



Risk Management: Program Administration, Plan Review and Evaluation

An Online Continuing Education Course for Engineers

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Risk Management: Program Administration, Plan Review and Evaluation

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Introduction

This course is designed to provide a basic understanding of the risk administration and the plan review and evaluation steps of the risk management process. Since risk administration and the plan review and evaluation components are on-going steps throughout the life cycle of the risk management program, these two steps are combined in this module to demonstrate how they are to work in harmony throughout the life of the risk management plan.

The risk administration component of the risk management process by design is to ensure that the risk management plan is effectively implemented and continues to be an on-going program. The administration is the management of the program on a day-to-day basis.

Risk administration involves how the plan is implemented throughout the organization as well as during the life cycle of the risk management process. Administration initiates from top management's directives regarding their expectations of the plan and is then managed by the risk manager or the risk management department as a routine management function.

The plan review and evaluation component is the process of a continual systematic review of the entire risk management plan with the intent of evaluating the current effectiveness of the program. While assessing the program, additional risk factors may be encountered, or the need to modify risk management components and treatment techniques previously implemented may be discovered.

Plan review and evaluation presents the required actions necessary for an effective and on-going success of the risk management program and overall process. It is through

this process that the risk management department obtains the information necessary to report to the organization's management on successes achieved and areas of improvement needed going forward.

Upon completion of this course, you will have the basic knowledge necessary for administering the risk management program as well as an understanding of the plan review and evaluation process.

Overview

Risk administration is the implementation of the risk management program, the monitoring of the effectiveness of the program and the periodic review of the risk management plan components. The various segments of the developed plan will need to be identified as to who is responsible for making it happen.



The plan will not run itself. The risk manager or chief risk officer will have ultimate responsibility but will delegate tasks and duties to those with appropriate authority to facilitate the completion of the assigned function.

Meetings should be scheduled periodically as a means of ensuring that the plan elements are being implemented and to identify any obstacles that need additional resources. Corrective actions will need to be taken as they are identified.

An effective means of communication also needs to be developed to keep all stakeholders informed of the progress of the risk management program. It is important that everyone understands that transparency is the most important factor in the success of the program.

Once the risk management plan has been implemented, a good practice to follow would be to use the organization's intranet to make the entire contents of the plan available to

all employees. In addition to the plan contents, any updates, changes or modifications also need to be included there as well.

Feedback is an important means of improving the risk management plan. The company's intranet site should also include a way for employees to provide feedback and suggestions regarding the plan.

Plan review and evaluation is the process of making a comprehensive review of the previously implemented methods and giving each an unbiased evaluation of their success or failure.

This component of the program is not the final step in the implementation of the risk management program, it must also be included as a continual process for each risk management action and method throughout the life cycle of the risk management program.

Repeating each step of the risk management process will assist with making revisions and improvements to the program.

Monitoring the results achieved is essential to the future success of the program and ultimately to removing or reducing the risk exposures of the organization. Without the monitoring of achievements, it will be impossible to realize the true impact of the program.

Revise the plan as needed based on the observations identified in the review process. When more effective measures are identified or when existing plan components do not effectively achieve their desired objective, they must be modified.

Again, risk identification and risk analysis will continue to be the two most important components in the review process just as it is in the initial risk management process. Lack of due diligence in these areas will expose the organization to the potential of financial loss.



It is critically important to make sure that all data is current before beginning the review and evaluation process. The new data helps improve the overall picture of the exposures to risk that are faced by the organization at the time of the review.

Risk Administration

Risk administration begins with the initial implementation of the risk management process. Through the risk administration process:

- The authorization and ownership for the startup of the risk management process is established,
- The methods and procedures for the roll-out of the risk management plan are identified and communicated,
- The management to completion of the initial round of steps involved in the risk management process is taken from the starting point to the initial final plan methods to be used, and
- The on-going management, review, and evaluation of the program are established.

The risk manager or the risk management team has the responsibility for the administration of the program, but they must have the full backing and authorization of the organization's management. Without management's commitment and support, there is no risk management program or process, and there is nothing to be administered that will have any success.

Once the risk management program is developed, the risk management team systematically works through the various components of the risk management process. Resources and data are gathered for the completion of the risk identification component.

Following risk identification, the team begins to analyze the risk identified risk factors. The management of this step is critical to the success of the risk management plan and must be diligently managed.

Plan administration continues with the development and implementation of appropriate risk control methods for each identified and analyzed the risk factor. Through the risk control component, the organization's exposure to adverse financial impact begins to benefit the company.

For risk factors requiring a risk financing method to protect the company's financial position relative to loss exposure, the risk administration process assists by gathering financial and accounting data needed to support recommendations for the risk financing options selected for each of the risk factors.

Once management approves the risk financing method or methods, the risk management team works to implement the risk financing options.

At this point, the risk administration process has completed the initial steps needed to have a working risk management plan in place, but the job continues. Risk administration becomes the full-time job of the risk management team.

The team performs all the steps in the life-cycle of the risk management process in an on-going manner to ensure that the process cycle never ends. This will provide continuous improvements to the program and the effective handling of identified risk factors as initially identified or identified in the future.

They must also communicate the risk management program throughout the organization by supporting management company-wide announcements and training requirements.

The risk management team must be vigilant and never stop attempting to identify new or previously unrecognized risk factors and take each of these through the risk management process.

With the changing environment in which we live and conduct business operations, there is the need to stay informed. This places a continuing education requirement upon the risk manager or the risk management team.

The result is to incorporate these new risk factors into the existing plan as well as making sure the past risk identification, risk analysis, risk control, and risk financing methods continue to be re-evaluated and updated with the most current and effective risk management methods.

Risk Management - An On-Going Process

Following the plan review and evaluation, the risk management process continues back to the beginning over and over again. It has to be a never-ending process since new risk factors are always possible because of changes in operations, locations, personnel, losses incurred, or legal changes that impact the organization's exposures to risk.

Through time, the risk manager or risk management team will begin to administer the risk management process as soon as anything new is identified. Risk administration process becomes second nature.

It may be best to look at risk management as a continuous process that is constantly working on all of the risks. It is not a reworking of each risk separately. A holistic approach will make the process more efficient. Attention in one form or another.

Plan Review and Evaluation

Equally important is the review and evaluation of the risk management plan. Modifications that may be needed. Each step is an on-going process. Each previous action must be reviewed with the most current data and program results.

