In times of uncertainty- an insight into effective Risk Reporting in a changing market

Over the past three years we have watched significant global events unfold. The world has been marked by momentous change – economic, political and environmental. These events have shown how quickly the environments in which we operate can change, and highlighted the importance of robust and effective risk management strategies.

We see this changing environment as an opportune time for organisations to challenge how the game has been played to date. We have worked alongside leading edge organisations across various industries as they rethink their existing approach to risk and compliance management. At the forefront of these efforts is risk reporting – often a neglected area of Risk Management with many organisations using retrospective indicators, disparate systems and inefficient data-gathering processes to monitor their core business activities.

Where are you now?

Progressive

Good tractice Leading edge

- Reporting does not reflect the 'risk experience' of the organisation and there is little or no link to Risk Profiles and, or business objectives
- Information reported is out of date
- Limited discussion between key stakeholders -'accept as is' view
- Little BU operational employee input
- Risk Reporting viewed mainly as compliance
- Board review, no other involvement
- Monitoring heavily dependent on directors themselves

- Reporting is linked to activity and movements in the Risk
- Reasonable involvement of BU operational
- forecasting simple and
 straightforward
 'early warning
 mechanisms'
- Limited versions and last minute edit of reports
- Reports are produced in a timely manner most of the time

- Reporting is closely aligned to the movements in the Risk profile
- throughout the organisation
- source of foresight into potential future risks – 'early warning signs'
- various forums
 that risks are
 being managed
 and monitored
 appropriately
 supporting the
 quality assurance
 program
- Risk Reporting used as a tool to make insightful decisions with positive business outcomes
- Quality of Risk Reporting and its importance is part of the vocabulary of the business

Why is effective Risk Reporting important?

Risk reporting is the vehicle for communicating the value that the Risk function brings to an organisation. It allows for proactive risk management as organisations identify and escalate issues either as they arise, or before they are realised to take a proactive approach to managing risks.

Effective risk reporting should focus on how risk activities impact individual business unit and enterprise risk profiles. It also:

- ensures risk management is embedded into leadership, decision making, oversight and business operations
- 2. focuses on exceptions and critically considers their underlying causes
- 3. considers retrospective results as a means for learning and foresight of business risks before they occur
- provides assurance to regulators, management and to Boards
- provides transparency over exposures promoting continuous improvement – as areas of concern within the organisation are highlighted.

Our Solutions

PwC have extensive experience in reviewing, developing and enhancing risk reporting frameworks across various industries and regulatory jurisdictions. Our philosophy is that for any framework or methodology to be successful it must be tailored to the operation and needs of the organisation.

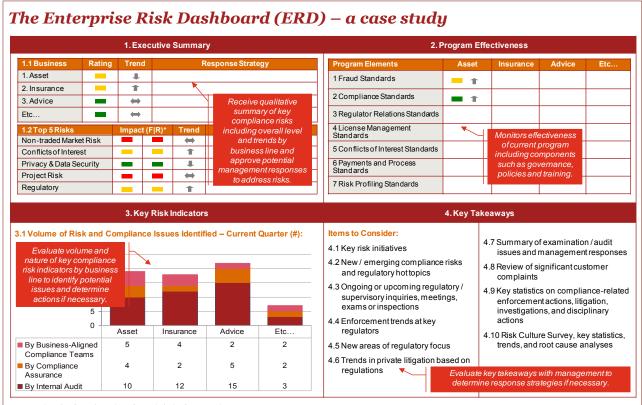
Three integral components that we believe must come out of any risk report are:

- 1. **The what** consider data integrity and relevance of what is being reported and to whom
- 2. **The so what** the insight in the information. It is the role of the risk function to decipher the context of the data and what it means in relation to the organisation
- **3.** The now what or, the 'so what we are going to do about it'.





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- A single focal point for risk information
- A vector of communication within a firm
- An instrument through which senior management can form A comprehensive view on risks before taking appropriate action; and
- · A strong, visual means to change a firm's risk mindset.

Added value of an ERD

An ERD solution also offers the opportunity for an institution to:

- upgrade business intelligence and align the way in which information is gathered, managed and consolidated throughout the organisation;
- make risk management more efficient by eliminating conflicting agendas and siloed views; and
- · demonstrate an active commitment to risk management.

The overall objective of our solutions

The overall objective of our solutions is to enhance the quality of risk reporting by making it more insightful, meaningful and reflective of the internal and external environment.

This enables Management, Committees and Boards to make informed decisions, facilitate appropriate risk taking and therefore fostering sustainable business growth.

PwC contacts



Nicole Salimbeni (02) 8266 1729 nicole.salimbeni@au.pwc.cor



Edwina Star (02) 8266 4940 edwina.star@au.pwc.com



Praveena Karunaharan (02) 8266 4544 praveena.karunaharan@au.pwc.com

