Enterprise Risk Management
GBAT9130

Course Overview
Semester 2 2014
Important Notice

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# Semester 2 2014 course schedule

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<td>Week 2</td>
<td>4 August</td>
<td>Unit 2: Role of Governance and Audit in Managing Risk</td>
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<td>Week 3</td>
<td>11 August</td>
<td>Unit 3: Financial Risk Measurement</td>
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<td>Week 4</td>
<td>18 August</td>
<td>Unit 4: Financial Risk Management</td>
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<td>Week 5</td>
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<td>Unit 5: Operational Risk I</td>
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<td>Week 6</td>
<td>1 September</td>
<td>Unit 6: Operational Risk II</td>
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<td>Week 7</td>
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<td>Unit 7: IS/IT Business Risks</td>
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<td>Week 8</td>
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<td>Unit 8: IT Project Risk</td>
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<td>Week 9</td>
<td>22 September</td>
<td>Unit 9: Managing Risk in the Public Sector</td>
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Mid-term recess: Friday 26 September – Tuesday 7 October

<table>
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<th>Week 10</th>
<th>7 October*</th>
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<td>Week 11</td>
<td>13 October</td>
<td>Unit 11: Risk Tools II</td>
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<td>Week 12</td>
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<td>Unit 12: Emerging Issues in ERM</td>
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<td>Week 13</td>
<td>27 October</td>
<td>Examination week 1</td>
</tr>
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<td>Week 14</td>
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<td>Examination week 2</td>
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</tbody>
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*Monday 6 October is a public holiday in NSW
Course staff

Course Coordinator

Each course has a Course Coordinator who is responsible for the academic leadership and overall academic integrity of the course. The Course Coordinator selects content and sets assessment tasks, and takes responsibility for specific academic and administrative issues related to the course when it is being offered. Course Coordinators oversee Class Facilitators and ensure that the ongoing standard of facilitation in the course is consistent with the quality requirements of the program.

The Course Coordinator is:

Harry Rosenthal
email: h.rosenthal@unsw.edu.au

Harry is currently the General Manager of Risk Management Services for Unimutual, a not-for-profit risk financing mutual comprising 26 major Australian universities and 25 additional research and affiliated institutions. He was the former Director of UNSW’s Risk Management Unit, overseeing insurance and enterprise risk management operations for a campus population of more than 45,000 staff and students. He has published numerous articles on loss control and risk management-related topics. He is a Past-President of the Australasian University Risk and Insurance Management Society (AURIMS). He is on the Risk Management Faculty of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF) and Chairman of the Health, Safety and Environmental Protection Forum for the Australian Nuclear Science and Technology Organisation (ANSTO). Harry is the General Editor of the Australian professional risk management journal, *Risk Management Today*.

Harry has a Master of Business Degree from the Florida Institute of Technology, as well as Associate’s Degree in Risk Management from the American Insurance Institute. He holds the professional designation of an Associate in Risk Management (ARM) and Chartered Casualty and Property Underwriter (CPCU) with the American Insurance Institute.
Harry began his professional career as an archaeologist, working in the Mediterranean, Europe, the US and Mexico. Leaving archaeology in the late 1970s, he began a career in government administration. He has more than 30 years of experience in risk management and claims administration in the utility, government and private sectors in both Australia and the US.

Class Facilitator

The role of your Class Facilitator is to support the learning process by encouraging interaction amongst participants, providing direction in understanding the course content, assessing participant progress through the course and providing feedback on work submitted. MBT Class Facilitators comprise both academics and industry practitioners with relevant backgrounds.

You will be notified of your Class Facilitator’s name and contact details in your class confirmation email sent by MBT Student Services. Details will also be available in the gallery section of your online class for both face-to-face and distance classes.

Course authors

The Course Coordinator, Harry Rosenthal, wrote Units 1, 5 and 6.

Unit 2 – Peter Roebuck and Gary Pflugarth

Peter is a Senior Lecturer in the UNSW School of Accounting at the Australian School of Business. Prior to moving to academia, Peter was a senior audit manager with Deloitte Touche Tohmatsu. He has worked both in Australia and the USA. Peter teaches undergraduate and postgraduate auditing and plays an active role in the Institute of Chartered Accountants in Australia.

Gary is a Lecturer in the UNSW School of Accounting at the Australian School of Business. He teaches in undergraduate management and financial accounting courses. Gary worked for several years in the Reserve Bank of Australia, in the areas of internal audit and financial administration. His research interests include auditing, management accounting, public sector accounting and corporate governance.
**Units 3 and 4 – Dr Peter John Kavalamthara**

Peter consults and trains in risk management. He has more than 20 years’ achievements in risk management with large financial institutions, corporations, a global management consulting firm and a financial sector regulator in Australia and Europe. Peter has led large organisational programs in optimising risk-adjusted returns, developing risk-management strategies and policies, reengineering risk processes, modelling risks and implementing regulatory compliance. He has delivered several risk-management training programs and teaches at the Executive MBA program and MBT program at the Australian Graduate School of Management, UNSW Sydney. Peter holds a PhD and MBA from the Macquarie Graduate School of Management, Sydney.

**Units 7 and 8 – Ken Stevens**

Ken is a lecturer in the UNSW School of Information Systems, Technology and Management at the Australian School of Business. He teaches on the Master of Commerce and Master of Information Systems programs. Ken is currently working towards a PhD investigating risk-management practices in IT development projects. Ken is currently the Course Coordinator for the MBT course *GBAT9115 Information Technology in Business*.

**Unit 9 – Kerry Borthwick**

Kerry is the Director of Quality of Working Life Pty Ltd, an OHS management systems consultancy. Kerry has worked in the OHS field since 1981, originally while employed at Macquarie Graduate School of Management. Kerry has published widely in the areas of occupational health and organisational behaviour. Kerry is currently the Course Coordinator for the MBT course *GBAT9112 Business Management of WHS Risk*.

**Units 10 and 11 – Dr Daniela Leonte**

Daniela Leonte joined UNSW in 2000 as lecturer in the School of Risk and Safety Science. She transferred to Actuarial Studies in February 2010, where she currently manages the transition of postgraduate Risk Management coursework programs from the Faculty of Science to the Australian School of Business. In 2008 she served as President of the Australian and New Zealand Society for Risk Analysis. Daniela has developed and teaches a number of postgraduate courses in quantitative risk analysis and conducts research in the areas of dynamic risk analysis and multi-criteria decisions optimisation in complex natural systems. She has more than 15 years’ technical consulting experience in the health, rail, water, defence, manufacturing and waste-management sectors, having assisted numerous government and private organisations to effectively manage risks through the analysis and interpretation of data.
Unit 12 – Dr Mehreen Faruqi and A/Professor Toan Pham

Mehreen is a past Academic Director of the MBT, and is presently a Greens party member of the NSW Legislative Council. She is a civil engineer with 20 years of research, industry, consulting and local-government experience in sustainability and environmental management. Her previous roles include Manager of Environment and Services at Mosman Council and lecturer and acting Director of the Institute of Environmental Studies at UNSW. Her research interests and areas of expertise include strategic planning and policy development, integrated water cycle management, waste management and resource recovery, sustainability education, organisational change and capacity building, community participation in decision-making and social responsibility in the context of sustainability. Mehreen has chaired and been a member of a number of committees and expert panels on sustainability, hazardous waste and stormwater management for industry, local and state government.

Toan holds a BEc (Hons) from the University of Tasmania, and an MCom and PhD from UNSW. He is an Associate Professor at the UNSW Australian School of Business. His teaching and research interests range from corporate finance to asset pricing and derivatives. He has published in international finance journals and presented papers at international conferences. He is a very experienced lecturer and thesis supervisor and has developed and taught a large number of courses at both the undergraduate and graduate levels. In recent years, Toan was involved in designing and teaching Master of Finance and Master of Commerce programs in Beijing and Guangzhou in China, a joint venture between the UNSW then Faculty of Commerce and Economics (now the Australian School of Business) and leading universities in China.
Aims

This course considers external and internal drivers that can result in a range of compliance, operational, financial and strategic risks manifesting in organisations. Typical areas of impact examined will include finance, business operations, IT, innovation and reputation. An organisation’s culture can impact on the effectiveness of its risk management, which needs to be incorporated into all business planning and decision-making.

The course covers the role of corporate governance and compliance, introducing students to relevant standards and suggests methods of developing and implementing appropriate risk-management strategies. Some of the effective tools available for identifying, assessing and quantifying risk are presented, along with emerging issues in enterprise risk management.

It is the objective of the Course Coordinator that each student completing the course possesses a different view of the concept of risk and how it affects their personal, professional and corporate lives. In addition to a different perspective on risk, each participant should feel they are familiar with the tools and techniques of managing risk to reduce its adverse impacts and increase the opportunities risk presents.

Structure

Unit 1, Introduction to Enterprise Risk Management. In this first Unit, we will explore the guiding principles of enterprise risk management, its standards and its application in the modern organisation.

Unit 2, Role of Governance and Audit in Managing Risk. This Unit principally covers the role of the Board of Directors in risk management, the impact of the regulatory environment, and monitoring mechanisms such as the audit.

Unit 3, Financial Risk Measurement and Unit 4, Financial Risk Management. In these Units, we survey a number of measures or techniques that can be used to identify, understand, reduce or eliminate an organisation’s exposure to financial risk. Unit 3 focuses on the identification and understanding of common sources of financial risk and Unit 4 reviews a wide range of risk treatment and mitigation strategies.

Unit 5, Operational Risk I. In this Unit, we examine the significance of operational risks and the application of the risk-management process to these kinds of risks. We also consider risk-management information systems.
Unit 6, *Operational Risk II*. Here we look at examples of the management of common operational risks, including crime risks, liability risks, project risks, merger and acquisition risks and disaster recovery.

Unit 7, *IS/IT Business Risks*. The objective of this Unit is to provide an introduction to the concepts and practices of IS/IT risk management. To achieve this, we will explore the risks to business operations that IS/IT represents and how these risks can be managed.

Unit 8, *IT Project Risk*. The aim of this Unit is to provide an introduction to the concepts and practices of IT project risk management. We explore the nature of IT project risks and how they should be managed. We present an overview of the nature of IT projects, define what is meant by IT project risk, and look at the key classes of IT project risk.

Unit 9, *Managing Risk in the Public Sector*. Although you may not work in a public-sector organisation, you may need to work with one as a customer, supplier or project partner. In this Unit, we examine what is different about risk management in the public sector.

Unit 10, *Risk Tools I*. In this Unit, we review the concept of probabilities as the fundamental theoretical concept behind statistics as a science, and illustrate the use of statistics to analyse risks for a number of practical problems. We present different interpretations of probability and outline their importance for inference, the undertaking that links risk with statistics. We also look at the difference between risk reality and risk perception, and examine how data and experience are used in business decision-making.

Unit 11, *Risk Tools II*. Here we examine the role of risk-analysis tools in the ERM process. We evaluate the advantages and disadvantages of qualitative, semi-quantitative and quantitative risk analysis and management tools, and provide an overview of risk-management software.

Unit 12, *Emerging Issues in ERM*. In this Unit, we explore two areas of emerging risks for enterprises – risks in dealing with other countries and the growing risks posed to enterprises from environmental issues.

**Learning outcomes**

When you have completed this course you should be able to:

- describe the range of risks facing organisations (public/private, SMEs, large multinationals, or not-for-profit organisations)
- explain how organisational culture can impact on the effectiveness of an organisation’s risk management
- be familiar with leading international standards for the management of risk
- recognise and explore how and why risk management needs to be incorporated into all business decision-making and planning
- appreciate the role of governance in enterprise risk management
display familiarity of concepts behind the keys risks involved in the areas of finance, operations, IT, innovation and reputation
select and use valid and effective tools for identifying, assessing and quantifying risk
develop and implement appropriate risk-management strategies
guide senior management in the identification of emerging issues in enterprise risk management.

Skills and experience you will need

There are no pre-requisites for this course.

Resources

Prescribed texts

(Also available as an eBook. ISBN: 978-0-470-61748-9)


Note: UNSW students can access Australian and International standard from Australian Standards Online (SAI Global). Access this via the UNSW Library, Sirius service to gain free access:
www.library.unsw.edu.au/HowDoI/standards.html

Please note access to the resource will expire after 48 hours.

Recommended reading

If you are interested in extending your knowledge on particular topics, listed below are a number of references that you may find helpful.

Books


**Journals and websites**

Journal of the Australian and New Zealand Institute of Insurance and Finance  

Public Entity Risk Institute  
[https://www.riskinstitute.org/peri/component/option,com_bookmarks/mode,0/catid,50/Itemid,44/](https://www.riskinstitute.org/peri/component/option,com_bookmarks/mode,0/catid,50/Itemid,44/)

Risk and Insurance Magazine (AUS)  
[www.riskandinsurance.com](http://www.riskandinsurance.com)

Risk Management Magazine (US)  
[www.rmmag.com/](http://www.rmmag.com/)

Corporate Risk and Insurance (AUS)  

RiskVue Webzine  
[www.riskvue.com/](http://www.riskvue.com/)

Australian National Audit Office Publications  

Library of Safety Related Acts and Guidance Notes set up by Risk Logic  

‘A Decade of Living Dangerously’, Chartered Management Institute, UK  

**Articles and reports**

World Economic Forum, *Global Risks 2013*  
Relationship to other courses in the MBT program

This course is one of the integrated courses in the MBT, and is best undertaken after you have studied some business courses and/or technology courses. It is a general course in managing risk in organisations.

Some MBT courses focus on managing risk in more specific contexts; e.g.
- managing project risk is dealt with in detail in GBAT9101 Project Management;
- managing environmental risk is dealt with in detail in GBAT9103 Business Management for a Sustainable Environment; and
- managing IT risks is covered in more detail in GBAT9106 Information Systems Management.
Assessment

There are two assignments and an examination for GBAT9130 *Enterprise Risk Management*. Assignments must be received by 9.30 am Sydney time on the due dates.

<table>
<thead>
<tr>
<th>Participation</th>
<th>Throughout the semester</th>
<th>15%</th>
</tr>
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<tbody>
<tr>
<td>Assignment 1</td>
<td><strong>Monday 25 August 2014</strong> (Week 5)</td>
<td>20%</td>
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<tr>
<td>Assignment 2</td>
<td><strong>Monday 13 October 2014</strong> (Week 11)</td>
<td>30%</td>
</tr>
<tr>
<td>Examination*</td>
<td><strong>Wednesday 5 November 2014</strong> (2pm if sitting on campus)</td>
<td>35%</td>
</tr>
</tbody>
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* Examination is 2 hours; open book
Continual course improvement

MBT courses are revised each time they run, with updated course overviews and assessment tasks. All courses are reviewed and revised every two years and significant course updates are carried out in line with industry developments, and also when new editions of prescribed textbooks are published.

The MBT surveys students via the UNSW CATEI system each time a course is offered. The data collected provides anonymous feedback from students on the quality of course content and materials, class facilitation, student support services and the MBT Program in general. This student feedback is taken into account in all course revisions.

The Australian School of Business (ASB) also monitors the quality of students’ learning experiences in all its programs. A random selection of completed assessment tasks may be used for quality assurance purposes. This information will be aggregated and used:

• to determine the extent to which program learning goals are being achieved for accreditation purposes
• to improve the quality of ASB programs.

All material used will be treated as confidential and these processes will have no bearing on course grades.

Student evaluations from the last presentation of the course

Overall, student feedback has been very supportive of the course and its ability to meet both student requirements and academic objectives. Most recommendations for improvement following the 2012 session related to the quality of supplied resources and the use of the course text. The Coordinator’s response to these issues is recorded below.
It is clear that keeping the MBT material as up to date as possible is extremely important, and while new references were added for the 2012 program, it is impossible to remove all dated materials. As part of the course refresh program beginning in 2012, we introduced two completely new units that reflect current developments in the area of financial risk management. For example, a new Unit 3 was released in 2012 and a new Unit 4 was introduced in 2013. This rolling out of new Units will continue in 2015, with the scheduled introduction of a Unit on Business Continuity Planning.

In 2013, we introduced the class for the first time to a live, online risk-management information system (RMIS) called Protecht (see: http://www.protecht.com.au/). This provided the class with access to a popular professional risk-management tool, used widely across both corporate and government sectors. In this year, with the generous support of Protecht, we have set up the system to provide each student with a real-time case study for analysis and action. Each student will be given unique access to utilise the RMIS for a fictional company, found in the course text, and will be asked to analyse data, identify critical risks, and recommend effective risk-management programs to senior management. This alternative teaching method will increase the engagement of the class with risk systems and provide real-world examples.