



Why look now? I've never worried
about risks before

A practical guide for CEO's

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Deloitte Enterprise Risk Services Partner

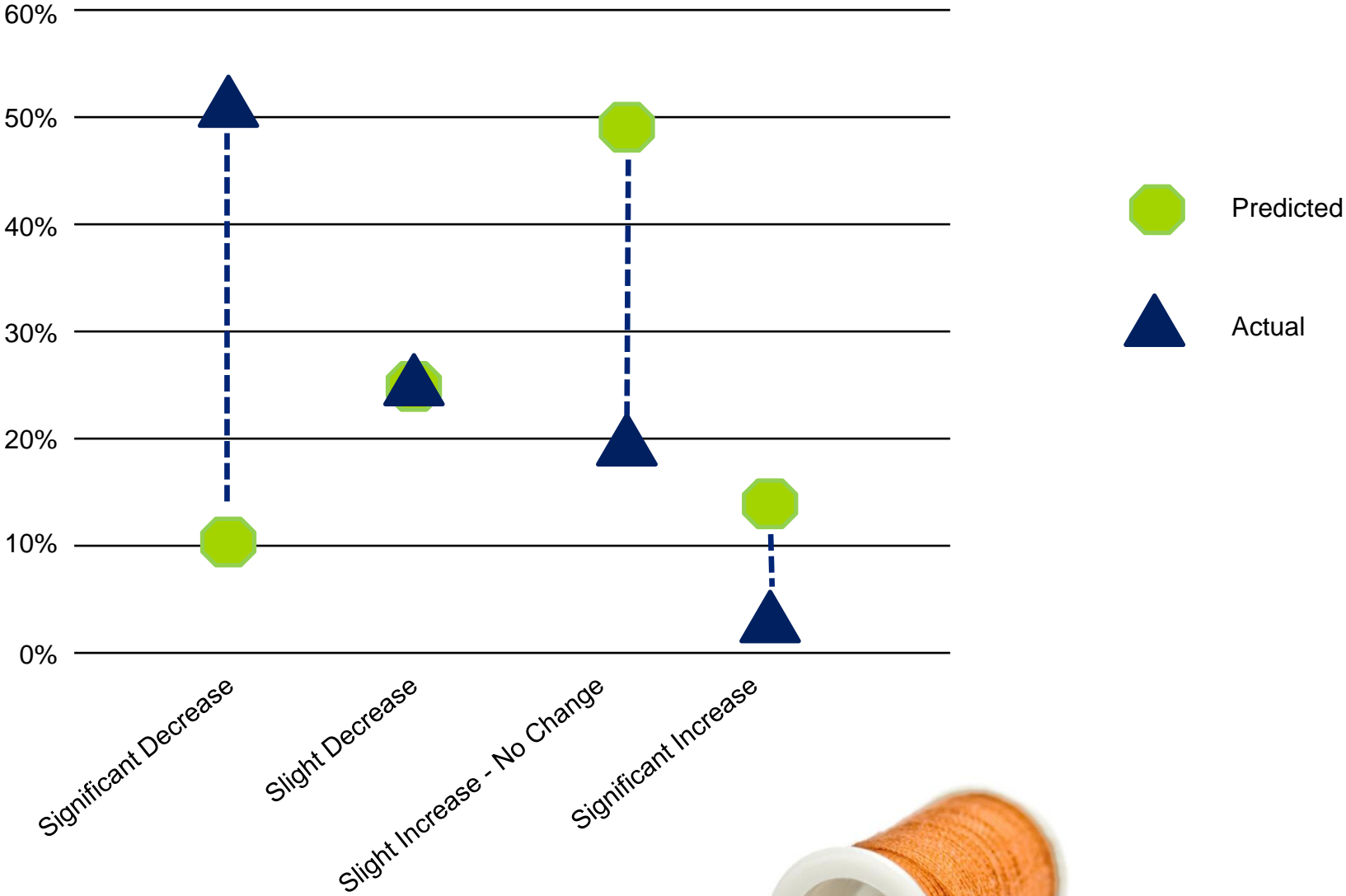


Introduction

- Partner Deloitte
- Council Member Dublin Chamber of Commerce
- DCC Competitiveness Committee
- Enterprise Risk Services
 - Governance & Risk
 - Internal Audit
 - Regulation and Compliance
 - Security, Privacy & Resiliency
 - Forensics



Business Outlook for 2009



Source – Dublin Chamber of Commerce



Why look now? I've never worried about risks before

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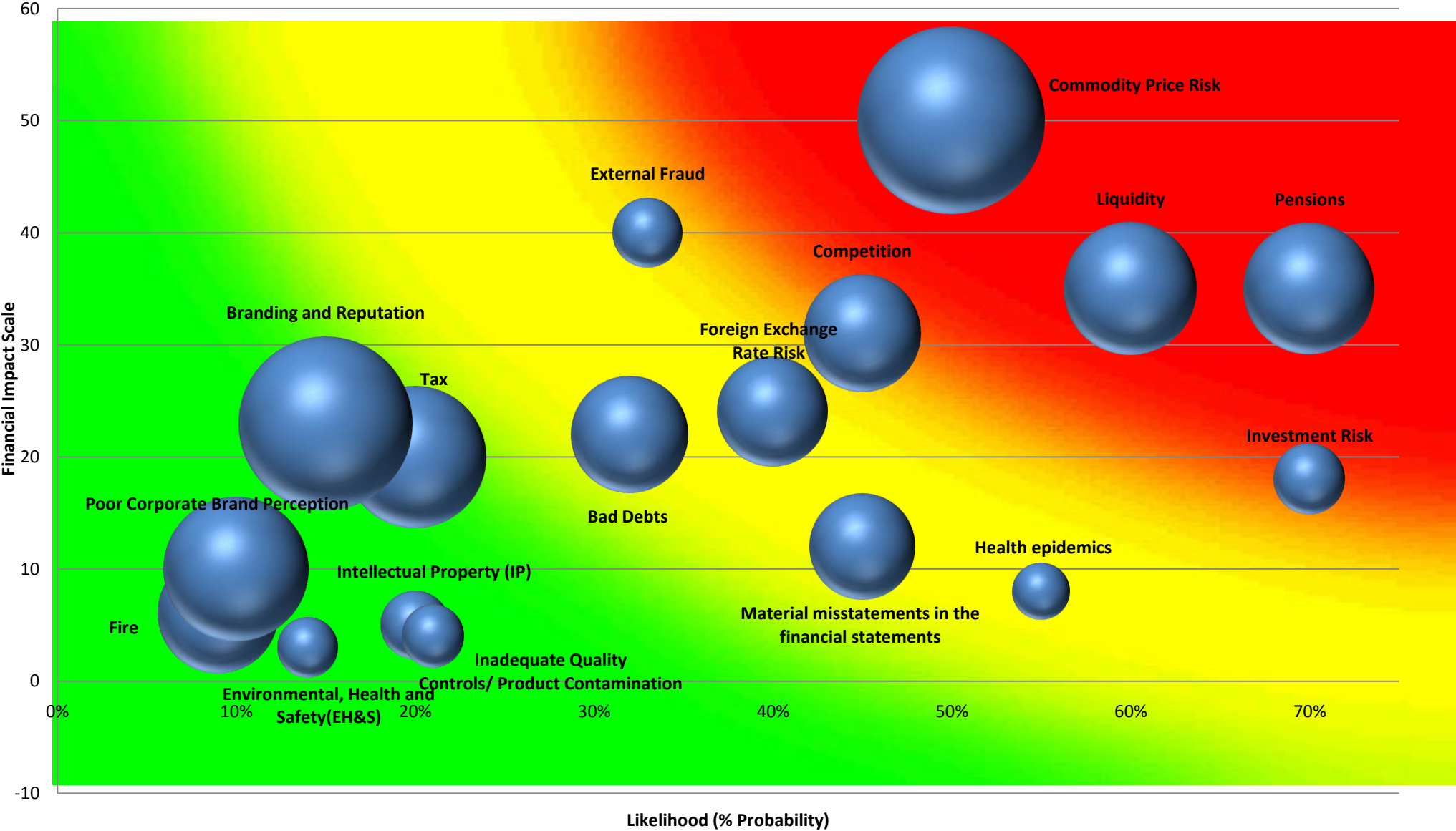
- Inflation or deflation
- Change in consumer behaviour
- US-UK-Eurozone not rebounding
- Sterling and Dollar weakness
- Oil and Energy
- Taxation
- Regulation
- Bank covenants being tightened

Internal

- Who's making business decisions – pricing, supplier, staff
- Poor control environment - Less staff
- Short term views being taken
- Limited pot of working capital – need to rank priorities
- Fraud
- Planning and reporting discrepancies



What do I need to have?



Overview of Risk

Type of Risk	Example of make up
Systemic Risk	Collapse of an entire financial system or entire market
Market Risk	Interest rate loss, , Pensions Losses, Equity gain, Currency gain, Commodity loss
Credit & Liquidity Risk	Receivable losses, Funding available, Asset inertia
Operational Risk	Breakdown in internal business function
Strategic Business Risk	Wrong business decisions
Reputational Risk	Loss of stakeholder confidence -customers, suppliers and employees, shareholders



Reputational Risk

"It takes 20 years to build a reputation and five minutes to ruin it. If you think about it, you'll do things differently." - *Warren Buffet*

- 50% of a company's share price is derived from its brand, goodwill and value in the minds of customer - *Global Treasury and Finance Survey 2007*

The New York Times
Wednesday, November 4, 2009

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POLITICS EDUCATION



Perrier Recalls Its Water in U.S. After Benzene Is Found in Bottles

By GEORGE JAMES
Published: Saturday, February 10, 1990

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Market Risk

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Cost-cutting and currency gains boost EMI

By Salamander Davoudi
Published: May 7 2009 23:00 | Last updated: May 7 2009 23:00

EMI Music, the recorded music company owned by Terra Firma, the private equity group, said full-year earnings more than tripled on the back of cost-cutting and currency gains.

Earnings before interest, tax, depreciation and amortisation jumped from £51m to £163m, while full-year sales rose 4 per cent to £1bn. Excluding the currency impact, sales fell 10 per cent.

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News Ireland

90% of private pensions in deficit - Hanafin

Thursday, 5 March 2009 16:13

Minister for Social and Family Affairs Mary Hanafin has told the Dáil that up to 90% of private sector defined benefit pension schemes are in deficit.

Responding to a question from Labour Party TD Roisin Shortall, Mary Hanafin estimated that the deficit could be as high as €30bn.

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Last Updated: Monday, November 2, 2009, 10:52

Ryanair profits surge 80%

Ryanair posted an 80 per cent rise in first-half profit and said it could reverse its long-standing strategy of rapid growth and distribute cash to shareholders instead.

The company said fiscal second-quarter profit rose 35 per cent as the company spent less on fuel. Net income in the three months ended September 30th increased to €250.5 million (\$370 million) from €185.8 million a year earlier, the Dublin-based carrier said in a statement.

Sales fell 4 per cent to €992.1 million, however, and Ryanair said it might throttle back on the expansion strategy, warning that the 80 per cent rise in first-half profit was driven by lower oil prices and masked falling fares.

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German bank chief warns of credit risk

By James Wilson in Frankfurt
Published: August 11 2009 03:00 | Last updated: August 11 2009 03:00

Germany is still at risk of a credit crunch, the head of its main banking association has warned, as lenders face corporate downgrades two years after the start of the financial crisis.

"Will there be a credit crunch? Clearly it is a concern and there is a real possibility of this," said Andreas Schmitz, president of the Federal Association of German Banks. "I do not think it is entirely unrealistic to think there will be one."

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Irish Examiner

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One debtor sent to jail every day since bank bailout deal

By Mary Regan, Political Reporter

Tuesday, November 03, 2009

At least one person was sent to jail every day because they were unable to pay credit card bills or meet loan repayments to banks, credit unions or other

RTÉ Business 5 November

To date in 2009, A 41,967 loans to bus

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Sasha chain loses survival battle

Monday, 16 February 2009 18:58

The company which owns the Sasha chain of clothes stores has gone into liquidation. Sasha has 42 outlets and employs around 300 people.

A statement from the company said the High Court had approved the appointment of David Carson of Deloitte as liquidator to the parent company, Denholme.

Mr Carson was appointed as examiner by the High Court in December, but the company said there had been a 'marked deterioration' in trading conditions since then and there was no

Operational Risk

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WHO'S ANGRY ABOUT
JOB LOSS?

CIE lost €2.5m 'to fraud and poor cash contro

Staff sold equipment and colluded with contractor

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By Paul Melia

Wednesday October 28 2009

POOR financial controls and fraud cost the state public transport company [CIE](#) almost €2.5m in four years.

CIE chairman [Dr John Lynch](#) -- who is a former [FAS](#) director general -- denied claims that the state transport company was "rife with backhanders, collusion and fraud" yesterday.

The [Dail Transport Committee](#) heard yesterday how fraud cost CIE €665,807.

Only €100,000 of this sum had been repaid -- and poor financial controls relating to procuring goods and services had cost the company another €1.8m.

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Greencore hit by €21m fraud at Scottish mineral water unit

By James Thompson

Thursday, 26 June 2008

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The Irish food group Greencore has sacked three senior managers after uncovering what it believes is a €21m (£17m) fraud at its Scottish mineral water business, Campsie Spring.

Greencore said its investigations were ongoing, but it warned that the "deliberate concealment of costs at its mineral water business" could slash its operating profit for the current year by €9m. It estimates that the investigation could lead to a restatement of its group operating profit by €4m in 2006 and €8m in 2007.

Following the revelation, Greencore's shares plummeted by more than 15 per cent to €2.09.

Greencore said it was first alerted to the problem on 6 June and its investigation found that the concealment of costs was undertaken by the former financial controller of the mineral water business, who left the business prior to the concealment being uncovered.

And then there was fraud
operational risk

Criminals have budgets too.....

Implementing Risk Management

Four actions to consider

1. Define the risk oversight role
2. Incorporate risk intelligence into strategy
3. Foster a risk intelligent culture
4. Set the risk appetite and reporting



1. Define the risk oversight role

The essence of risk governance is

- Define the executive and board's risk oversight responsibilities
- Consider board composition – have a challenger!
- Understand what you have already – can they be leveraged?
- Create a cohesive risk management process across the organisation - replacing the “silo” approach



2. Incorporate risk intelligence into business strategy

Incorporating risk intelligence into strategy requires a practical understanding of value creation and preservation.

- Incorporate risk intelligence into capital allocation, acquisition, succession planning, and other strategic decisions
- Design processes for integrating risk management into strategic planning
- Assess how realistic the strategy is. What would it take — in resources, expertise, alliances, or conditions — to increase the likelihood of achieving the results and to minimize the chances of failure?
- Establish accountability



3. Foster a risk intelligent culture

People at every level view managing risk as an intrinsic part of their jobs. Not the same as being risk averse - understand the risks of any activity they undertake and manage them accordingly.

- Lead by example in communicating about risk.
- Build cohesive teams aligned with priorities
- Reward risk intelligent behavior
- Consider a third-party assessment
- Gauge progress



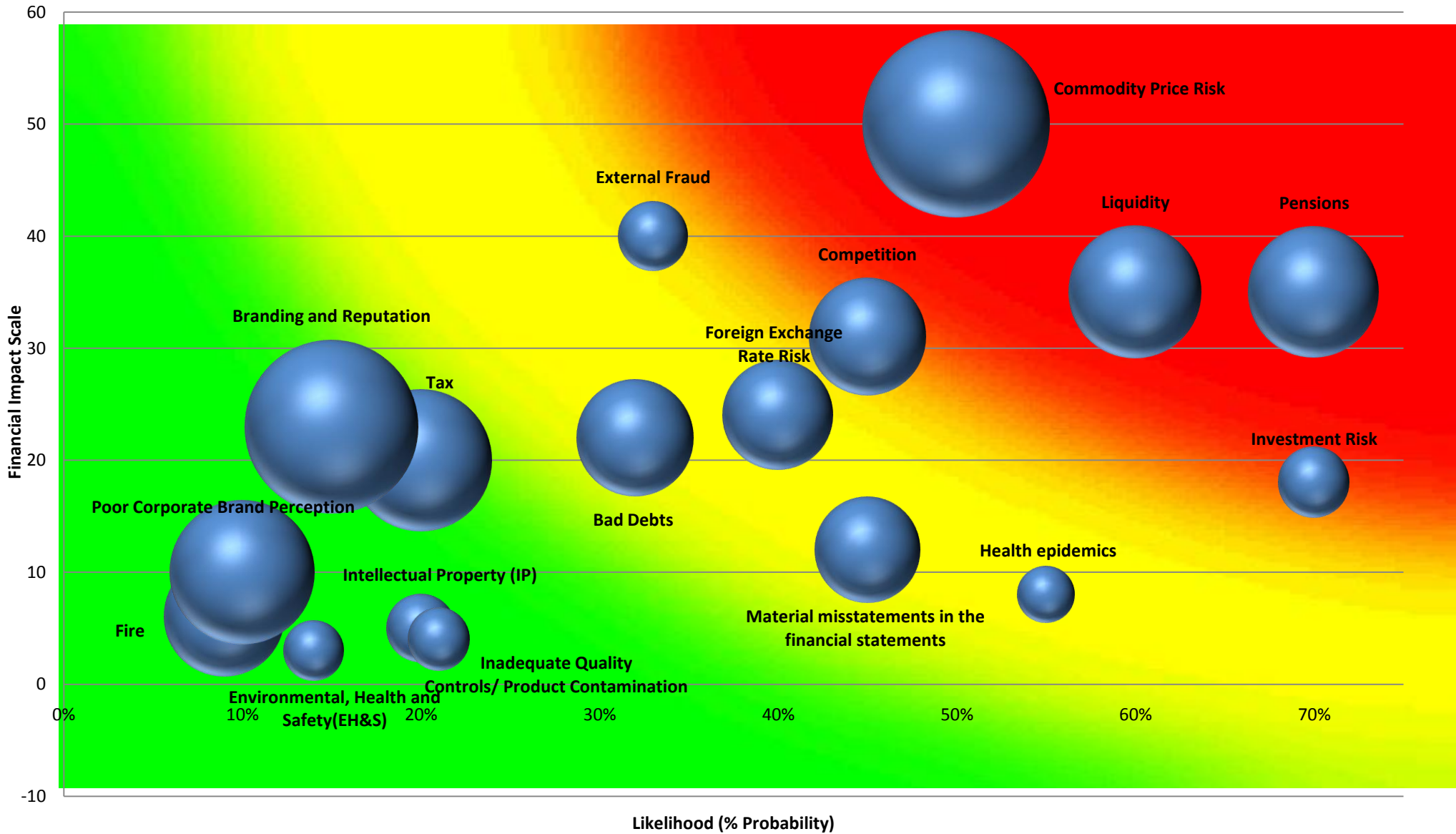
4. Set the risk appetite and reporting

Risk appetite defines the level of aggregate risk the organisation can assume and manage, or the losses it can absorb.

- Help distinguish between risk appetite and risk tolerance.
- Be aware of the company's vulnerabilities
- Prioritized risks in relation to their exposure and likelihood?
- How do we know when risks are increasing – what are the organisation's risk indicators
- Are management regularly discussing risk? KRI's?
- Start again....



So what does all that look like.....



In Conclusion

- Risk is a constant – use it to your advantage
 - Strategies are baseless without knowing the risks
 - Banks expect to see this – be warned!
 - Do you know where to place your bets?
 - If you don't know it you can't control it
 - Don't be afraid to be challenged
-
- You need to manage for sustained performance - that's value



THANK YOU

Deloitte.

