

Tárgytematika / Course Description Risk management

KGNB_NETA002

Tárgyfelelős neve /

Teacher's name: dr. Kovács Norbert

Félév / Semester: 2023/24/1

Beszámolási forma /

Assesment: Vizsga

Tárgy heti óraszám /

Teaching hours(week): 2/0/0

Tárgy féléves óraszám /

Teaching hours(sem.): 0/0/0

OKTATÁS CÉLJA / AIM OF THE COURSE

1. Course description

The aim of the course is to acquaint students with the theoretical foundations of risk management.

2. Course Goals

Organizations face an increasingly challenging and complex environment in which to undertake their activities. Successful Enterprise Risk Management, including the protection of corporate reputation, continues to be a business imperative for all organizations. A successful ERM initiative enhances the ability of an organization to achieve objectives and ensure sustainability, based on transparent and ethical behaviours.

After completing this course, students should have developed a range of skills enabling them to understand risk management concepts and use those concepts to analyze specific questions.

By the end of this course, students should be able to:

- produce a range of established definitions of risk and risk management and describe the usefulness of the various definitions;
- list the range of characteristics of a risk that need to be identified in order to provide a full risk description and justify the inclusion of each item;
- summarize the options for the attachment of risks to various attributes of an organization and describe the advantages of each approach;
- identify the features of the four types of risk that enable them to be identified as compliance, hazard, control and opportunity risks;
- summarize the origins and development of the discipline of risk management, including the various specialist areas and approaches;
- explain the characteristics of enterprise risk management (ERM) and the benefits of the ERM approach over

traditional risk management;

- summarize the principles (PACED) and aims of risk management and its importance to strategy, tactics, operations and compliance (STOC);
- describe the key outputs of risk management in terms of mandatory obligations, assurance, decision making and effective and efficient core processes (MADE2).
- describe the key stages in the risk management process and the main components of a risk management framework;
- state the key features of the best-established standards, including ISO 31000, the COSO ERM cube and the IRM standard;
- describe the scope and importance of establishing the context as the first stage in the risk management process;
- explain the importance of the relationship between the external context, internal context and the risk management context;
- discuss the main considerations when designing a risk register and the benefits associated with using a well-designed risk register and provide examples;
- explain the features of an enterprise-wide approach to risk management and the various available definitions of ERM;
- outline the steps required in order to achieve successful implementation of an enterprise risk management initiative;
- consider the changing face of risk management and the increasing importance of managing emerging risks.
- describe the importance of risk assessment as a critically important stage in the risk management process;
- summarize the most common risk assessment techniques, plus the advantages and disadvantages of each technique, including SWOT;
- explain the importance of the long-term attitude of an organization to risk and how that affects the perception of risk;
- describe options for classifying risks according to the nature, source, timescale, impact and consequences of the risk;
- describe the importance of risk classification systems and describe the features of the established systems, including PESTLE, FIRM and the 4Ps;
- explain the attributes of each characteristic and illustrate by means of a risk matrix the nature and attributes of a risk in terms of likelihood and magnitude;
- illustrate, by using a risk matrix, the risk attitude of an organization and the importance of the concept of the 'universe of risk';
- provide examples of the use of a risk matrix, including using it to indicate the dominant risk response in each quadrant (4Ts);
- describe the main components of loss control as loss prevention, damage limitation and cost containment, and provide practical examples;
- summarize the alternative approaches to defining the upside of risk and the application of these approaches for core processes.
- describe the risk response options in terms of tolerate, treat, transfer and terminate (4Ts), and explain how these can be shown on a risk matrix;
- explain the benefits of using a risk matrix to illustrate inherent, current and target levels of risk and the effect of controls;
- describe the types of controls that are available, in terms of preventive, corrective, directive and detective (PCDD) controls;
- explain the use of a risk matrix to identify the main type of control for different types of hazard risk and the concept of 'hazard risk zones';
- describe the importance and structure of insurance and the circumstances in which insurance is purchased and the purpose of a captive insurance company;
- explain the importance to the insurance purchasing activity of cost, coverage, capacity, capabilities, claims and compliance (6Cs);

- summarize the importance of business continuity planning (BCP) and disaster recovery planning (DRP) and provide practical examples;
- describe the approach taken during a business impact analysis (BIA) and the importance of established business continuity standards, such as ISO 22301.
- explain the importance of dynamic business models and the relationship with strategy, tactics, operations and compliance (STOC) activities;
- outline the components and the importance of the business model and how this is supported by the resilience of the organization;
- explain the importance of corporate social responsibility, including supply chain, ethical trading risks and the importance of reputation;
- explain the key components of the risk architecture, strategy and protocols (RASP) for an organization and how these fit together;
- list the main sections of a typical risk management manual, describe the importance of each section and summarize the range of risk documentation and records;
- explain the importance of the allocation of risk management responsibilities, including the governance responsibilities of non-executive directors;
- produce practical examples of the control of selected hazard risks, including risks to finances, infrastructure, reputation and marketplace;
- describe the process of learning from controls in order to ensure that controls are cost-effective and risk/reward decisions are appropriate.
- describe the key features of a risk-aware culture (LILAC) and how the key components are defined and can be measured;
- describe the components of risk maturity of an organization (4Ns) and the influence on risk management activities (FOIL);
- describe the importance of risk appetite and how this can be demonstrated on a risk matrix, together with the risk exposure and risk capacity;
- review the nature of risk appetite statements and how these can be used to influence decision making within organizations;
- explain the importance of risk training and risk communication and the influence on the risk culture of an organization;
- summarize the importance of risk training and risk communication, including the use of risk management information systems (RMIS);
- explain the features of a risk competency framework and the relationship to plan, implement, measure and learn (PIML);
- outline the people skills required by a risk practitioner summarized as communication (5Cs), relationship, analytical and management (CRAM).
- describe the key features of a corporate governance model and describe the links to risk management in different types of organizations;
- outline the importance of evaluating the performance of the board and board committees and how this relates to corporate governance;
- list the different types of stakeholders of a typical organization (CSFSRS) and explain their influence on risk management;
- explain the importance of stakeholder expectations and how these can be managed by effective dialogue and communication;
- summarize the key features of operational risk as practised in financial institutions, such as banks and insurance companies;
- describe the key sources of operational risk in financial institutions and provide examples of how these risks are managed;
- produce a brief description of the project lifecycle and the importance of risk management at each stage;
- describe the key features of a project risk management system, such as the project risk analysis and

management (PRAM) approach;

- describe the importance of the supply chain and the contribution of supply-chain risk management to the success of the organization;
- produce examples of the risks associated with outsourcing and how these risks can be successfully managed.
- describe the nature and purpose of internal control and the contribution that internal control makes to risk management;
- summarize the importance of the control environment in an organization and provide a structure for evaluating the control environment (CoCo);
- explain the importance of governance, risk and compliance (GRC) and the relationship to the three lines of defence model;
- summarize the importance of risk assurance and identify the sources of risk assurance available to the board/audit committee (CRSA);
- describe the activities of a typical internal audit function and the relationship between internal audit and risk management;
- describe the activities involved in an ERM initiative and how these can be allocated to internal audit, risk management and line management;
- discuss the importance of risk reporting and the range of risk reporting obligations placed on companies, including Sarbanes–Oxley (SOX);
- produce examples of risk reporting approaches adopted by different types of organizations, including companies, charities and government agencies.

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SZÁMONKÉRÉSI ÉS ÉRTÉKELÉSI RENDSZERE / ASSESSMENT'S METHOD

4. Course Components and Requirements

1. Read and learn the presentations of the lessons.
2. Read the learning objectives.
3. Read and learn key terms, algorithms and models.
5. Solving and saving practice tests (quizzes) is compulsory. The deadline is December 5, 2023.

5. Course details

| | |
|------------------------|-------------------------|
| Number of semesters: 1 | Credits: 6 |
| Recommended semester: | Available in (semester) |

| | | | autumn | both |
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| Compulsory | | | x | |
| Compulsory elective | | | | |
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| Requisite: | | |
| - | | |
| <p>Marks and grades used to evaluate student performance based on the online written test are as follows:</p> <ol style="list-style-type: none"> 1. excellent (5), 85% - 2. good (4), 75-85% 3. satisfactory (3), 65-74% 4. pass (2), 50-64% 5. fail (1) – 50% | | |

KÖTELEZŐ IRODALOM / OBLIGATORY MATERIAL

5. Reading

Compulsory readings

AJÁNLOTT IRODALOM / RECOMMENDED MATERIAL

Recommended reading

Rausand, Marvin – Haugen, Stein [2020]: Risk Assessment Theory, Methods and Applications, John Wiley & Sons,