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.

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:

1. 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
4. provides assurance to regulators, management and to Boards
5. 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’.
The Enterprise Risk Dashboard (ERD) – a case study

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

September 2011

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