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RISK MANAGEMENT AND AUDIT WORKSHOP

DATE: 10TH – 12TH MARCH 2026

GOVERNANCE . TRAINING . EMPLOYEE BENEFITS . TECHNOLOGY

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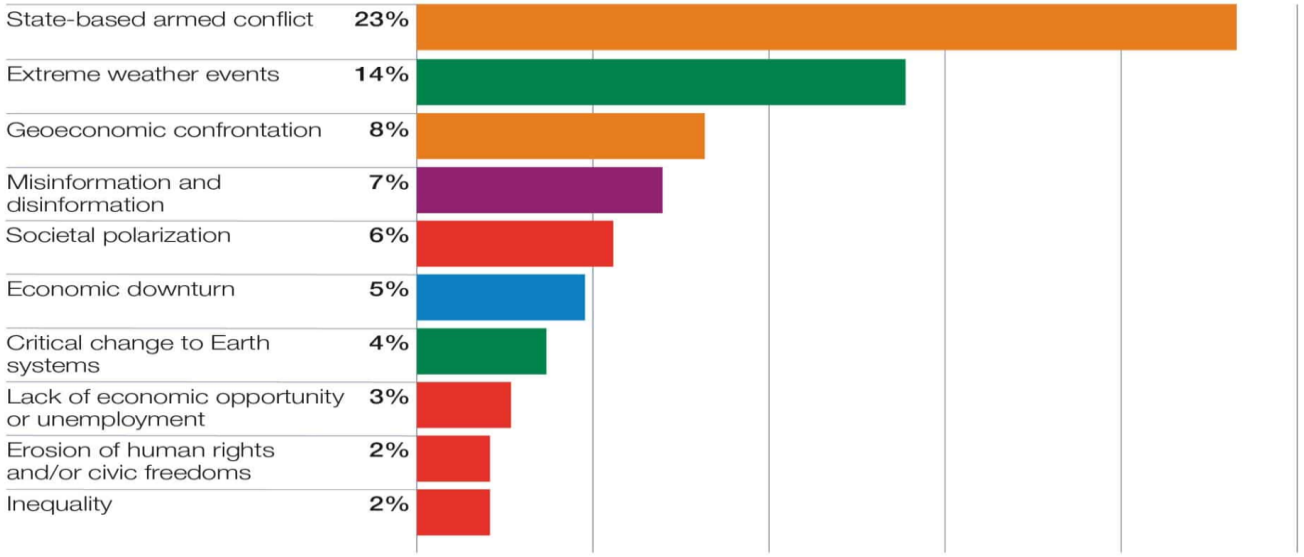
Global Risks Report 2025

Current Risk Landscape

WORLD ECONOMIC FORUM

Please select one risk that you believe is most likely to present a material crisis on a global scale in 2025.

Top 10 risks selected by respondents (Share of respondents %)



Risk categories Economic Environmental Geopolitical Societal Technological

Source: World Economic Forum, Global Risks Perception Survey 2024-2025

2025

Risk Management Practice and Internal Controls to Safeguard Pensions Assets

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Risk management is the process of identifying, evaluating, and planning responses to events, both positive and negative, that might occur throughout the course of a project. Through risk management, you increase the probability and impact of opportunities on the project (positive events), while decreasing the probability and impact of threats to the project (negative events).

Risk evaluation is concerned with assessing probability and impact of individual risks, taking into account any interdependencies or other factors outside the immediate scope under

- Probability is the evaluated likelihood of a particular outcome actually happening
- Impact is the evaluated effect or result of a particular outcome actually happening
- Impact should ideally be considered under the elements of:
  - time
  - quality
  - benefit
  - people/resources.

Risk Evaluation, Prioritization and Management Strategies

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- Some risks, such as financial risk, can be evaluated in numerical terms. Others, such as adverse publicity, can only be evaluated in subjective ways. There is a need for some framework for categorizing risks, for example, high, medium and low.

- When considering a risk's probability, another aspect is when the risk might occur. Some risks will be predicted to be further away in time than others and so attention can be focused on the more immediate ones. This prediction is called the risk's proximity. The proximity of each risk should be included in the Risk Log.

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Risk Factors When assessing risk, it's necessary to determine the following:

- The probability that a risk event will occur (how likely)
- The range of possible outcomes (impact or amount at stake)
- Expected timing for it to occur in the project life cycle (when)
- The anticipated frequency of risk events from that source (how often)

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Risk Appetites and Thresholds

These terms refer to the level of risk an individual or group is willing to accept. Risk appetite (which is also referred to as risk tolerance) is a general, high-level description of the level of risk acceptable to an individual or an organization.

For example, a sponsor is willing to accept little risk to the schedule on this project. Risk threshold refers to the specific point at which risk becomes unacceptable. For example, the sponsor will not accept a risk of the schedule being delayed 15 days or longer.

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The Risk Management Process

- Plan Risk Management
- Identify Risks
- Perform Qualitative Risk Analysis
- Perform Quantitative Risk Analysis
- Plan Risk Responses
- Implement Risk Responses
- Monitor Risks

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The Risk Management Process

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Plan Risk Management

Define how risk management will be structured and performed : Output-

- Risk strategy
- Methodology
- Roles and responsibilities
- Funding
- Timing
- Risk Categories
- Stakeholder risk appetite/thresholds
- Definitions of probability and impact
- Reporting and tracking of Risk

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Identifying Risk

In this process, risks to the organization are identified. This effort should involve all stakeholders and might even include literature reviews, research, and communicating with non stakeholders.

Tools and Techniques of Identify Risks

- *Checklist Analysis*
- *Interviewing*
- *Root Cause Analysis*
- *Assumption Analysis*
- *Constraint Analysis*
- *Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis*
- *Documentation Reviews*
- *Prompt Lists*
- *Facilitation*

Output- Risk Register(List, Owner ,category, potential response and root cause) and Risk Report

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Perform Qualitative Risk Analysis

- Perform Qualitative Risk Analysis process involves doing this analysis and creating a shortened list of the previously identified individual risks.
- Qualitative risk analysis is a subjective analysis of the risks identified in the risk register. Keep in mind that this process is repeated as new risks are uncovered.
- ***To perform this analysis, the following must be determined:***
  - *The probability of each risk occurring, using a standard scale (common subjective analysis scales include Low, Medium, High and 1 to 10)*
  - *The impact (the amount at stake or the positive or negative consequences) of each risk occurring, using a standard scale, such as Low, Medium, High or 1 to 10*

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Perform Quantitative Risk Analysis

Involves numerically analyzing the probability and impact (the amount at stake or the consequences) of risks that ranked highest in qualitative risk analysis. Quantitative risk analysis also looks at how risks could affect the objectives of the Organization. The purpose of quantitative risk analysis is to:

i. Determine which risk events warrant a response.
ii. Determine overall project risk (risk exposure).
iii. Determine cost and schedule reserves.
iv. Identify risks requiring the most attention.
v. Create realistic and achievable cost, schedule, or scope targets.

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Tools and Techniques of Quantitative Risk Analysis

- Expert judgment from trained risk specialists and team members
- Data-gathering techniques, such as interviewing.
- Data analysis techniques, such as simulations (like Monte Carlo), sensitivity analysis, decision tree analysis, and influence diagrams
- Interpersonal and team skills
- Representations of uncertainty
- Cost and schedule estimating
- Use of historical records from previous projects/strategies

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Simulations

Imagine if you could prove to the sponsor that even if the project were to be done 5,000 times, there is only a low probability that the end date they desire would be met? Would this be valuable?

This is what the results of simulation techniques such as Monte Carlo analysis are all about. A Monte Carlo analysis uses the network diagram and schedule or cost estimates to "perform" the project many times and to simulate the cost or schedule results of the project.

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Sensitivity Analysis

Sensitivity analysis is a technique to analyze and compare the potential impacts of identified risks. A tornado may be used to graphically depict the results of this analysis.

Risks are represented by horizontal bars: the longest and uppermost bar represents the greatest risk, and progressively shorter horizontal bars beneath represent lower-ranked risks. The resulting graphic resembles a funnel cloud, or tornado.

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Decision Tree Analysis

If you have to choose between many alternatives, you should analyze how each choice benefits or hurts the project before making the decision. Decision trees can help you in this type of analysis.

They are models of real situations and are used to make informed decisions about things like, "Which option should I choose?" or "How will I solve this problem?" by considering the associated risks, probabilities, and impacts.

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Plan Risk Responses

- Plan Risk Responses process involves figuring out, "What are we going to do about each top risk?" In risk response planning, you find ways to reduce or eliminate threats, and you find ways to make opportunities more likely or increase their impact:

- It involves doing the following:
  - Do something to eliminate the threats before they happen.
  - Do something to make sure the opportunities happen.
  - Decrease the probability and/or impact of threats.
  - Increase the probability and/or impact of opportunities.

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Management Strategies -threats

- **Prevention Terminate the risk :** by doing things differently and thus removing the risk, where it is feasible to do so. Countermeasures are put in place that either stop the threat or problem from occurring or prevent it having any impact on the project or business
- **Reduction, Treat the risk** – take action to control it in some way where the actions either reduce the likelihood of the risk developing or limit the impact on the project to acceptable levels
- **Transference** :This is a specialist form of risk reduction where the management of the risk is passed to a third party via, for instance, an insurance policy or penalty clause, such that the impact of the risk is no longer an issue for the health of the project. Not all risks can be transferred in this way
- **Acceptance ,**Tolerate the risk – perhaps because nothing can be done at a reasonable cost to mitigate it or the likelihood and impact of the risk occurring are at an acceptable level
- **Contingency** These are actions planned and organized to come into force as and when the risk occurs.

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Management Strategies -opportunities

- **Exploit (the reverse of avoid)** Add work or change to the project to make sure the opportunity occurs. This could be on the individual project risk level or on the overall project risk level.

- **Enhance (the reverse of mitigate)** Increase the likelihood (probability) and/or positive impacts of the opportunity occurring. This could be related to the overall approach to scope and schedule, resources used, and project replanning as well as to individual project risks.

- **Share** Allocate ownership or partial ownership of the individual or overall project opportunity to a third party (forming a partnership, team, or joint venture) that is best able to achieve the opportunity.

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Monitor Risks

There must be mechanisms in place for monitoring and reporting on the actions selected to address risks.

Some of the actions may have only been to monitor the identified risk for signs of a change in its status. Monitoring, however, may consist of:

- Checking that execution of the planned actions is having the desired effect
- Watching for the early warning signs that a risk is developing
- Modelling trends, predicting potential risks or opportunities
- Checking that the overall management of risk is being applied effectively

Categories of Scheme Risks

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Risk Landscape

- Investment risks
- Market risks
- Longevity risks
- Inflation risks
- Regulatory risks
- Operational risks
- Reputation Risk
- Technology Risk
- Political Risks

Categories of Pension Scheme Risks

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Specific Risk Categories to Consider in Pensions:

- **Strategic Risk**: Risks related to the overall direction and goals of the organization.
- **Financial Risk**: Risks related to financial stability and performance, such as credit risk, liquidity risk, and market risk.
- **Operational Risk**: Risks related to the day-to-day activities of the organization, such as process failures, human error, technology failures and sponsor covenant *risk-the ability and willingness of the sponsor of a pension scheme to meet the pension promises it has made to its employees. Also note how to handle Member data protection, benefit payment accuracy, actuarial validation and third-party oversight.*
- **Compliance Risk**: Risks related to non-compliance with laws, regulations, and industry standards.
- **Information Security Risk**: Risks related to the confidentiality, integrity, and availability of information.
- **Reputational Risk**: Risks to the organization's reputation.

Categories of Pension Scheme Risks

Investment & Market Risks: Risk That the Value of an Investment Will Decrease Due to Changes in Overall Market Conditions

- **Investment Risk Controls**

Diversification: Investing in a variety of asset classes, sectors and regions, investors can reduce their exposure to risk thus minimizing the potential impact of the risk.

Due diligence: Researching on the financial health of potential parties can reduce their exposure to credit risk.

Hedging Strategies: Involve using financial instruments such as options or futures, to offset potential losses from an investment. By employing hedging strategies, investors can protect their portfolios against specific risks such as currency risk or interest rate risk.

Asset Allocation: Determining the optimal mix of assets within a portfolio based on an investor's risk tolerance, investment objectives, and time horizon and concentration limits

Insurance – outsourcing risk that the scheme does not wish to or cannot bear to a third party

Other Controls: Asset-liability matching, duration management,

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Standards to Consider

When establishing a risk management framework, organizations should consider several key standards and best practices to ensure comprehensive risk identification, assessment, and mitigation. These include frameworks like **ISO 31000, COSO ERM, and NIST's Risk Management Framework (RMF),** along with understanding core components like risk appetite, risk culture, and governance.

1. ISO 31000 (Risk Management - Principles and Guidelines):

This international standard provides a globally recognized framework for risk management. It emphasizes integrating risk management into all organizational processes and activities. Key principles include leadership, integration, customization, and continuous improvement.

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Standards to Consider

2. **COSO ERM (Enterprise Risk Management):**

COSO ERM provides a framework for managing risks across an entire organization.

It focuses on aligning risk management with business objectives, strategy, and performance.

The framework includes components like governance and culture, strategy and objective-setting, performance, review and revision, and information, communication, and reporting.

3. **NIST's Risk Management Framework (RMF):**

The RMF is a structured approach to managing information security risks.

It's commonly used in the US federal government and is increasingly adopted by other sectors.

The RMF consists of six steps: Categorize, Select, Implement, Assess, Authorize, and Monitor.

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Risk Heat Maps

LIKELIHOOD (A)						
	Almost Certain 5	5	10	15	20	25
	Probable/Likely 4	4	8	12	16	20
	Possible 3	3	6	9	12	15
	Unlikely 2	2	4	6	8	10
	Very unlikely/ Rare 1	1	2	3	4	5
		Insignificant/ Negligible 1	*Minor* 2	*Moderate* 3	*Major* 4	Critical/ Catastrophic 5
		IMPACT (B)				

Risk Presentation – Risk Register

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Sr No	Date Raised	Risk Description	Likelihood of the risk	Impact of the risk occurs	Severity	Owner	Mitigating Action	Contingency Plan	Progress on Action	Status	Resource
1	20 Dec 2021	Project Sprints stories are not well defined	High	High	High	Product Owner	Complete the Project Charter having all the business cases and ensure requirements are gathered properly	Escalate to project Board	Project Charter should be rewritten with full business case and requirements	Open	Project Charter Template
2	22 Dec 2021	Project design and deliverables/milestones are incomplete.	High	High	High	Product Owner	Define the scope and deliverables in detail OR take help from experts	Assumptions and constraints are defined in the document. Remove high-risk items.	Workshops for training on how to create deliverables and milestones scheduled	In Progress	Assumptions Log
3	23 Dec 2021	Non- Competent Resources	Medium	Medium	Medium	Project Manager	Schedule training or coaching from experts	Escalate to the project sponsor	The project sponsor agrees to hold a briefing and make arrangements for new resources	In Progress	Resource Planning Sheet
4	24 Dec 2021	Delays in appointing Expert Consultant or Freelancer	Low	Low	Low	Project Manager	Communicate schedule early and check-in with consultants and contractors regularly.	Escalate to the project sponsor	Lead time to be built on the project schedule for each delay in onboarding	Open	Lead time
5	26 Dec 2021	Unplanned work	High	High	High	Project Manager	Check all the plans and scope of the project. Document all assumptions and communicate clearly to the project manager.	Escalate to the project manager and develop a plan to mitigate cost and schedule	Project manager to attend a meeting with the project sponsor	Open	Project Schedule
6	27 Dec 2021	Lack of communication causes lots of issues	High	High	High	Project Manager	Create a proper communication plan and have it followed seamlessly	Correct misunderstandings immediately by clarifying all doubts. Take help from the project sponsor.	Communication plan in progress	In Progress	Communication plan

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You can also consider….

- **Risk Matrices:**

These visually represent risks based on their likelihood and potential impact, allowing for quick prioritization.

Visual Aids:

- Charts, graphs, and heatmaps can make complex data more accessible and help stakeholders understand trends.

Storytelling:

- Framing risk scenarios as narratives can make them more engaging and memorable.

Templates:

- Pre-designed PowerPoint templates can help organize and present risk information effectively.

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How to use risk simulation models?

- To use risk simulation models, you need to first define your project objectives and scope and identify the key performance indicators.
- Then, build a base model of your project, using the best available data and assumptions.
- Identify the uncertain variables in your model and assign them probability distributions.
- Run the simulation with a software tool to generate random values for your variables and calculate the corresponding outcomes for your KPIs.
- Finally, analyze the results using charts, graphs, statistics, and reports to identify the best- and worst-case scenarios, the most influential variables, and the optimal risk responses.

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What are the benefits of risk simulation models

- Risk simulation models can provide a range of benefits for your risk analysis, such as capturing the complexity and interdependence of project variables, and accounting for their variability and uncertainty.
- Furthermore, they can show you the range of possible outcomes and their probability, rather than a single point estimate.
- Risk simulation models can help you compare different scenarios and alternatives, evaluate the trade-offs between risk and reward, communicate your risk analysis to stakeholders using visual tools, and support your decision making and risk management.
- All these aspects combined can help you prioritize your risks, allocate resources, and implement risk responses.

Risk Scenario Simulation

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Practical Session-As a Trustee – Please advice on how to handy Crisis within the Scheme. Hint : Crisis Management: Protocols for funding , sponsor insolvency, major losses, demographic shocks.

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5th Floor, Crescent Business Centre (CBC),Parklands
P.O.B ox 48179 -00100, GPO Nairobi, Kenya
Call: +254 719 560 656, +254 740 257 777, +254 11 1052230
Email: institute@finnettrust.com | info@finnettrust.com

www.finnettrust.com

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