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Risk Management

Facing critical risks

Every organisation is vulnerable - to human error, to fraud, to corruption, to loss of reputation.

Every organisation can fail to meet its objectives, or can run into trouble through mismanaged risk-taking.

Risk Management means identifying the risks facing your organisation and designing systems and controls to

manage them effectively. It means avoiding disaster while exploiting new opportunities.

Chantrey Vellacott DFK designs and helps implement Risk Management programmes for companies large and small, and for the public and not-for-profit sectors.

We can help you manage risks such as

- Loss of reputation
- Fraud and corruption
- Failure to achieve objectives
- Failure to grasp opportunities
- Failure to comply with regulations
- IT and e-Commerce risks

Uneasy lies the head...?

Are we fully aware of all the risks we face? Are we well managed? Do we exploit all key opportunities? Are we on target to achieve our objectives? Do we have effective systems to prevent and detect fraud? Are we aware of, and satisfying, all regulations and compliance demands? Is our organisation's reputation vulnerable to attack?

These are the questions that keep Chief Executives and senior managers awake at night. These are the questions that we can help you address. The Risk Management team at Chantrey Vellacott DFK has experience of Risk Management in all sectors and types of organisation.

In our view, 'Risk' means the possibility that an organisation may not achieve its

objectives, either through some disaster or through a failure to identify and exploit opportunities. Our approach embraces both. We can help you design and install practical, sustainable systems and controls that help minimise your risk exposure.

Loss of reputation

Reputation is a vital asset and can easily be damaged. For listed companies, a couple of product recalls, or negative reports around financial performance, or dubious future prospects can have negative effects on sales and share price which may be out of all proportion to the realities of the situation.

Charities depend heavily on public goodwill and on donors for their revenue, so the greatest risk they face is loss of, or damage to, reputation. When reputation suffers, revenue dries up. Charities that do not check job applicants thoroughly run the risk of employing people who

could cause significant damage to the charity's reputation. Reputation can also suffer if a charity spends disproportionate amounts on administration, or keeps excessive reserves, or departs from its stated 'objects'. Charitable donors want to feel that their money is being put to the correct 'cause', and will stop giving if they have doubts.

Perceived failures in patient care, employment of bogus doctors or surgeons, can have a disastrous effect on the reputation of an NHS Trust. Mismanagement of clinical and operational risks, or actual clinical

negligence, can wreck a hospital's reputation as well as laying it open to heavy compensation claims.

Most reputation damage is preventable by effective reporting systems, robust controls, effective screening and recruitment procedures. The key is to analyse the ways in which your/the organisation's reputation is vulnerable, and then to design early-warning and reporting systems to alert management in good time to avert the threat.

Fraud and corruption

In the UK, it is estimated that between £5bn (CBI figure) and £16bn (ABI figure) is lost to corporate and public sector fraudsters every year. On average, 2% of any organisation's employees are estimated to be engaged in fraud of one kind or another. It is the fastest growth area of crime, costing more than all vehicle crime and all crimes against property put together.

The vast majority of fraud is committed by current or ex-employees exploiting system weaknesses rather than by outside criminals. For that reason, prevention is straightforward and, in relation to the sums at risk, extremely economical. Our Risk Management team can show you how to install simple controls that can prevent over 60% of fraud. That figure may be increased to 90% or more when

you ask us to help you introduce an anti-fraud culture along with automatic detection systems which both reduce opportunities and greatly increase the likelihood of identifying fraudsters.

Failure to achieve objectives

A company's failure to achieve its commercial objectives; a charity's failure to use funds in fulfilment of declared objects; the failure of an NHS Trust to meet targets - these risks can be managed and guarded against through efficient reporting systems.

Lack of a proper business plan or statement of objectives; loose devolved

structures without proper reporting of the right information to the right levels of management; failure to monitor activities of staff adequately - all these can impair performance and prejudice the achievement of objectives.

We can help your organisation formulate clear-cut objectives and design reporting systems to monitor performance against

those objectives. A large part of Risk Management is knowing precisely what you are trying to do and then continuously and reliably assessing how well you are doing it. We can help with both aspects, whilst also ensuring that your Risk Management processes are properly embedded into the business planning strategy of your organisation.

Failure to grasp opportunities

Risk can arise from what is left undone as much as from what is wrongly done.

New competition, new opportunities, market changes - management ignore these at their peril.

Charities lacking clear fundraising targets

and reporting systems are less likely to be alert to new money-raising opportunities.

In the commercial sector, failure to grasp opportunities can affect future market share, underlying profitability and in extreme cases the long term viability of the business.

Our Risk Management team can help you install reporting systems and market-monitoring routines to alert you to new situations requiring a response or action. We can alert you to opportunities and to needs for new initiatives when they occur.

Failure to comply with regulations

For all types of organisation, this is an area of serious and easily overlooked risk.

Company directors are responsible for compliance with a plethora of rules and regulations ranging from statutory responsibilities to health and safety regulations, EU legislation and commercial law generally. It is easy to stray unwittingly into infringements, and penalties can be very severe. They may include corporate penalties, as well as exposure to loss of reputation, fines and imprisonment.

Trustees of Charities have onerous personal responsibilities and liabilities. Yet they sometimes keep a considerable distance from the operations of the charity. These are delegated to executive management, but when things go wrong it is the trustees who are held to account.

Chief Internal Auditors within the NHS must now prepare an assurance statement on compliance with a range of organisational controls, many of which are not financial. For example, such areas as medicines management, precautions

against cross-infection, and information management and technology are now regulated and compliance must be reported on.

The Risk Management team at Chantrey Vellacott DFK has many years experience of working with all these sectors to develop risk registers, to ensure compliance with regulations and standards, and to train staff on the monitoring and application assessment of Risk Management policies and procedures.

IT systems security

Businesses today, private or public, usually place high reliance on information technology. Many businesses would rapidly grind to a halt if their information systems 'went down' or were hacked into or virus-infected. Despite this, many organisations lack robust IT strategies, and have failed to develop contingency and disaster recovery plans.

Information technology, IT networks and computerised communication systems are always critical to the management of an organisation, yet the risks associated with them are not always fully appreciated. We will work with you on your key business IT systems and help you build robust and tailored IT management and technological control

systems that suit your organisation. We have wide experience in project management, installation and application reviews and are familiar with most software operating systems.

e-Commerce risks

The rapid growth of internet trading brings risks of its own. Should your company be trading on the internet? Are you developing your site fast enough, and in the right way? Can you deliver on your promises, stated or implied, regarding service standards and product

availability? Is your site secure and are your customers' details properly protected?

The on-line shopper is emerging as a fickle, impulsive and demanding individual who is easily deterred by sub-standard

on-line performance. So your service must be totally reliable and very responsive. The risks of getting it wrong are great; we can help you avoid them, and to reap the rewards through careful strategic planning and first-class website design.

A tailored process

When you consult us, we will first carry out a specially designed review of your operations so as to reveal all the risks facing your organisation. This review goes far beyond the conventional 'box-ticking' exercise. Working with you we review your objectives and assess the risks and opportunities facing your organisation. We draw on your existing knowledge base and take account of your current Risk Management systems.

This process of interview and analysis produces an independent and objective overview of the critical risks you face, considered in the context of your main

business or charitable objectives. The review will highlight financial, operational and systems risks, potential failures to identify and exploit opportunities, vulnerability to fraud and corruption as well as any potential damage to your reputation.

Next, risks are prioritised, reporting needs are assessed, and target benefits (financial and otherwise) are defined. Opportunities for greater efficiency, for new business if appropriate, for cost savings and revenue improvements are identified.

Once your needs and objectives are fully understood, we design and help you implement the practical, sustainable systems and controls best suited to your requirements. These might include the provision of an internal audit service, the setting up of a Risk Management function, the implementation of a fraud management support service, or a review of your IT systems security. Whatever options we recommend, they will be presented as a practical, ongoing programme backed up by the support of your team at Chantrey Vellacott DFK.

CVDFK Risk Management strengths

The team at Chantrey Vellacott DFK takes an inclusive approach to Risk Management. Our recommendations are designed to meet all your requirements with maximum efficiency and minimum duplication. We work with you to develop practical and sustainable solutions tailored precisely to your own needs and circumstances. We cultivate a working style that is accessible, practical and 'user-friendly'.

Our team represents a complete resource, with experience across all

sectors and all functions, properly co-ordinated and integrated with your other accounting and business needs. Individuals within the team can offer exceptional levels of experience and know-how in Risk Management, Internal Audit and Fraud Prevention within large and small companies, the public sector and not-for-profit organisations. When necessary, we draw on the additional resources of expertise and experience that exist within the international DFK network of independent accountancy firms.

We see Risk Management as a positive, value-adding process which can generate opportunities and help maximise your performance as well as averting disaster. Our approach leads to 'eyes-open' management of all kinds of risk, while satisfying statutory and regulatory requirements.

Our Risk Management “Wheel”

Effective risk management is an ongoing process, a journey, and we often draw parallels with going for a long bike ride. It can be hard going at times but there are also likely to be plenty of opportunities for fresh air, new experiences and fantastic views.

Central to the journey is the bicycle wheel with its vital, interlocking components. The hub of our risk management wheel represents your charity or business objectives, with the spokes portraying the importance of effective communication at all levels within the organisation and perhaps externally to other 'stakeholders'.

The tyre protects against a bumpy ride - so we focus here on the importance of a thorough understanding of your culture to ensure that risk management processes will be embedded and supported by all.

We then explore the other components with you, and assess how they can be adapted to your needs. They all interlink and are all key factors in ensuring your risk management journey does not grind to a halt.



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This newsletter has been written for the general interest of our clients and contacts. It is essential to take advice on specific issues. We believe that the facts are correct as at November 2006 but there may be certain errors or omissions for which we cannot be held responsible.

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