

## **NEW RISK MANAGEMENT – CODE OF PRACTICE (British Standard BS31100)**

(Source: [www.valuegeneration.co.uk](http://www.valuegeneration.co.uk) – December 2008)

The British Standards Institution has just released BS 31100, a Code of Practice for Risk Management in business organisations.

Like many recent standards the Code is written in easy to use language and copies are available from [www.bsigroup.com](http://www.bsigroup.com).

The provision of a Risk Management standard has been sought for a long period, with many commentators suggesting a 'standard' in this area was not entirely possible as organisations are all very much unique, particularly with regard to risks and how these ought to be managed.

Thankfully the BSI has persisted and after some time has released the Code of Practice in final form.

The beauty of effective Risk Management is proportionality and practicality. The measures implemented have to be fit for purpose. Complex and extensive Risk Management may be a must for a large financial institution, but it simply won't fly in an SME environment manufacturing 'widgets'.

Fortunately the Code of Practice provides a range of information from which organisations can draw to develop their own Risk Management programme. We have summarised the essential elements below and, for the sake of doubt, good Risk Management should not be considered an overhead, but part of the process by which companies can maximise revenue, growth and profits.

Key points from the Risk Management Standard:

- Tailor your Risk Management approach to your organisation and remember that tailoring needs to reflect the culture of your business, its people and how they go about their work;
- Develop a clear Risk Management Framework for your organisation that covers a number of key elements including:
  - (i) Strategy – what do you want your Risk Management activities to accomplish;
  - (ii) Policy – summarising how you approach Risk Management in your organisation so it becomes a part of the business management process;
  - (iii) Culture – management of risk must be embedded across the organisation with all members of staff risk aware;
  - (iv) Capability and Competence – having the relevant team members with the experience, skills and knowledge;
  - (v) Roles and responsibilities – everyone knows what they have to do;
  - (vi) Appetite and profile – understanding the type and level of risk the organisation can tolerate and why;
  - (vii) Categorisation and Measurement – being able to effectively assess risks and take appropriate action when unacceptable exposures are identified;

- (viii) Communication and Reporting – making sure the right Risk Management message is provided and that risk information is effectively transmitted through the organisation;
- Develop a clear Risk Management Process, which covers the practical steps you are going to take in the management of risk. This includes how you will identify business risks and once identified how these risks will be evaluated/assessed. For those material risks how these should be effectively managed and what controls you need to have in place to ensure risks do not materially threaten the organisation now, or become a threat in the future. Also, what Risk Management tools you will use in this process and, finally, how the Risk Management process and its outputs will be reported and reviewed, particularly to the management team and those with overall responsibility for Risk Management.
- Continue to monitor and evaluate the business risks and the organisation's Risk Management approach. The business and its environment are changing all the time and the Risk Management processes need to evolve also.

The standard provides some useful appendix information covering Risk Categories, Tools, Control Information, Risk Maturity Models and, in Appendix E, makes the relevant comment that Risk Management as a process applies equally to positive risks and should not be limited to negative issues.

Overall the standard is a useful benchmark and reference guide, but the Risk Management approach you take must be based on common sense and what is appropriate for your business. Proportionality and Practicality!