



● Risk Assessment Methodology

's methodology is based on the facilitation of risk assessment brainstorming workshops to determine the risk exposure areas within a business. These exposure areas are the areas where risk originates.

For the purpose of determining the risk exposure areas, a business/strategic plan analysis is conducted through which risk exposure areas are prioritised. Then in order of priority risks are identified.

● Know the Enterprise

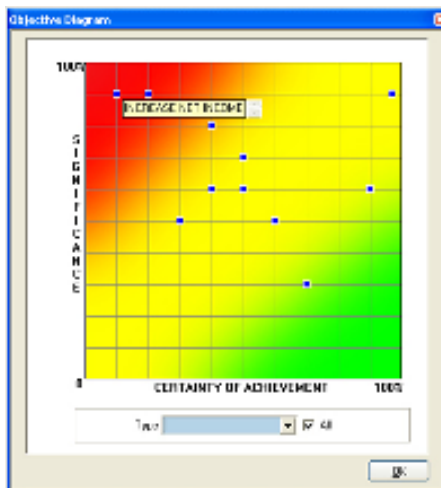
In order to conduct a quality business/strategic plan analysis the following elements are measured against significance (i.e. achieving the business plan/strategic objectives) versus certainty to achieve/avoid:

Business Profile Elements

1. **Vision**
2. **Mission**
3. **Values**
4. **Business Structure/Model**
5. **Company Information Verification**
 - i) Competitive Advantage
 - ii) Focus
 - iii) Portfolio Mix
 - iv) Businesses
 - v) Business Model Analysis
6. **Swot Analysis**
 - External Environment
 - Internal Environment
7. **Strategic Objectives**
 - BSC Link
 - Analysis
8. **Strategies**
9. **BSC/Key Performance Areas**
10. **Critical Success Factors**
11. **Processes**

Firstly, each of the elements (where applicable) are measured on its importance in relation to its contribution in achieving the strategic/business plan's targets/objectives.

Then, secondly the elements are tested against the certainty of achievement (or avoidance) of such elements. The resultant diagram indicates the risk exposure resulting from the strategic/business plan.



The top left of the diagram indicates the area of business where business is risk is most exposed. From the diagram, working diagonally downward it is possible to prioritise the risk exposure areas and the, to identify risks in a focused and step-by-step method.

● Risk Identification and Evaluation

By following the risk exposure areas in order of priority (highest to lowest) and by questioning why these areas are exposed to risk and what the result/outcome/impact would be should the elements not be achieved/avoided, one is presented with the actual risks faced. These risk are the added to a risk pool and linked to the elements that caused the exposure.

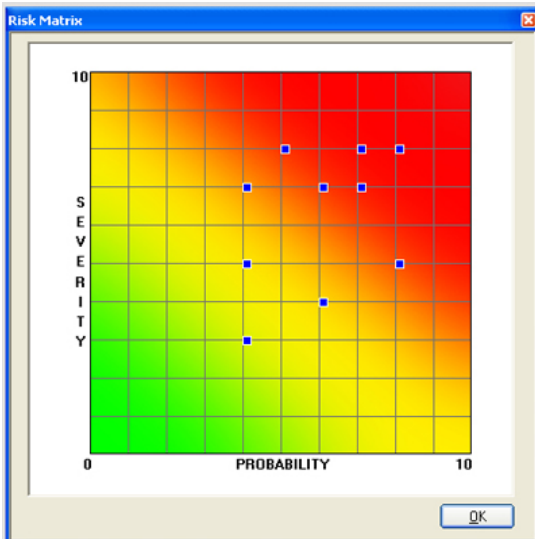


● Step-by-step

Still within the analysis workshop, risks are evaluated in a step-by-step approach. The first of which is a high-level assessment.

● High-level assessment

The purpose of a high-level assessment is twofold. Firstly to prioritise risks to create a hierarchy for detailed evaluation and secondly to create a risk matrix. The high-level evaluation is based on severity (impact) versus probability (likelihood).



From the resultant diagram risk are prioritised from highest to lowest either multiplying the severity with its probability or by purely following the diagram diagonally from top-right to bottom-left.

At this point two additional factors are considered namely, mitigating measures and root-causes.

Current mitigating measures have an impact on risk reduction and therefore need to be analysed to determine how effective such a measure in fact is.

Also, the Methodology is based on the treatment of causes and not the symptoms. Therefore the root-causes of risks must be identified to determine whether mitigating controls are in fact aimed at addressing the causes.

The last features of the risk assessment workshops are to identify the risk owners (for risk control self-assessments) and to determine who will be responsible to conduct a detailed evaluation to calculate riskMPL and riskEML

● Detailed evaluation

After completion of the risk assessment workshops and after capturing and analysis the collected risk information, it is up to specialist/committees to conduct a detailed evaluation of each of the key risks (all if required). This evaluation is financial of nature and results in determining the riskMPL (before control/inherent) and the riskEML (after control/residual). Both of these values are expressed in monetary terms per annum. From hereon, risks are ranked from high to low based on their riskEML.

● Risk threshold

To enable executives to view risks as Red, Orange or Green, it is important to determine what the highest risk tolerance level is. For this purpose various factors are considered, some of which include Risk Bearing Capacity, Affordability, Risk Tolerance, Net profit, Turnover/budget and Financial Power of Attorney. The top one-third of this threshold will indicate Red (high) risks and the lower one-third will indicate Green (low) risks.

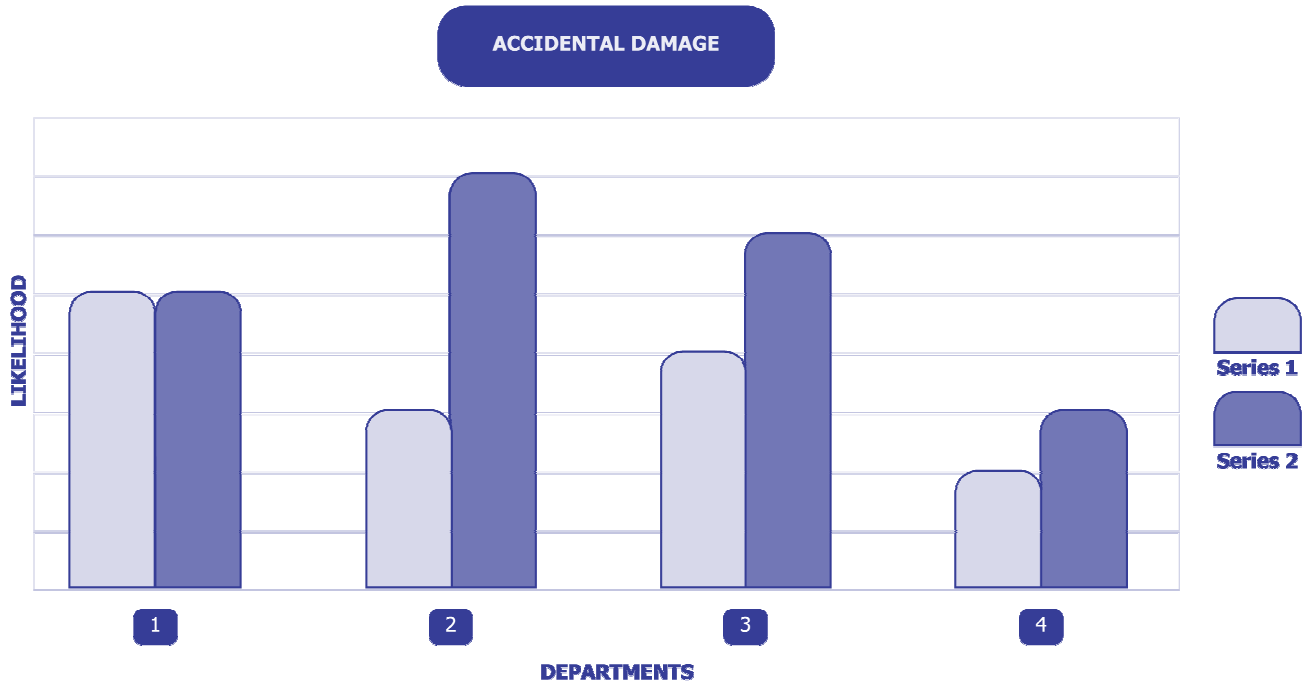
● Risk accumulation

Due to the usage of value at risk (riskEML) per annum, one is able to accumulate risks as required. 's methodology is to accumulate risks twofold, namely per business area (department/division etc.) and/or per risk type (financial/pure etc.). The accumulated results should assist executives in decision-making.

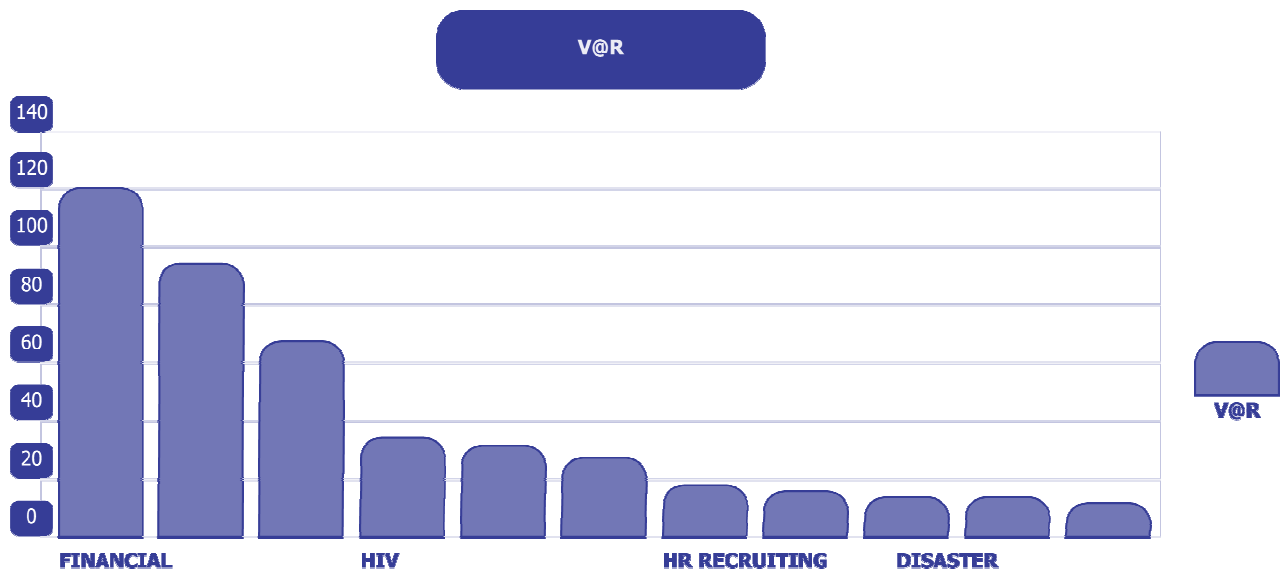


● **Sample reports**

Although not part of the workshop and not specific to the Methodology, it is emphasised that the following reports be implemented and monitored to ensure that risk are managed and monitored continuously and not periodically.



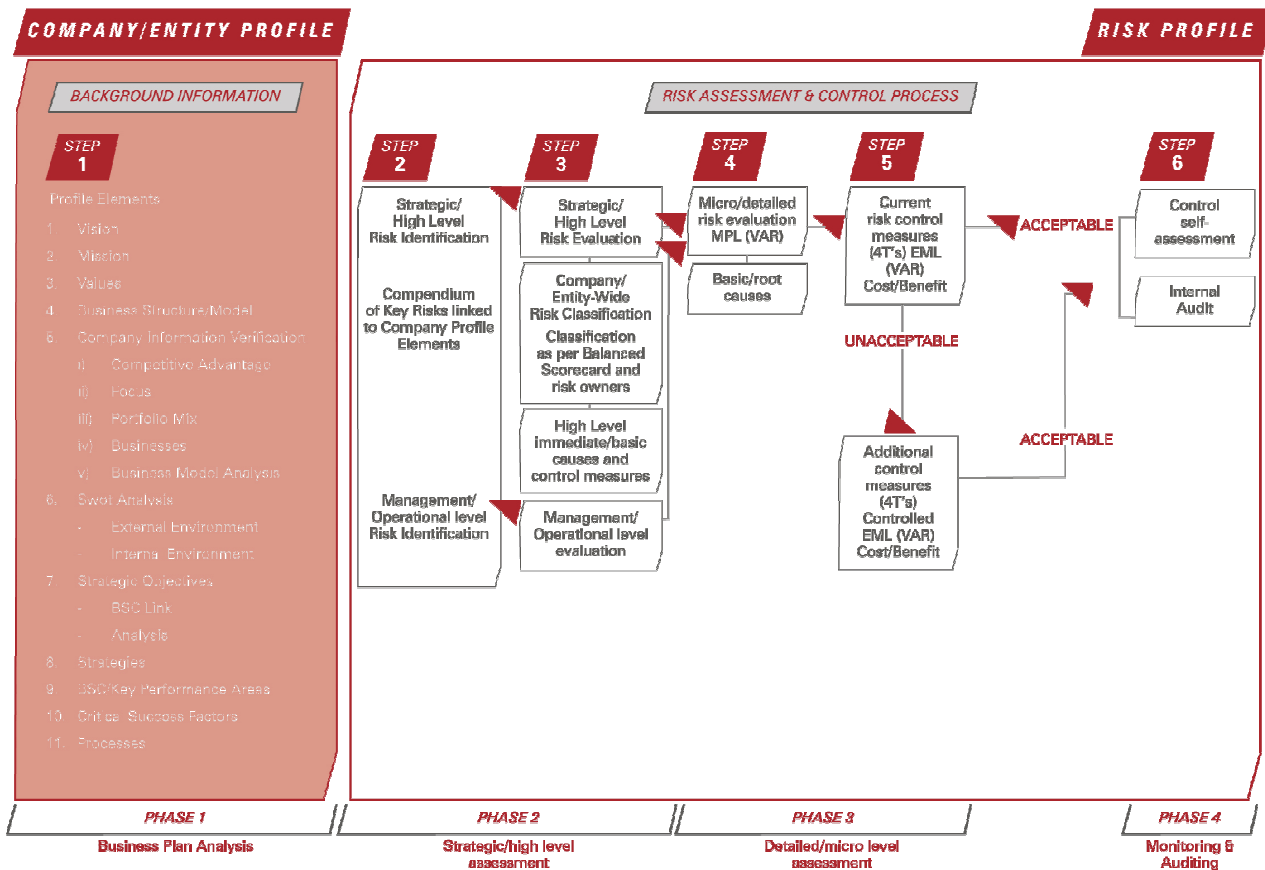
Due to the effectiveness/ineffectiveness of risk control measures, the likelihood of risk occurrence might increase (See risk 2 versus risk 1) (Optional).



Accumulated values at risk per annum create focused management areas.

In summary, the Risk Assessment Methodology is based a business plan analysis to determine the risk exposure areas which are analysed to identify risks which are high-level evaluated, which are evaluated in detail to determine the riskMPL. Hereafter, after considering risk control (mitigating factors) and root causes the riskEML is monitored with special reference to risk control self-assessment and internal audit assessment. The following graphic reflects the Risk Assessment Methodology:

**BUSINESS PLAN, BUSINESS MODEL & PROCESS ANALYSIS
FINDING THE RISK EXPOSURE AREAS**



● **Value adding**

The Risk Assessment Methodology is based on achieving scientific results whilst minimising thumb-sucking. The step-by-step approach ensures that nothing is lost due to oversight. What is extremely important about the methodology is that it links all corrective measures, corrective measures and all other risk control measures to the root causes of risk thereby ensuring that the measures are aimed at addressing the causes and not the symptoms.