revenue for the last financial year

Once the upper limit is established, the other bands (i.e. Major, Moderate etc.) can be established by applying a factor of 40% - 60% to the previous band's upper limit. Therefore, the lower limit for Major would be 60% of the limit for Catastrophic, the lower limit for Moderate would be 60% of the upper limit for Major etc.

# ERM - Risk Analysis Matrix (Inherent)

Impact	Frequency	Inherent Risk Rating
Catastrophic	Daily	Extreme
Catastrophic	Monthly	Extreme
Catastrophic	Quarterly	Extreme
Catastrophic	Annually	Very High
Catastrophic	Over 2 yrs	Very High
Major	Daily	Very High
Major	Monthly	Very High
Major	Quarterly	Very High
Major	Annually	High
Major	Over 2 yrs	High
Moderate	Daily	High
Moderate	Monthly	High
Moderate	Quarterly	High
Moderate	Annually	Moderate
Moderate	Over 2 yrs	Low
Minor	Daily	Low
Minor	Monthly	Low
Minor	Quarterly	Low
Minor	Annually	Low
Minor	Over 2 yrs	Low
Low	Daily	Low
Low	Monthly	Low
Low	Quarterly	Low
Low	Annually	Low
Low	Over 2 yrs	Low

# ERM - Inherent Risk Rating

- E:** Extreme risk - Immediate action required by executive management and the Board
- VH:** Very high risk - Executive management attention is needed
- H:** High risk - Executive management attention is needed
- M:** Moderate risk - Middle management attention is needed
- L:** Low risk - Manage by routine procedures

# ERM - Risk Register

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- Documents the risks identified in each Division or Department
  - the frequency and consequence
  - impact of occurrence of the risks
  - the controls and action/treatment plans
- Reviewed and Updated Annually

# ERM - Risk Monitoring Matrix

Inherent Risk Rating	Control rating	Residual Risk Rating
Extreme	Excellent	Moderate
Extreme	Good	High
Extreme	Fair	Very High
Extreme	Weak	Extreme
Extreme	Poor	Extreme
Very High	Excellent	Low
Very High	Good	Moderate
Very High	Fair	High
Very High	Weak	Very High
Very High	Poor	Very High
High	Excellent	Low
High	Good	Moderate
High	Fair	Moderate
High	Weak	High
High	Poor	High
Moderate	Excellent	Low
Moderate	Good	Low
Moderate	Fair	Low
Moderate	Weak	Moderate
Moderate	Poor	Moderate
Low	Excellent	Low
Low	Good	Low
Low	Fair	Low
Low	Weak	Low
Low	Poor	Low

# Example: ERM - Risk & Control Assessment

Business Process/ Business Objective	Risk	Inherent Risk Rating (Extreme, Very High, High, Moderate, Low)	Current Controls/ Procedures In place to mitigate risk (Y or N)	Risk Response (Prevent; Mitigate, Avoid, Transfer, Accept)	Residual Risk Rating (Extreme, Very High, High, Moderate, Low)	Root Cause / Contributing Factors (where controls are not adequate)	Residual Risk Within Risk Appetite
Disconnections / To disconnect all past due customers after thirty (30) days which is sixty (60) days after bill date and thirty (30) days after Due date	Disconnections not taking place and consumers continuing to get service and running up higher delinquency making it harder to collect	Very High Risk (due to high impact on CIJ's cash flow and liquidity and high number of customers to be monitored)	Yes – All billings are done at the same date and all collections also reconciled thirty (30) days after. Thereafter, Account Managers advised so they can intervene.  Delinquents get: 1 <sup>st</sup> Email/Text – 35 days 2 <sup>nd</sup> Email/Text – 40 days 3 <sup>rd</sup> Email/Text – 45 days Disconnection List generated and sent to Customer Service on the 58 <sup>th</sup> day for Customer to be disconnected on the 60 <sup>th</sup> day	Risk Prevention  Procedure will be followed unless recommended by Relationship Manager and approved by Senior Manager	Moderate		Yes

# Assessment: ERM - Control Rating Matrix

Risk rating– Documentation & Design	Risk Rating – Operating Effectiveness	Composite Control Rating
Excellent	Excellent	Excellent
Good	Excellent	Good
Fair	Excellent	Fair
Weak	Excellent	Fair
Poor	Excellent	Fair
Excellent	Good	Good
Good	Good	Good
Fair	Good	Fair
Weak	Good	Fair
Poor	Good	Fair
Excellent	Fair	Fair
Good	Fair	Fair
Fair	Fair	Fair
Weak	Fair	Fair
Poor	Fair	Fair
Excellent	Weak	Weak
Good	Weak	Weak
Fair	Weak	Weak
Weak	Weak	Weak
Poor	Weak	poor
Excellent	Poor	Poor
Good	Poor	Poor
Fair	Poor	Poor
Weak	Poor	Poor
Poor	Poor	Poor

# Enterprise Risk Management versus Business Continuity

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- Whereas risk management tends to be preemptive, Business Continuity (BCP) was invented to deal with the consequences of realised residual risks.
- They are complementary with BCP being the ultimate risk management strategy
- At the end of the day, Enterprise Risk Management is everyone's business



**Thank you for your  
attention!!!!**

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