

RISK MANAGEMENT

Understanding probabilities and reducing the impact of unknown events were fundamental to Sun Tzu's thinking. These days the art of Risk Management is to pick important problems and fix them.

Corporate governance requires all organizations to have a Risk Management framework in place to treat risks, to give internal responsibility for active monitoring and to justify the payment of insurance premiums.

These plans should comply with Australian Standard AS4360 for ease of common understanding by any external agency including insurers and regulators.

High-level documents should be no longer than about ten pages otherwise they become too unwieldy for continual referral by senior management.

Subordinate layers of management may choose to expand parts of the document for detailed use.

The higher-level management document, in tabular format, should specify:

The risk: what can happen and how it can happen.

- Adequacy of existing controls.
- Consequence and likelihood rating.
- Level of risk and overall risk priority.

The risk treatment including responsibilities, resource requirements and timings.

Methodology

It is our experience in conducting these assessments that the information is almost always resident within the management structure and it just needs a workshop to draw on this knowledge and to put it into relative perspective and context.

These workshops require all relevant managers for about half a day. The participants should come fully prepared having identified all issues (soft risks), commercial exposures, and hazards (hard risks) relevant to their position in the organization.

Truscott will provide a table in advance and a checklist of potential risks in accordance with AS4360 so that the workshop can be optimized. We will require 1-2 days following the workshop to prepare a report.

Anticipation rather than Response

From Crisis Management to early warning Issues Management