DIPLOMA IN LAW ENFORCEMENT

DLE 2163: SECURITY RISK MANAGEMENT

Chapter 4

Assets and Threats: Process overview for risk management

LEARNING OUTCOMES

Upon completion of the syllabus topics, students should be able to:

1. Identify the importance of risk management.
2. Demonstrate comprehension of various aspects of risk management.
3. Apply risk management techniques to risk management issues.
4. Demonstrate risk management skills in work.

TOPIC 4

Assets and Threats: Process overview for risk management

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RISK MANAGEMENT PROCESS - STEPS

Steps of the Risk Management Process?

1. Communicate and consult.
2. Establish the context.
3. Identify the risks.
4. Analyze the risks.
5. Evaluate the risks.
6. Treat the risks.
7. Monitor and review.

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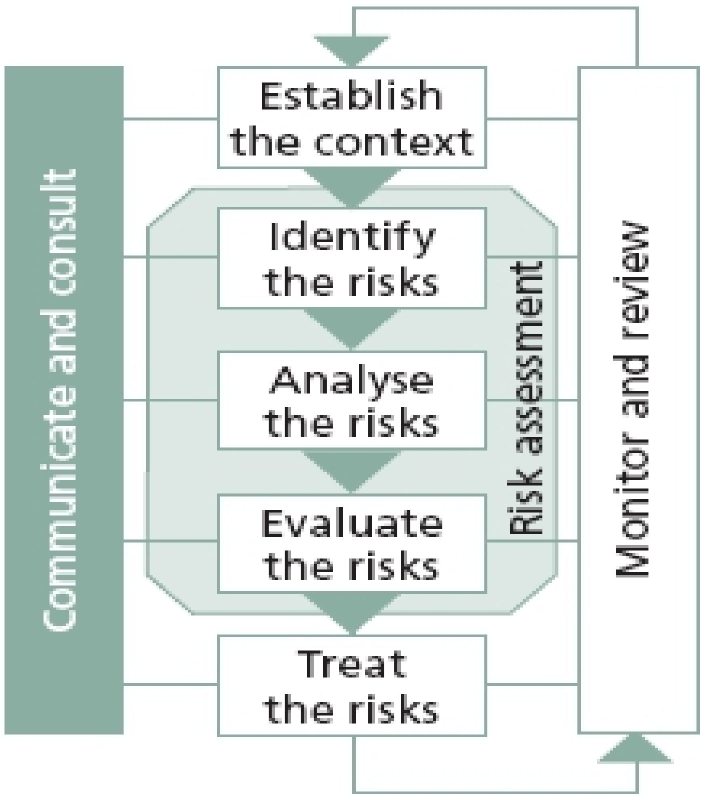
COMMUNICATE & CONSULT

Step 1.Communicate and consult



Communication and consultation aims to identify who should be involved in assessment of risk (including identification,analysis and evaluation) and it should engage those who will be involved in the treatment, monitoring and review of risk

COMMUNICATE & CONSULT..Contd

Step 1.Communicate and consult

As such, communication and consultation will be reflected in each step of the process described here.

-As an initial step, there are two main aspects that should be identified in order to establish the requirements for the remainder of the process.

-***<u>These are communication and consultation aimed at:</u>***
A- Eliciting risk information
B-Managing stakeholder perceptions for management of risk

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COMMUNICATE & CONSULT..Contd

Step 1.Communicate and consult

A- Eliciting risk information

-Communication and consultation may occur within the organization or between the organization and its stakeholders.

-It is very rare that only one person will hold all the information needed to identify the risks to a business or even to an activity or project.

-It therefore important to identify the range of stakeholders who will assist in making this information complete

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COMMUNICATE & CONSULT…Contd

Step 1.Communicate and consult

B-Managing stakeholder perceptions for management of risk

ESTABLISH CONTEXT

Step 2. Establish the context

provides a five-step process to assist with establishing the context within which risk will be identified.

1-Establish the internal context
2-Establish the external context
3-Establish the risk management context
4- Develop risk criteria
5- Define the structure for risk analysis

ESTABLISH CONTEXT

Step 2. Establish the context

<u>1- Establish the internal context</u>

-As previously discussed, risk is the chance of something happening that will impact on objectives.

As such, the objectives and goals of a business, project or activity must first be identified to ensure that all significant risks are understood.

This ensures that risk decisions always support the broader goals and objectives of the business. This approach encourages long-term and strategic thinking

ESTABLISH CONTEXT

Step 2. Establish the context

In establishing the internal context, the business owner may also ask themselves the following questions:

- Is there an internal culture that needs to be considered? For example, are staff Resistant to change? Is there a professional culture that might create unnecessary risks for the business?
- What staff groups are present?
- What capabilities does the business have in terms of people, systems, processes, equipment and other resources?

ESTABLISH CONTEXT

Step 2. Establish the context

2. Establish the external context

This step defines the overall environment in which a business operates and includes an understanding of the clients’ or customers’ perceptions of the business. An analysis of these factors will identify the strengths, weaknesses, opportunities and threats to the business in the external environment.

SWOT

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ESTABLISH CONTEXT

Step 2. Establish the context

A business owner may ask the following questions when determining the external context:

- What regulations and legislation must the business comply with?
- Are there any other requirements the business needs to comply with?
- What is the market within which the business operates? Who are the competitors?
- Are there any social, cultural or political issues that need to be considered?

ESTABLISH CONTEXT

Step 2. Establish the context

3- Establish the risk management context

Before beginning a risk identification exercise, it is important to define the limits, objectives and scope of the activity or issue under examination.

- For example, in conducting a risk analysis for a new project, such as the introduction of a new piece of equipment or a new product line, it is important to clearly identify the parameters for this activity to ensure that all significant risks are identified.

ESTABLISH CONTEXT

Step 2. Establish the context

4. Develop risk criteria

Risk criteria allow a business to clearly define unacceptable levels of risk. Conversely, risk criteria may include the acceptable level of risk for a specific activity or event. In this step the risk criteria may be broadly defined and then further refined later in the risk management process.

IDENTIFY THE RISKS

Step 3. Identify the risks

Risk cannot be managed unless it is first identified. Once the context of the business has been defined, the next step is to utilize the information to identify as many risks as possible.

Step 3. Identify the risks

The aim of risk identification is to identify possible risks that may affect, either negatively or positively, the objectives of the business and the activity under analysis. Answering the following questions identifies the risk:

What can happen?
How can it happen?
Why could it happen?

Step 3. Identify the risks

<u>There are two main ways to identify risk:</u>

*1- **Identifying retrospective risks***

Retrospective risks are those that have previously occurred, such as incidents or accidents. Retrospective risk identification is often the most common way to identify risk, and the easiest. It's easier to believe something if it has happened before. It is also easier to quantify its impact and to see the damage it has caused.

Step 3. Identify the risks

There are many sources of information about retrospective risk. These include:

- Hazard or incident logs or registers
- Audit reports
- Customer complaints
- Accreditation documents and reports
- Past staff or client surveys
- Newspapers or professional media, such as journals or websites

Step 3. Identify the risks

2-Identifying prospective risks

Prospective risks are often harder to identify. These are things that have not yet happened, but might happen some time in the future.

Identification should include all risks, whether or not they are currently being managed. The rationale here is to record all significant risks and monitor or review the effectiveness of their control.

IDENTIFY THE RISKS

Step 3. Identify the risks

Methods for identifying prospective risks include:

- Brainstorming with staff or external stakeholders
- Researching the economic, political, legislative and operating environment
- Conducting interviews with relevant people and/or organizations
- Undertaking surveys of staff or clients to identify anticipated issues or problems
- Flow charting a process
- Reviewing system design or preparing system analysis techniques.

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Step 4. Analyze the risks

During the risk identification step, a business owner may have identified many risks and it is often not possible to try to address all those identified.
The risk analysis step will assist in determining which risks have a greater consequence or impact than others.

ANALYSE THE RISKS

Step 4. Analyze the risks

<u>What is risk analysis?</u>

Risk analysis involves combining the possible consequences, or impact, of an event,

with the likelihood of that event occurring. The result is a 'level of risk'. That is:

Risk = consequence x likelihood

Step 4. Analyze the risks

<u>Elements of risk analysis</u>

The elements of risk analysis are as follows:

1. Identify existing strategies and controls that act to minimize negative risk and enhance opportunities.
2. Determine the consequences of a negative impact or an opportunity (these may be positive or negative).
3. Determine the likelihood of a negative consequence or an opportunity.
4. Estimate the level of risk by combining consequence and likelihood.
5. Consider and identify any uncertainties in the estimates.

ANALYSE THE RISKS

Step 4. Analyze the risks

<u>Types of analysis</u>

Three categories or types of analysis can be used to determine level of risk:

- Qualitative
- Semi-quantitative
- Quantitative.

- The most common type of risk analysis is the qualitative method. The type of analysis chosen will be based upon the area of risk being analyzed

EVALUATE THE RISKS

Step 5. Evaluate the risks

Risk evaluation involves comparing the level of risk found during the analysis process with previously established risk criteria, and deciding whether these risks require treatment.
The result of a risk evaluation is a prioritized list of risks that require further action.
This step is about deciding whether risks are acceptable or need treatment.

EVALUATE THE RISKS

Step 5. Evaluate the risks

<u>Risk acceptance</u>

A risk may be accepted for the following reasons:

- The cost of treatment far exceeds the benefit, so that acceptance is the only option (applies particularly to lower ranked risks)
- The level of the risk is so low that specific treatment is not appropriate with available resources
- The opportunities presented outweigh the threats to such a degree that the risks justified
- The risk is such that there is no treatment available, for example the risk that the business may suffer storm damage.

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TREAT THE RISKS

Step 6. Treat the risks

Risk treatment is about considering options for treating risks that were not considered acceptable or tolerable at Step 5.

Risk treatment involves identifying options for treating or controlling risk, in order to either reduce or eliminate negative consequences, or to reduce the likelihood of an adverse occurrence. Risk treatment should also aim to enhance positive outcomes.

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TREAT THE RISKS

Step 6. Treat the risks

<u>Options for risk treatment:</u>

identifies the following options that may assist in the minimization of negative risk or an increase in the impact of positive risk.

1- Avoid the risk
2- Change the likelihood of the occurrence
3- Change the consequences
4- Share the risk
5- Retain the risk

MONITOR & REVIEW

Step 7. Monitor and review

Monitor and review is an essential and integral step in the risk management process.
A business owner must monitor risks and review the effectiveness of the treatment plan, strategies and management system that have been set up to effectively manage risk.

MONITOR & REVIEW

Step 7. Monitor and review

Risks need to be monitored periodically to ensure changing circumstances do not alter the risk priorities. Very few risks will remain static, therefore the risk management process needs to be regularly repeated, so that new risks are captured in the process and effectively managed.
A risk management plan at a business level should be reviewed at least on an annual basis. An effective way to ensure that this occurs is to combine risk planning or risk review with annual business planning.

GROUP DISCUSSION

- Divide into groups
- Using the risk management cycle as a guide, discuss how you would assess

  risks at a (a) commercial bank,

  (b) airport (c) Embassy (d) shopping

  complex.
- Pick a spokesperson for your group and present to the class/audience

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