

Compliance and Risk

The Organisation IS the System

An information management framework

Compliance and Risk – 5 Emergence and Risk

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About the Author:

- Allen Woods, retired several years ago....
- Ex British Army (1971 – 1995) Taught Arctic Warfare, Several Years On Operations, Funded Himself through College to Study IT
- Chartered Member of the British Computer Society for 20 years
- Member of the Chartered Status Interview Panel for BCS
- In 2010, Finalist of UK “Developer Of The Year” Competition for MOD HSIS
- Primarily Employed in UK Defence Supply Chain and Logistics IT since 1995 until 2019
- Credits: MoD Health and Safety Information System, Various Internal to Defence P&G Portals, CATMIS, IQB Oversight to Defence Voyager Programme IM Transformation and more...

Compliance and Risk – 5 Emergence and Risk

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This deck is part of a series.

The other decks in the series are:

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Compliance and Risk – [4 Compliance Monitoring](#)

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More detail on the nature of the tools illustrated in this series can be found [here](#)

In addition, viewers may find it useful to review the series on document management which can be viewed [here](#)

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Introduction

Arguably, legislative compliance and associated audit requirements associated with compliance monitoring can and does generate business risk that has a direct impact on the viability of the organisation as a system...

Risk management therefore is a strategic management tool if executed as an integrated activity forming part of the organisation architecture and culture, not as a panic measure, but a driver for structured planning as opposed to JFDI

What follows is a door opener, pathfinder not gospel.
But what was done! But executed as a matter of architectural intent.

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Revision

If viewers have not seen the remainder of the series, it is recommended that the slide deck indicated below should be viewed:

Compliance and Risk – [4 Compliance Monitoring](#)

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What is “Risk”

Something that is detected that may happen in the future that may be detrimental to the organisation or may be something beneficial. Both are risks to the viability of the organisation as a system. Both detrimental and beneficial impacts are something learned more about over time.

Risk may also mean the need to mitigate the potential effect, which often means the identification of capability shortfalls and addressing them before a risk becomes a live event. The aim of planning being capability acquisition to minimise impact

Risk impact may be different from one part of the organisation to another, risk is therefore multi perspective in respect of how risk is prioritised

Over time, the nature of risk impact may change and the nature of the event that originates risk may change as both are better understood, risk therefore has velocity

As a consequence, risk management has its own disciplines and methods and therefore requires policy to be defined and its own measurement approaches.

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Some further reading...

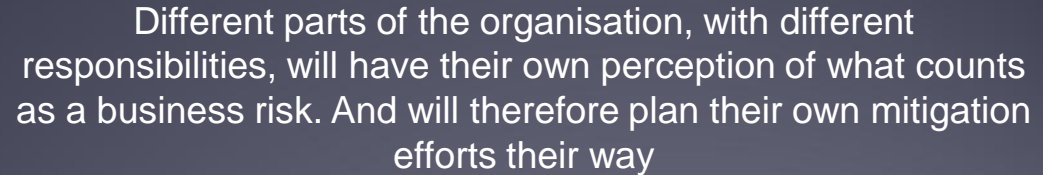
For a free to download UK government supported risk management approach, there is the UK Treasury “[Orange Book](#)”

There is an ISO Standard for [Risk Management, 31000](#)

Both are complementary and describe the same kinds of operating principles. In addition, there are any number of books on risk that viewers may wish to consider.

The kind of risk reporting approach outlined in this desk is consistent with the “orange Book” and ISO 31000

Positioning Risk Management



Risk monitoring is an assurance function.

With an additional need for a co-ordinating organisation element, an ad hoc committee or board, the purpose of which will be to reach consensus on prioritisation of resource acquisition to address any capability shortfalls across the organisation

Compliance and Risk – 5 Emergence and Risk Risk Management Policy and Governance

The collage shows five overlapping document templates for risk management. The documents are titled: 'Risk Management Board Remit and Scope', 'Risk Management Policy', 'Risk Management Governance', 'Risk Register Profile', and 'Role Task Terms of Reference - Risk Manager'. Each document contains various fields for organization details, objectives, and governance structures.

There will also be a need to develop the policy and governance required to support risk management coherently which will include:

The creation of a risk management board and associated definition of scope and responsibilities

The definition of risk policy the purpose of which is to provide direction for the definition and construction of:

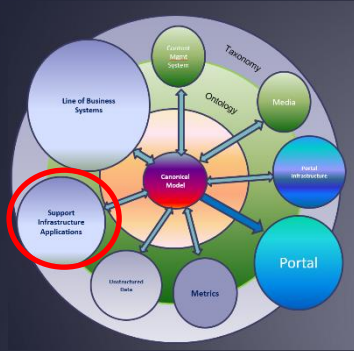
The governance regime to be applied on a daily basis to risk management

Which will include a common definition of how risks are defined and described to be included in a common risk register

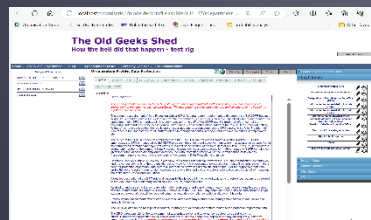
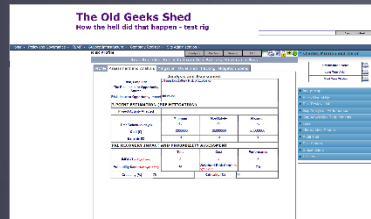
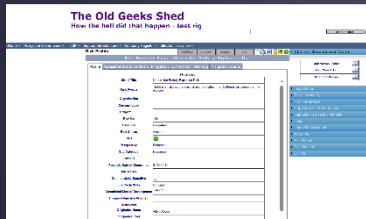
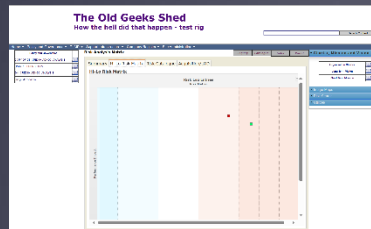
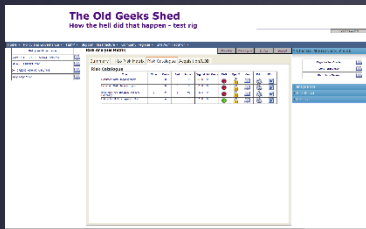
All of which will influence the specification of the risk manager task terms of reference

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A Common Risk Register



Given risk has velocity, there is a need to track risk maturity over time and to do so in a way that makes risk recording an accessible resource across the organisation



With recording and tracking executed by means on an on line risk register that supports risk prioritisation

Hi-Lo three point estimation capable of being used for probability testing purposes

Detailed risk profile capture, with each edit being a means to track velocity as...

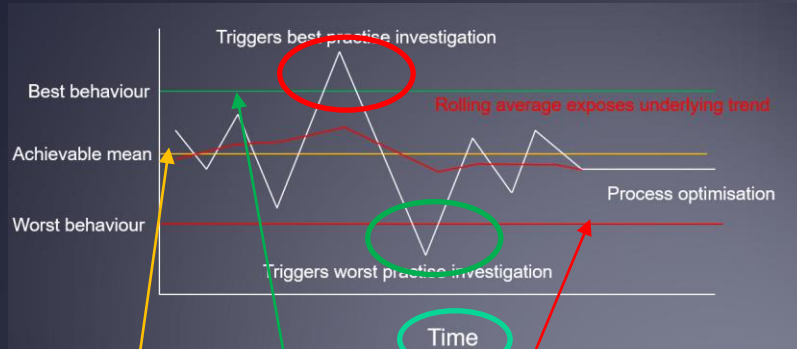
Mitigation scores based on time, cost and estimated impact, may change

With, for contextual purposes, the risk register being capable of being cross referenced by compliance audit or

Organisation element, or business objective profile and more..

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Tolerances...



For the purposes of risk monitoring, application of “tolerance” can be used multiple ways given that risk monitoring should be a matter of continuous observation of risk velocity

For risk management purposes if risk velocity rises above a higher tolerance, then a risk log entry should be instigated

For risk management purposes if risk velocity goes below the lower tolerance review on the basis of over capacity may be considered

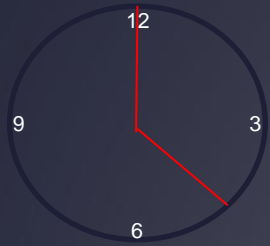
Review of risk velocity and maturity is not a one off exercise and instead it is one of planned review with its own policy and governance imperatives

Significance
Weighting

Significance weighting may be applied to further refine risk scoring

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Three Measurements: Time, cost and estimated impact



All constrained by time

Time is the great constraint, everything is lived. As a result risk measurement, like all performance measurement, is a matter of continuous monitoring.

While risk is emergent, something detected over time that may, or may not have an impact on viability, while measurement for the purposes of this exercise is placed in the “emergent quadrant” it can have its origins in Economic, Efficiency and Effectiveness

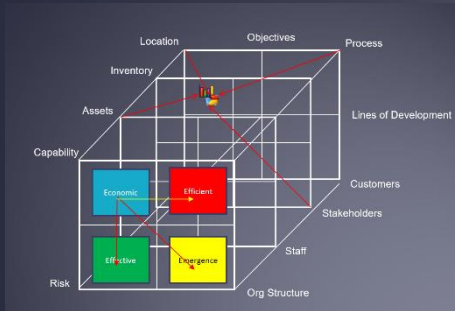
Three monitoring measures tend to apply, both pre and post risk becoming an event

Time – as a measure of risk velocity

Cost – as a measure of mitigation efforts in respect of addressing perceived capability shortfalls

Estimated Impact – Impact is a subjective measure that should be as objective and balanced as possible

All three needing careful definition in any associated risk management policy



Risk Management Policy

Policy Title: Risk Management Policy
Author: John Smith
Version: 1.0
Date: 2023-01-01
Status: Draft

Policy Description: This document defines the organization's approach to risk management, including the identification, assessment, and mitigation of risks that could impact the organization's ability to achieve its strategic objectives.

Policy Objectives: The primary objective of this policy is to ensure that the organization maintains a robust risk management framework that enables it to identify and mitigate risks in a timely and effective manner. Other objectives include:

- To establish a clear understanding of the organization's risk appetite and tolerance.
- To ensure that risk management is integrated into all business processes and decision-making.
- To provide a framework for the assessment and prioritization of risks.
- To ensure that risks are monitored and reported on a regular basis.

Policy Scope: This policy applies to all employees, contractors, and third parties who interact with the organization.

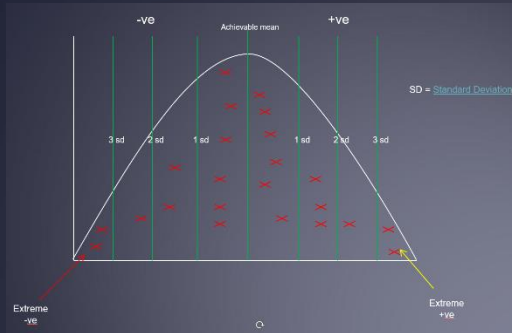
Policy Approval: This policy has been approved by the Board of Directors and is subject to periodic review and update.

Policy Implementation: This policy will be implemented through a series of training and communication activities, including the development of risk management procedures and the establishment of a risk management committee.

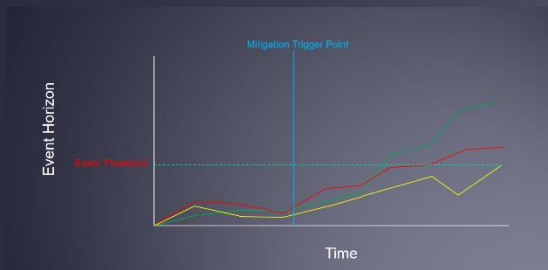
Policy Review: This policy will be reviewed annually or as needed to ensure it remains relevant and effective.

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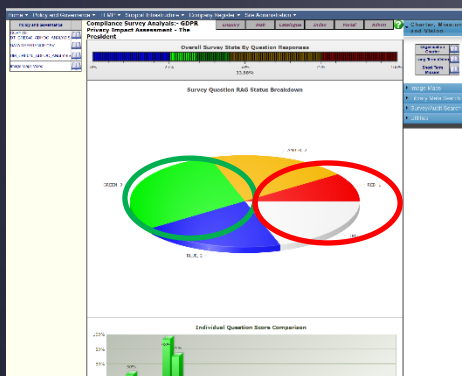
Combining Measurement Approaches



Risk monitoring may also give rise to patterns of risk and risk scores that may be related to clustering or grouping associated with organisation model elements (departments, processes and objective profiles for example)



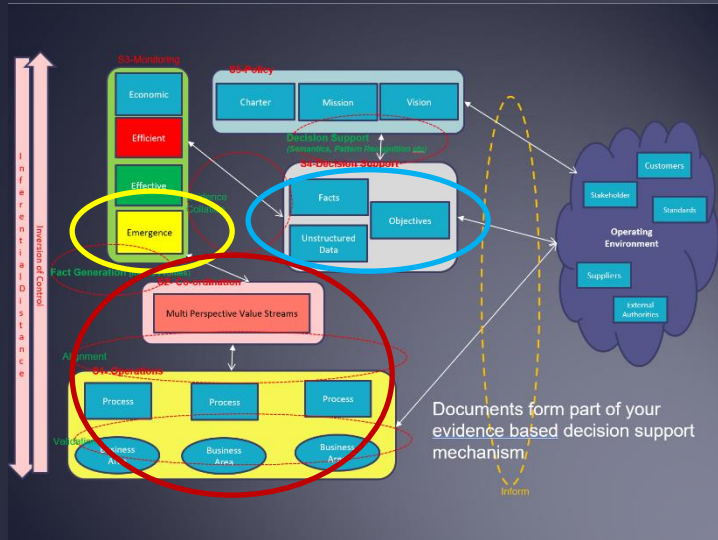
A third view of velocity, given multi strand scoring against time, cost and estimated impact, will give different perspectives of risk velocity



Adapting compliance audit scores against an audit catalogue at report level or at the level of individual question across a whole audit program may also indicate emerging risk

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Probability Testing



All constrained by time

The forms of measurement outlined previously are deterministic in nature based on available evidence based on....

Facts derived from data drawn from various sources and put through alignment and attenuation exercises in earlier data to information transitions

Assuming planned and staged transitions are understood and applied as a matter architectural intent and there is a document library that treats documents as “just another database” then risk analysis can be augmented by unstructured data, (document files)....

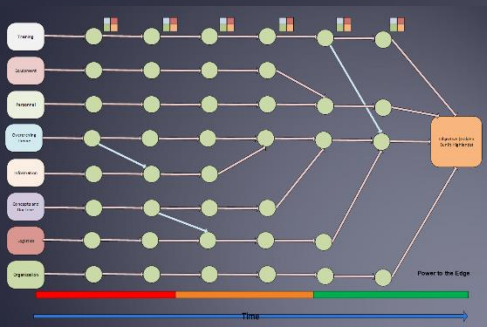
Over time with the ongoing monitoring of the risk register, then making the last transition, from determinism to Bayesian analytical methods like probability testing and regression using techniques like [Monte Carlo](#) Analysis become more feasible

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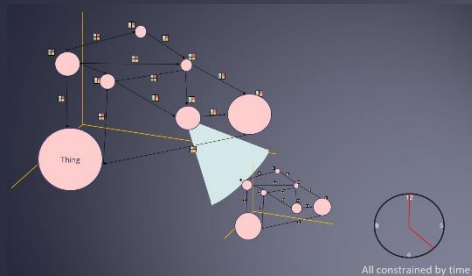
And then....



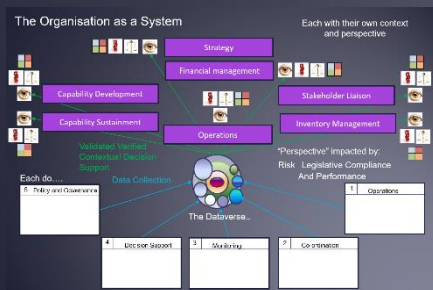
As risk velocity increases and reaches “event horizon” and capability shortfalls to deal with an event are identified..



Given capability development tends towards the multi-disciplinary involving expertise of various kinds, then mutually supportive lines of development should become apparent, which will required a co-ordinated planning approach based on mutually supportive lines of development



From which can be derived the need for a programme management portfolio and [MOSCOW](#) like requirements planning has considerable utility for programme stage prioritisation



With matters like legislative compliance having a planned impact on the organisation as a whole as opposed to being dominated by “my numbers are not your numbers”

The Old Geek

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That's all folks.....

The original deck and others, are available on request, free, using any of these means to get in touch:

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