Creating Risk Gladiators™

PALADIN
RISK MANAGEMENT SERVICES

Overview of the Paladin Risk Management Services' Enterprise Maturity Assessment Methodology

OVERVIEW OF PALADIN RISK MANAGEMENT SERVICES' RISK ASSESSMENT METHODOLOGY

Why Measure Risk Maturity?

All organisations, Government, commercial and not-for-profit, face the chance of exposure to events that will have an adverse impact on their objectives.

Many organisations, large and small, introduce policies and procedures to guide the manner in which risks are to be managed, however, they often have no way of assessing whether the risk management program is having the desired outcomes.

The Paladin Risk Management Services' Risk Assessment Methodology provides the capability to not only compare an organisation's current risk management capabilities against those considered 'best practice' but also to track improvement in their risk management capabilities over time. The methodology is comprehensive and repeatable and ensures the organisation's risk management efforts are getting the maximum "bang for their buck".

It is stressed, however, that the assessment undertaken using this methodology is not an audit, but should be regarded more as a 'Health Check' that will provide senior managers with an understanding of the key areas of improvement for their Risk Management Program

The Methodology

The Risk Assessment Methodology assesses the Risk Maturity of organisations against the following criteria:

- **Development of a Risk Management Framework,** which assesses the organisation against:
    - ° Senior management support
    - ° Integration of risk management into strategic and business planning
    - ° Integration of the risk management framework with other organisational programs (e.g. compliance, internal audit, performance management)
    - ° Risk communication
    - ° Responsibilities, accountabilities and authority in relation to the risk management program
    - ° Risk management training
    - ° Resourcing of the risk management program
    - ° Risk management reporting framework

- **Documentation of the Risk Management Framewor**k which assesses the organisation's:
    - ° Risk Management Policy
    - ° Risk Management Plan/Manual
    - ° Risk Register
    - ° Monitor and review documentation
    - ° Incident database

- **Application of the Risk Management Framework** which assesses the organisation's:
    - ° Identification of risks against the organisation's objectives
    - ° Analysis of risks
    - ° Treatment of risks
    - ° Monitor and review of risks
    - ° Reporting of risks

- **Monitor and Review of the Risk Management Framework** which assesses how the organisation assesses, measures and reports the effectiveness of the risk management framework and the contribution it makes to the achievement of organisational objectives.

The level achieved by the organisation for each question is derived through a combination of:

- **A desk-top review of all of the organisation's Risk Management documentation;**
- **An interview with selected staff; and**
- **An individual survey provided to a range of personnel within the organisation.**

Desk-top Review

The first part of the process is the conduct of a desk-top review of all of the organisation's Risk Management documentation.

The conduct of this review provides a baseline understanding of the status of the risk management program within the organisation prior to commencing individual interviews with senior management.

The findings from the desk-top review are then discussed during the interviews with senior management to ensure that no other evidence exists that was not apparent during the review.

Interview with Senior Management and the Risk Committee/Champion

Using the Risk Maturity Questionnaire as the basis for the interview process, members of the senior leadership group are interviewed after the completion of the desk-top review.

On the basis of the evidence from the desk-top review and the answers provided by senior management, a score is recorded for the majority of the questions in the questionnaire (the remaining questions will be answered once the results of the individual survey are collated).

Individual Survey

A complete and accurate understanding of the status of the risk management program cannot be obtained by just conducting a desk-top review of the organisation's documentation or through interviews with senior managers. It is for this reason that an Individual Survey has been developed. The number of surveys distributed will depend on the size of the organisation.

The results of the survey are reflected in the score achieved for that question and recorded in the report provided to the organisation at the completion of the assessment.

The survey is comprised of some 20 questions each with yes/no response. As a result, the survey should take participants no more than 15 minutes to complete.

The Questionnaire

Each of the question sheets in the questionnaire includes the following:

• The level of achievement required by the organisation to determine the score for that particular question;

• A clarifying comment which provides the assessor with background information as well as an indication as to where the evidence necessary to answer the question may be found; and

• A space for comments and/or findings in relation to the questions.

An example screenshot from the questionnaire is shown below:

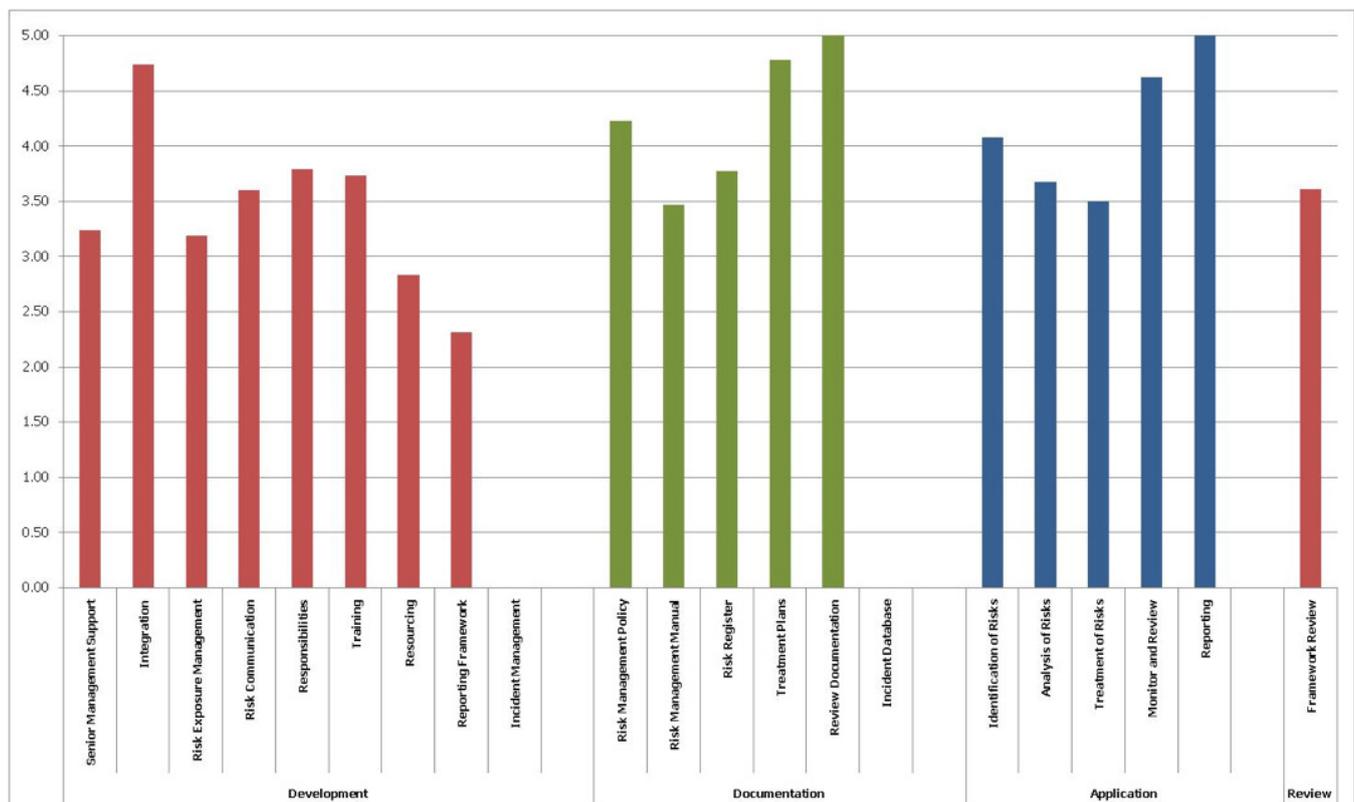| **For what proportion of risks has a risk owner been assigned?** *Clarifying Comment* *One of the key requirements to ensuring that the identified risks are effectively managed is the appointment of an individual within the organisation as the Risk Owner.* *The Risk Owner is the person assigned the responsibility for the day-to-day management of a risk, or set of risks. The Risk Owner is chosen based on their role within the organisation, and their ability to competently analyse and treat risks.* *To complete this section it will be necessary to examine the existing Risk Register for the organisation (if one exists).*			
Fully Developed	The organisation has identified a risk owner for all of the organisation's risks.	5
Very Good Progress	The organisation has identified a risk owner for the majority of the organisation's risks.	4
Good Progress	The organisation has identified a risk owner for most of the organisation's risks.	3
Satisfactory Progress	The organisation has identified a risk owner for some of the organisation's risks.	2
Poor Progress	The organisation has identified a risk owner for very few of the organisation's risks.	1
No Progress	The organisation has not identified a risk owner for any of the organisation's risks. or The organisation has yet to identify any risks.	0
Comments		

Deriving the Score for Each Question

Recording the Results

Once the Assessment Questionnaire has been completed, the scores for each question are then entered into a spreadsheet which has a weighting allocated to each question. An example screenshot from the spreadsheet is shown below:

Category	Question	Score	Raw Score
Risk Identification - Question 1	Are there documented processes and procedures for identifying risk within the organisation?	No Progress	0
Risk Identification - Question 2	Has the organisation identified the sources of risk to its service delivery and other functions?	No Progress	0
Risk Identification - Question 3	Are the issues of stakeholders considered during organisational risk identification activities?	No Progress	0
Risk Identification - Question 4	Are the risks in the risk register captured as events?	No Progress	0
Risk Identification - Question 5	For what proportion of risks have causes been determined?	No Progress	0
Risk Identification - Question 6	For what proportion of risks has a risk owner been assigned?	No Progress	0
Risk Identification - Question 7	What proportion of the risks have also identified the current controls that are in place to mitigate the risk?	No Progress	0
Risk Identification - Question 8	What proportion of current controls are assessed for their effectiveness?	No Progress	0
Risk Identification - Question 9	Is control effectiveness measured or judged?	No Progress	0

This information is collated in a summary sheet and the organisation is given a score for each of the criteria. An example screenshot from the summary is shown below:

Maturity Definitions

The definitions for each maturity level are detailed below:

LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
Awareness	Understanding	Initial Application	Embedded	Mature
There is a general understanding within the organisation of the benefits of Risk Management to the organisation, however, at this stage, no active measures have been taken that would constitute the implementation of a Risk Management Framework.	A Risk Management Framework has been designed and implementation has commenced or has been programmed to commence in the near future. There may be some Risk Management being done within the organisation, however, this is on an ad-hoc basis and is reliant on individuals within the organisation, as opposed to leadership from senior management.	A Risk Management Framework has been implemented in all key functional areas within the organisation; however, there are areas within the organisation that have yet to incorporate sound Risk Management practices into their processes.	A Risk Management Framework has been implemented in all key functional areas within the organisation, however, not all of the functional areas can be regarded as 'best practice' in relation to their Risk Management but steps are being taken to continually improve.	A Risk Management Framework has been implemented in all key functional areas within the organisation, and all of the functional areas can be regarded as 'best practice' in relation to their Risk Management.

What is provided?

At the completion of the assessment, senior management will be provided with an overall report on the maturity assessment including the findings and recommendations determined against each criteria.

In addition, the report will contain a 'Road Map for Success' which provides detail of the suggested priorities for the recommendations made and some pragmatic timelines based on the current maturity, the culture within the organisation and the risk environment in which the organisation operates.

Conclusion

The Paladin Risk Management Services' Risk Assessment Methodology has been developed through extensive research and aligns to Standards and Handbooks throughout the world.

The Risk Assessment Methodology is an excellent tool for senior management of organisations to gain an understanding of the Risk Management capabilities displayed by the organisation against best practice criteria and is an ideal tool to track improvement in the risk management program over time.

For further information or to receive a quotation, please contact Rod Farrar on 0400 666 142 or at rod@paladinrisk.com.au.

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