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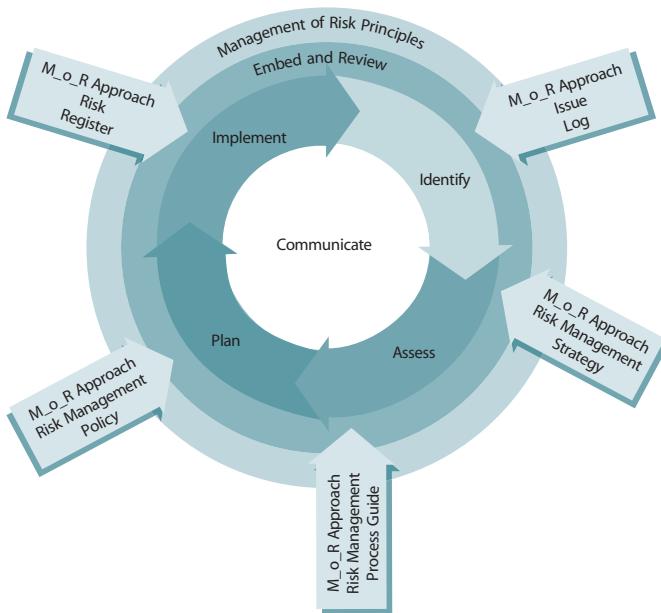
# 1 Introduction

## 1.1 PURPOSE OF THIS GUIDE

Management of Risk is intended to help organisations put in place an effective framework for taking informed decisions about the risks that affect their performance objectives across all organisational activities, whether these be strategic, programme, project or operational.

The M\_o\_R framework is based on four core concepts, as shown in Figure 1.1.

**Figure 1.1 M\_o\_R framework**



## 6

- **M\_o\_R principles.** These principles are essential for the development of good risk management practice. They are all derived from corporate governance principles, in the recognition that risk management is a subset of any organisation's internal controls.
- **M\_o\_R approach.** These principles need to be adapted and adopted to suit each individual organisation.
- **M\_o\_R processes.** These four main process steps describe the inputs, outputs and activities involved in ensuring that risks are identified, assessed and controlled.
- **Embedding and reviewing M\_o\_R.** Having put in place these principles, approach and processes, an organisation needs to ensure that they are consistently applied across the organisation and that their application undergoes continual improvement in order for them to be effective.

### 1.2 WHAT IS RISK MANAGEMENT?

The task of risk management is to ensure that an organisation makes cost-effective use of a risk management process that includes a series of well-defined steps. The aim is to support better decision-making through a good understanding of risks and their likely impact.

For risk management to be effective, risks need to be identified, assessed and controlled.

### 1.3 WHERE AND WHEN SHOULD RISK MANAGEMENT BE APPLIED?

Risk management should be most rigorously applied where critical decisions are being made, and when planning the introduction of change at any of the organisational perspectives referred to below. Decisions about risk will vary, depending on whether the risk relates to long-, medium- or short-term goals.

- **Strategic** decisions are primarily concerned with long-term goals; these set the context for decisions at other levels of the organisation. The risks associated with strategic decisions may not become apparent until well into the future. Thus it is essential to review these decisions and associated risks on a regular basis.
- **Medium-term** goals are usually addressed through **programmes** and **projects** to bring about business change. Decisions relating to medium-term goals are narrower in scope than strategic ones, particularly in terms of timeframe and financial responsibilities.
- At the **operational level**, the emphasis is on short-term goals to ensure ongoing continuity of business services. However, decisions about risk at this level must also support the achievement of long- and medium-term goals.

**Figure 1.2 Organisational perspectives**

