

Institute of Risk Management Kenya Regional Group Conference Report

24th November, 2016 | Sarova Panafric Hotel, Nairobi 7:30am – 2.00 pm

REGIONAL GROUP ANNUAL CONFERENCE

“Kenya as the hub of building Risk Management within the region.”

CONFERENCE REPORT

TOPICS COVERED

1. Risk Management practice within the public sector.
2. Capacity Building through certifications, the role of partnerships between regulators and professional associations; the CMA/CISI experience.
3. Reputational risk- protecting your corporate reputation in a digital world.
4. Kenya as a hub of building risk management capacity.
5. Global trends – local risks.
6. The future of risk management in East Africa.

The IRM Regional Group Secretariat Ms. Dorothy Maseke and Ms. Carol Misiko’s vision is to pull together risk management professionals and encourage them to enhance their strategic influence in the institutions they work in. The IRM Regional Group seeks to provide all risk professionals with a voice within the region, creating platforms that embrace partnerships between risk professionals, regulators and corporate stakeholders, fostering sustained growth in risk management, information exchange and capacity building. The IRM Regional Group thanked the IRM Global team for their continued guidance and support, sponsors KPMG and media partners Commercial Risk Africa for their contribution towards ensuring that the event was successful. The attendees were also thanked for having honoured the invitation.

Topic 1: Risk Management practice within the public sector.

Facilitator: Mr. Simon Indimuli

Head of Governance –State Corporations Advisory Committee` (SCAC).

“Business Continuity is a guideline that enables a business to respond to accidents, disasters, emergencies or threats without any stoppages or hindrances in its key operations”

WHAT CHALLENGES DO STATE CORPORATIONS FACE?

Corporate Governance: Over the years, Kenya State Corporations have encountered eminent doubts on their reliability, integrity or obligation to public affairs perpetuated by poor corporate governance.



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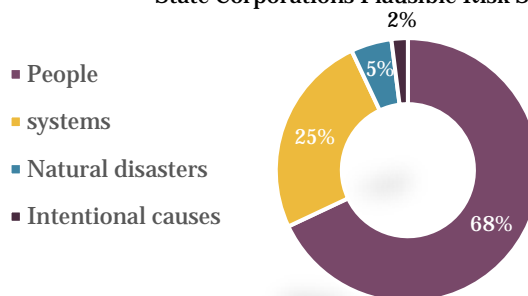
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The challenges necessitated H.E. the **President** of the Republic of Kenya, Uhuru Kenyatta to form a task force through the State Corporations Advisory Committee, which provides oversight of State Corporations to address reforms. For this purpose, the task force introduced “Mwongozo” a new Code of governance for Boards of GOEs that defines the Role of Boards, Legal & Institutional framework for governance of State Corporations, Stakeholder & Shareholder Rights & Obligations, Accountability & Internal Controls in State Corporation, Highlight on Key Policy Issues Governing Board Operations, The Role of Board in Organizational Competency Development, Board Dynamics & Evaluation (including Board tools), Statutory & Legal compliance, *Risk Management in State Corporations*, Institutionalizing Anti-Corruption Mechanism in State Corporations, Ethical Leadership on Boards, Public Procurement and Disposal in State Corporations.

Risk Professionals paucity, misinterpretation of Risk Management, discrepancies between risk and audit functions were the challenges that were indicated to have arisen with the adoption of Risk Management as a Pillar of Mwongozo.

Mr. Indimuli reported that corporates and other business ventures also focus more on business recovery than continuity and response to business disruptions. This creates the niche to propagate risk cultures within organizations to ensure that businesses incorporate continuity and response in their BCP programs. He indicated that state corporations in Kenya had failed in addressing business continuity issues.

State Corporations Plausible Risk Sources



68% of plausible risks within state corporations emanate from human capital error followed by systems 25%, natural disaster 5% and intentional perpetuated risk events 2%.

Risk professionals were challenged to address these problems within the public sector.

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IRM CONTRIBUTION TO STATE CORPORATIONS IN KENYA

1. *Define
distinct roles and functions of Audit and Risk Management in State
Corporations.*

2. *Assist State
Corporations to develop and define "schemes of service" for risk
professionals within the public service.*

**Topic 2: Capacity building through certifications, the role of
partnerships between regulators and professional associations;
the CMA/CISI experience.**

**Facilitator: Mr. Kamunya Njoroge
Manager, Investor Education and Public Awareness –
Capital Markets Authority**

*"Regulators should regulate and develop markets while
professional bodies should offer qualifications." Mr.
Njoroge*

The Capital Markets Authority is mandated to regulate capital markets in Kenya by ensuring trades are done in an orderly and efficient manner.

i. Certification

As part of its drive to enhance the positioning of Kenya as a premier investment destination, the Capital Markets Authority (CMA) launched international certification standards for practitioners in the capital markets industry.

The launch was the product of the signing of a Memorandum of Understanding (MOU) with the Chartered Institute for Securities & Investment (CISI) in September 2014.

The certification set in place will ensure standards and best practices are adopted by Capital Market players.

ii. Risk Based Monitoring

The Authority has also embraced risk based techniques of monitoring Capital Market players through the Risk Based Supervision (RBS) promulgated by the continuing changes in the capital markets in Kenya such as the range and sophistication of market intermediaries, products and services, speed of financial transactions. The Authority has revamped its supervisory policies, procedures and practices in order to provide a dynamic, efficient, structured and risk-oriented supervision framework.

Traditional Monitoring

- Transactions-based testing
- Point-in-time assessments
 - Standard procedures
 - Historical performance
- Focuses on risk avoidance
- Bottom-up approach



Risk Based Monitoring

- Process-oriented
- Continuous assessments
 - Risk-profile driven procedures
- Forward looking indicators
- Focuses on risk mitigation

IRM CONTRIBUTION TO CAPITAL MARKETS

IRM was challenged to offer qualifications/ training to Capital Market players.

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Topic 3: Reputational risk – protecting your corporate reputation in a digital world.

Facilitator: Ms. Norah Odwesso
Public Affairs & Communications Director – Coca Cola Beverages Africa Limited.

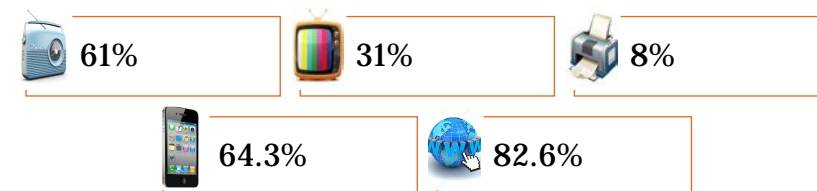
“Reputation is the sum of everything people say or think about you; an asset of value which generates competitive advantage based on trust, belief, fragile but powerful; built in several years but damaged in seconds.”

Ms. Odwesso

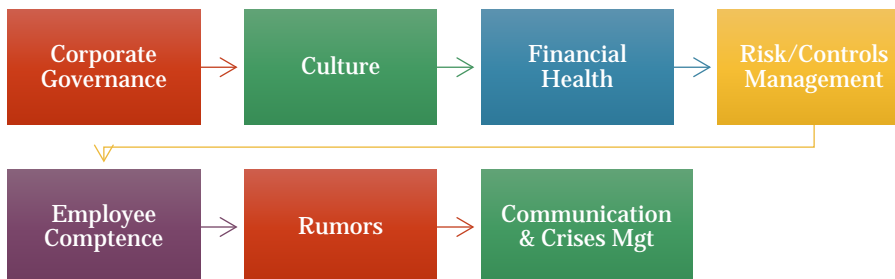
Social Media Statistics that were presented to the attendees.



Media Usage Statistics:



Drivers of Reputation Risk:



Ms. Odwesso indicated that customer segmentation plays a big role in brand protection and reputational risk management. “Honesty, open engagements, answering tough questions through acknowledging client-business differences are important principles of managing reputational risks”, she said.

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Topic 4: Kenya as the hub of building risk management capacity.

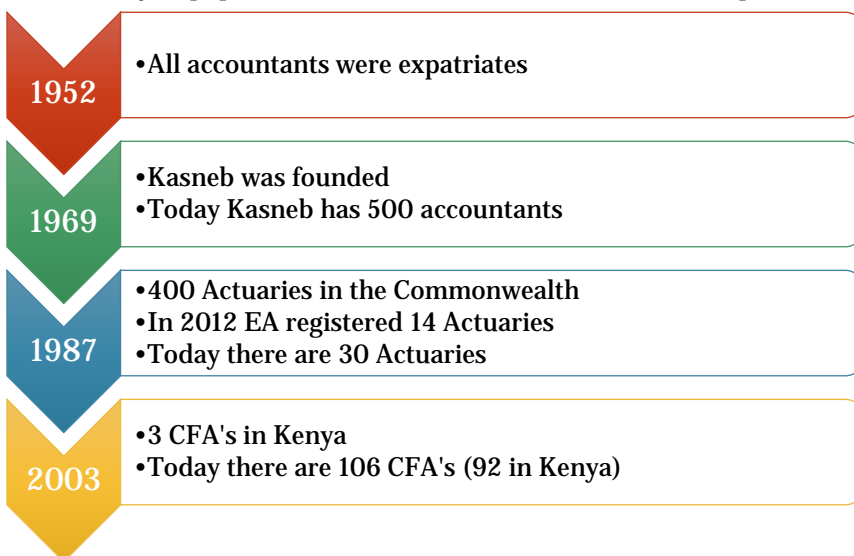
Facilitator: Dr. John Olukuru

Director – Risk Management Centre; Strathmore University

“When you guys were busy arguing about the glass of water I already drank it.”

Statistics:

81% of Kenya’s population is under micro small medium enterprises.



Examples above were issued to challenge and encourage IRM to **GROW ITS QUALIFIED MEMBER** numbers in Kenya just as the accountants and financial analysts have done over the years.

CHALLENGES POTENTIAL PROFESSIONAL CANDIDATES FACE?

1. *Financial constraints*
2. *Examinations difficulties*

IRM CONTRIBUTION TO BUILDING CAPACITY WITHIN EAST AFRICA

Partner with Strathmore University to build capacity in this Region by offering IRM courses. Also accreditation of Msc. in Risk Management.

To develop IRM East Africa – The institute that will serve the East African Region

Share Risk Insights quarterly, through reports with the context of East African Region

Compare global trends with those within the East African region

*Host a **regional risk lab** where experts can unpack findings/research papers and prepare thought leadership articles*

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Topic 5: Global Trends – local risks

Facilitator: Mrs. Carolyn Williams
**Director of Corporate Relations at Institute of Risk
Management**

The facilitator made a presentation on the IRM and its courses and qualifications.

It was indicated that the one of the things IRM does as a professional body is to look to the future, to ensure that what is taught in the exams, training and courses is as a response to employers need and to what those working in organizations can see happening.

It was reported that this year the IRM launched its Risk Agenda project where members, contacts and other key stakeholders worldwide are asked to indicate how they see the profession developing.

The attendees broke out into groups to discuss the changes being made in their risk management practices “today” and to predict what they expect they will look like in the year 2025.

Some of those discussed include:

1. Technology challenges
2. Demographic changes
3. Inequality in income and opportunity
4. Climate change, water shortages and geo-political instability

“What will you be taking back to your day job?”

Mrs. Williams

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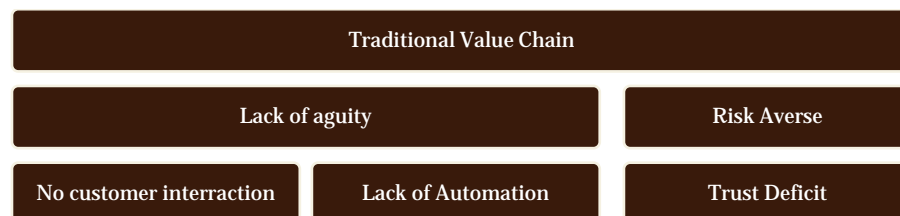
Topic 6: The future of risk management in East Africa.

Facilitator: James Norman
KPMG East Africa Market Lead, Insurance

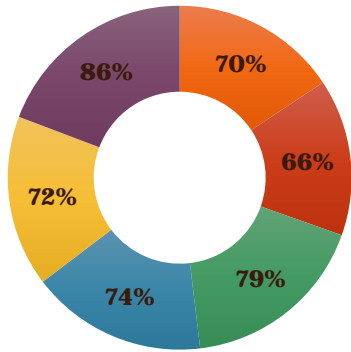
He presented on future trends in risk management



The business disruptions in insurance will necessitate the changes in strategic focuses on *agility, risk upside, levers of change, insights & data analytics, and delivery chains.*



Statistics: CEO SURVEY BY KPMG



- Change & Disruption required
- New Entrants will disrupt business models
- Keeping Up with new technology
- Innovations
- Cyber Risk Security
- Customer Experience

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FORUM DELIBERATIONS

The audience suggested the following topics to be scheduled in next IRM forums:

- ❖ *Cyber Security*
- ❖ *Risk Quantification within organizations*
- ❖ *Audit & Risk Management distinct functions and roles*

IRM REGIONAL GROUP MILESTONES

Kenya is indeed the hub of Risk Management with increased need of upscaling the risk professionals within the region. IRM Regional Group is in the process of concluding a partnership with Strathmore University to set up a professional body that will build capacity, and offer world class risk services within the region.

The Group will continue to provide platforms and forums that offer risk professionals qualifications and recognition, networking and career support through various mentorship activities.

CONFERENCE STATISTICS

1. *103 attendees*
2. *All guest speakers turned up apart from the Insurance Regulatory Authority Speaker (IRA CEO has retired on the 15th of November)*
3. *89 attendees stayed on for the lunch*
4. *Analysis of feedback forms to be carried out and reported by 9th Dec*

MEDIA COVERAGE

Business Daily : Monday, 28th November 2016

<http://mobile.businessdailyafrica.com/Money-Markets/Goldman-Sachs-in-talks-on-risk-management-hub/1143896-3466814-format-xhtml-8q2l3mz/index.html>

More coverage expected from Commercial Risk Africa in the coming days.

Report Prepared By:

Dorothy Maseke

Chair IRM Regional Group