

Responding To Risk

Enterprise Risk Management Seminar

Wednesday 13 September 2017

Actuaries Institute • Sydney





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APRA Risk Culture Pilot Reviews

**Fahmi Hosain – Head of Governance,
Culture & Remuneration**

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*This presentation has been prepared for the Actuaries Institute 2017 ERM Seminar.
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Recap of history



August
2015

Governance, Culture & Remuneration risk specialist team created

October
2016

Publication of risk culture information paper summarising current industry practice

2017

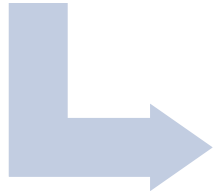
Risk culture assessment methodology developed and currently being trialled at a series of pilot reviews

Pilot reviews

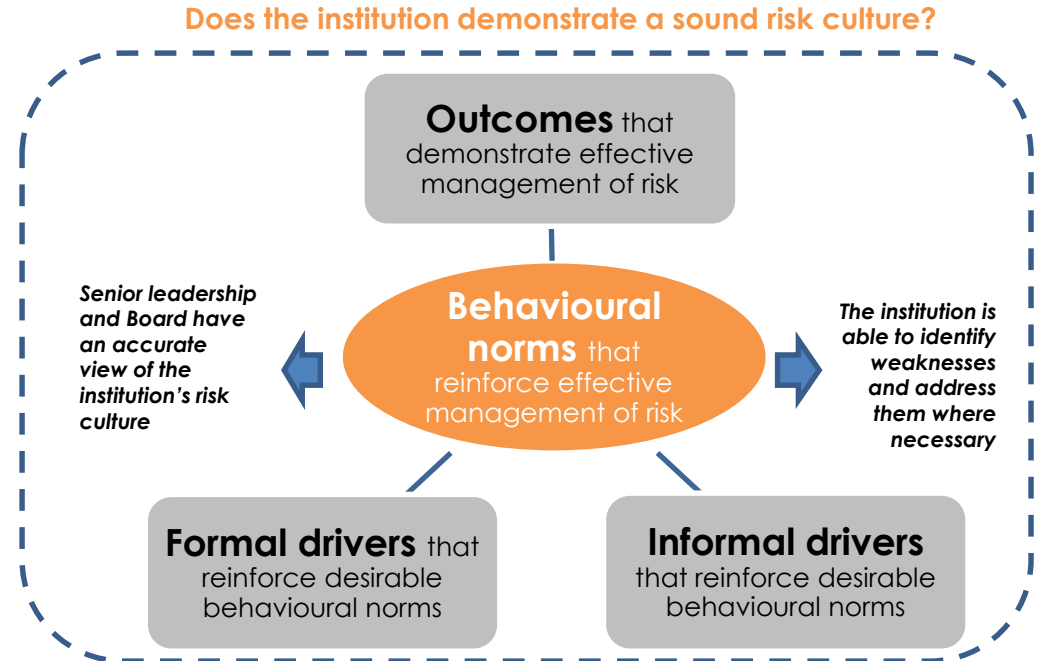


Expectations
outlined in
CPS220

- Form a view of the risk culture in the institution
- Understand the extent to which the culture supports the ability of the institution to operate consistently within its risk appetite
- Identify any desirable changes
- Ensures steps are taken to address changes (where necessary)



What we will
review



Key principles of approach



1

Evidence based,
independent,
objective

- Triangulation of qualitative and quantitative data
- Techniques designed to minimise bias

2

Systematic,
consistent

- Standardised, transparent process
- Repeatable and reliable

3

Outcome focused

- Linked to impact on effective management of risk
- Broad risk lens including financial and non-financial risks

4

Focused on
root causes in
the
organisational
system

- Analysis of both formal and informal levers
- Emphasis on system, rather than individual

5

Constructive,
realistic

- Balanced approach that recognises strengths and challenges
- Focus on building self-insight, with accountability for improvement

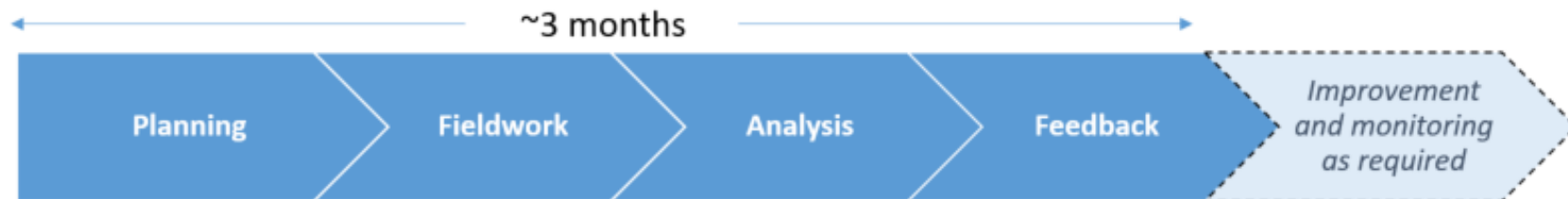
Key topics



FSB dimensions

Dimensions described by other groups

Review process



- Engagement with front line supervisory team and institution contacts
- Scoping
- Resourcing
- Timing
- Survey tailoring and set up
- Interview/focus group schedule
- Information gathering *eg.*, business structure, model and strategy, recent reports related to culture

- Survey distribution
- Confidential interviews
- Focus groups
- In situ observations
- Collection of information on formal mechanisms
- Collection of information on risk management outcomes

- Review of formal mechanisms that impact behaviour
- Review / analysis of risk metrics
- Survey analysis
- Content and thematic analysis of qualitative data (*eg.* survey, interview and focus group comments)
- Root cause analysis
- Theme generation

- 'Holding up the mirror' workshop with leadership to share data and observations, including positive feedback
- Agreement on next steps to address challenges, where necessary

- 12-18 months where the institution takes steps, if necessary, to address any areas of concern
- Monitoring by frontline supervisory team as part of ongoing program of work, with additional input from GCR team as needed