

Risk
Management
@ BTCellnet

Sound System of Internal Control

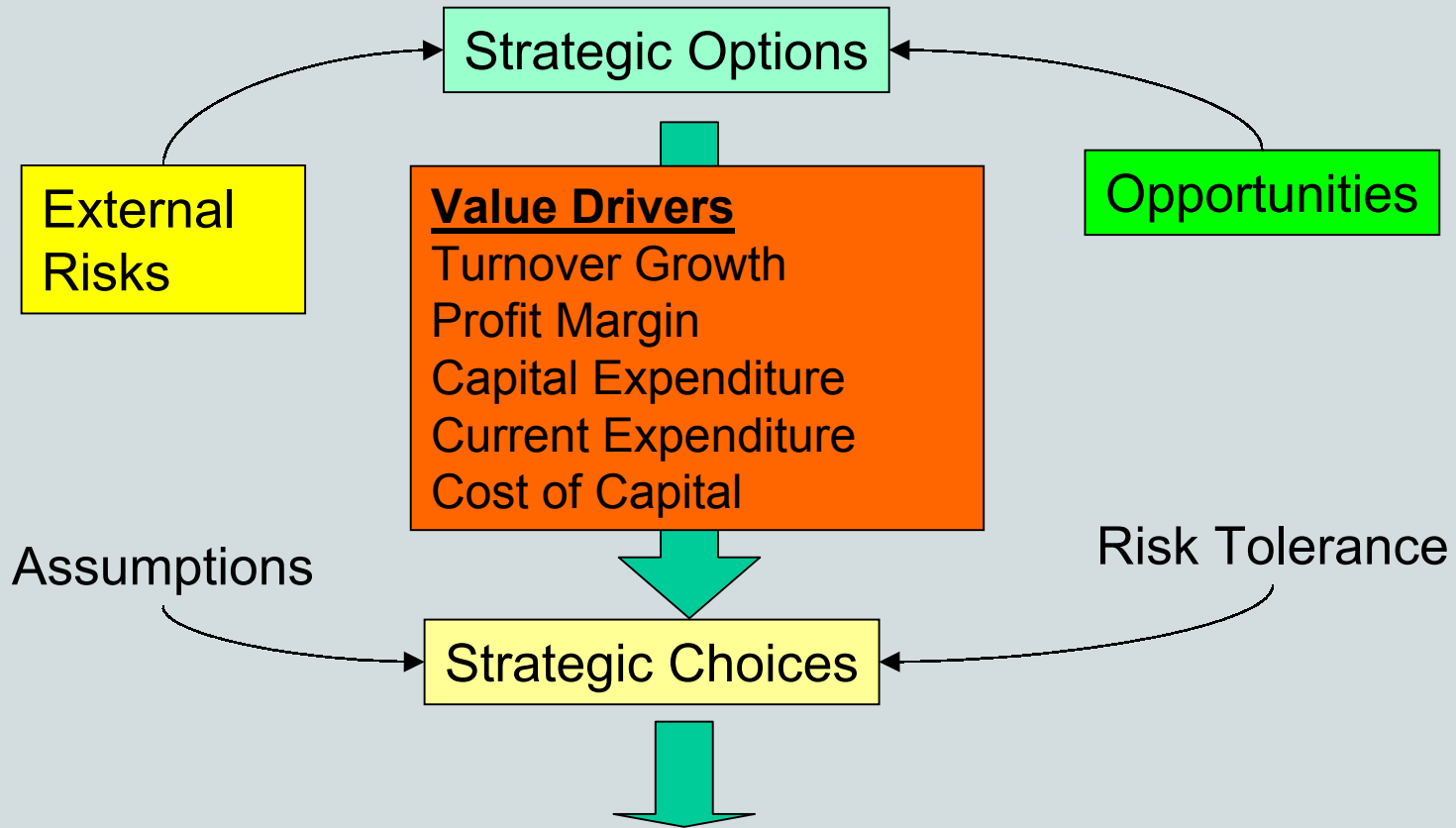


My Role

The Head of Risk Management is responsible for...

- Supporting the Directors in accountability and visibility of risk management issues and to assure internal controls needed to manage and control risk in compliance with the Turnbull Report
- To create a Forum for risk management
- To participate in the review of change initiatives
- To act as a single point of contact for risk management
 - *Internal Control And Risk Management Policy*

Risk Tolerance

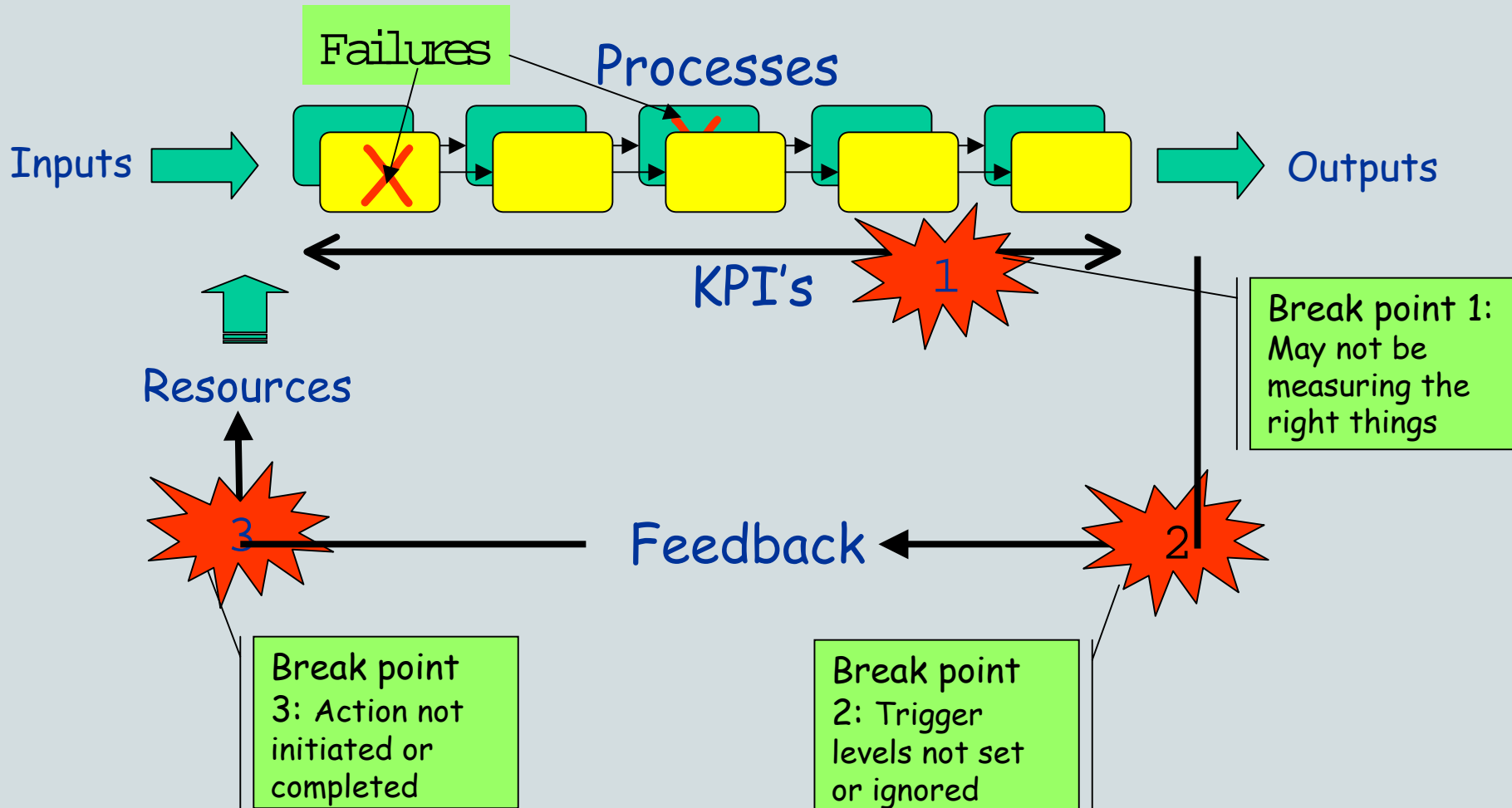


Operating
Company

Inherited Risk

Control

3 typical weaknesses of Internal Control



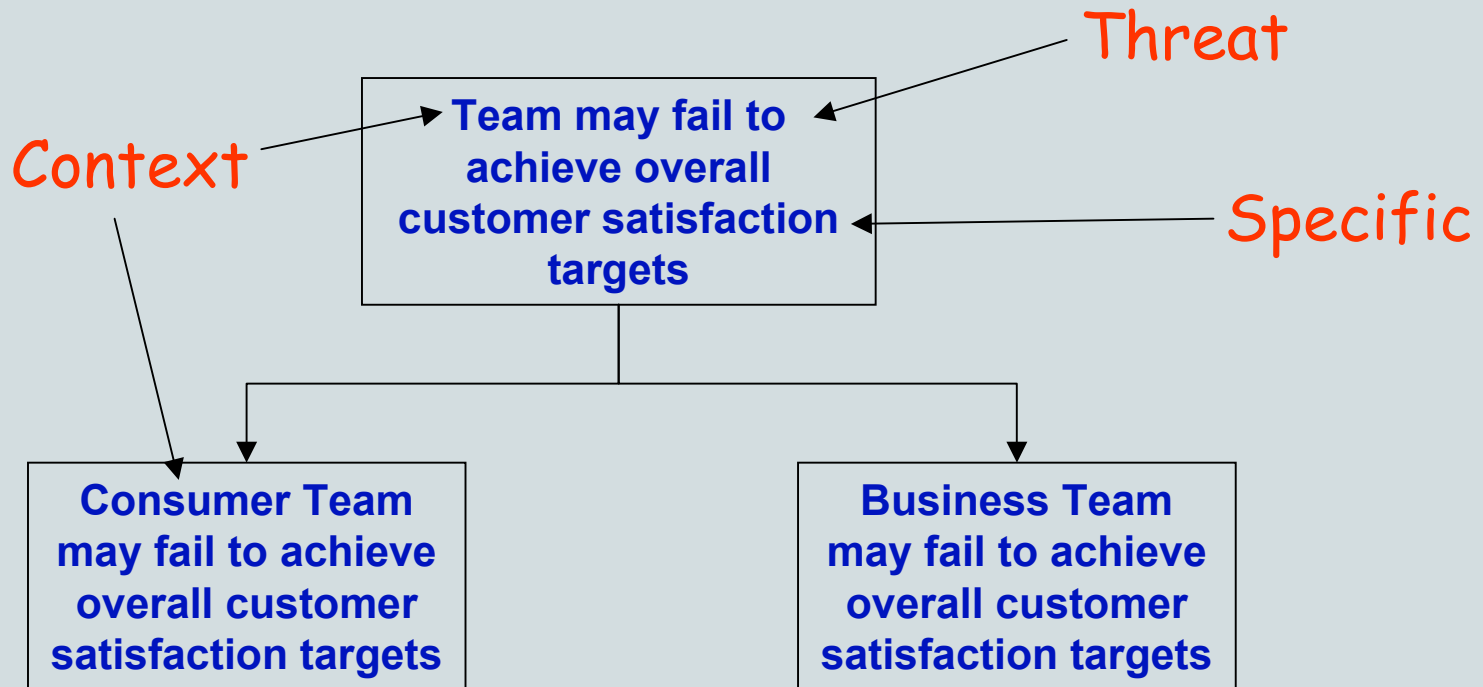
Defining a Risk

A risk consists of a description and an assessment, an effective description has the following characteristics

	Has a context	Threat in the future	Specific and unambiguous	Defines variables
“Late delivery”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
“Radio programme roll-out”	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
“Without a core programme forecast we may decide to order the wrong amount of equipment”	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
“The 3 GPRS market propositions may not be available in time for launch”	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

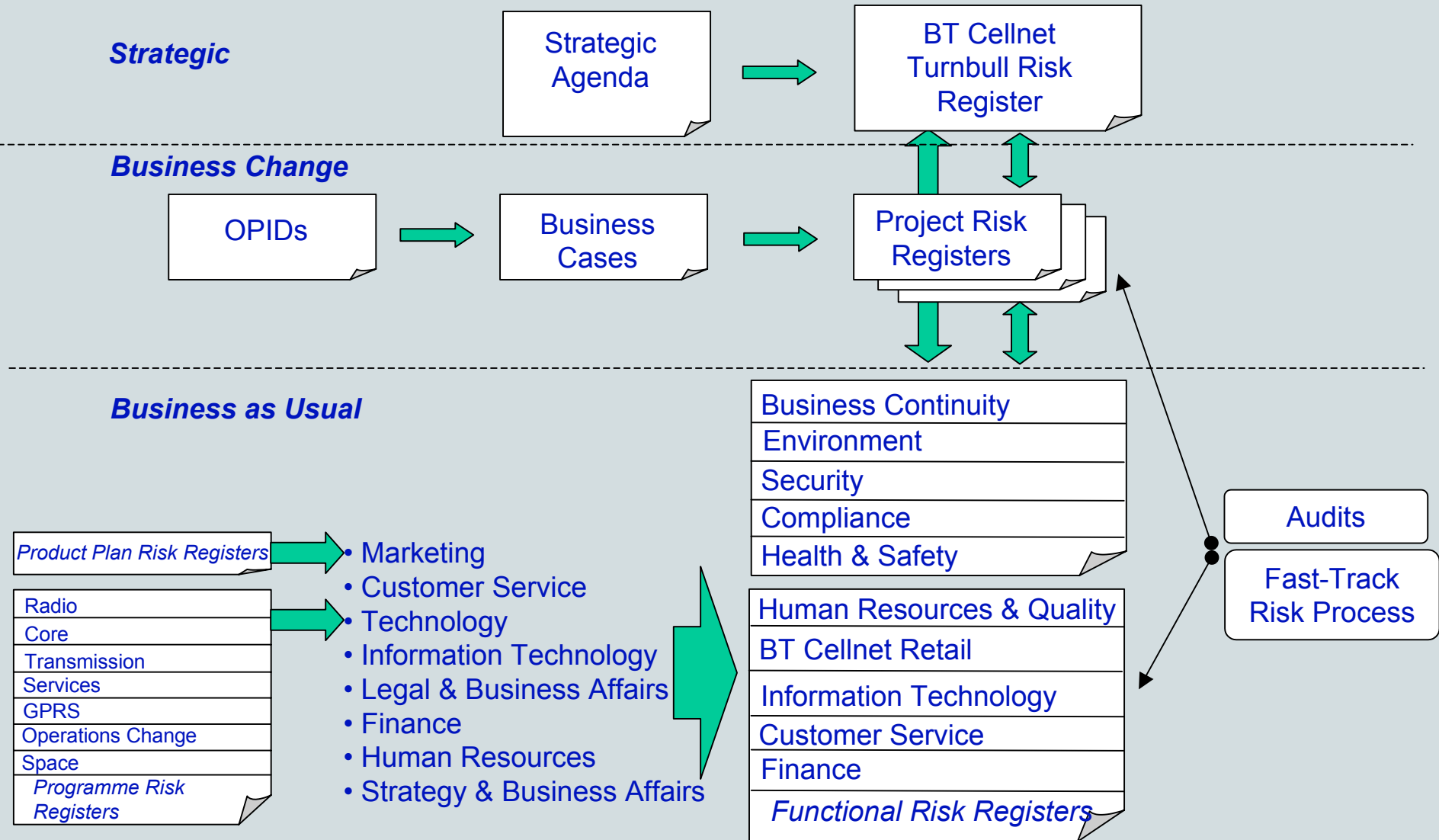
Risk Breakdown

Develop the scenario by breaking it down using a cause and effect process



How are risks recorded?

Risk registers are used as the principal way of recording risks, there are many registers currently in use



Some Business Risks

Risk Description

Assets

The development costs of our UMTS mobile networks will be substantial, the demand for UMTS services is uncertain and we may not make an economic return on our investment

Technology

Our business is highly dependent on technology and new technologies may develop that could reduce the marketability of our services and products

People

Our growth will be limited if we are unable to recruit and retain key personnel

Suppliers

We are dependent upon suppliers of GPRS and UMTS handsets, network equipment and software being able to meet our requirements and on applications developers to develop products that will increase demand and generate revenues.

Financial

Our business may be impaired if we are unable to satisfy our substantial liquidity and capital resource requirements.

Some Industry Risks

Risk Description

Competition

There may be intense and increasing competition from existing providers of mobile services and new market entrants, which could result in decreases in customers, revenues and profitability.

Regulation

The mobile telecommunications industry is highly regulated. Regulation may limit the flexibility to manage the business.

Customer

Alleged health risks associated with mobile telecommunications could lead to decreased usage of services and products, increased difficulty in obtaining transmitter sites or potential liability.

Intellectual Property

The value of intellectual property may be reduced, and the ability to compete may be harmed if we are unable to protect our intellectual property rights; the ability to compete could also be harmed if we are unable to use all intellectual property needed for our business.

Risk Ownership

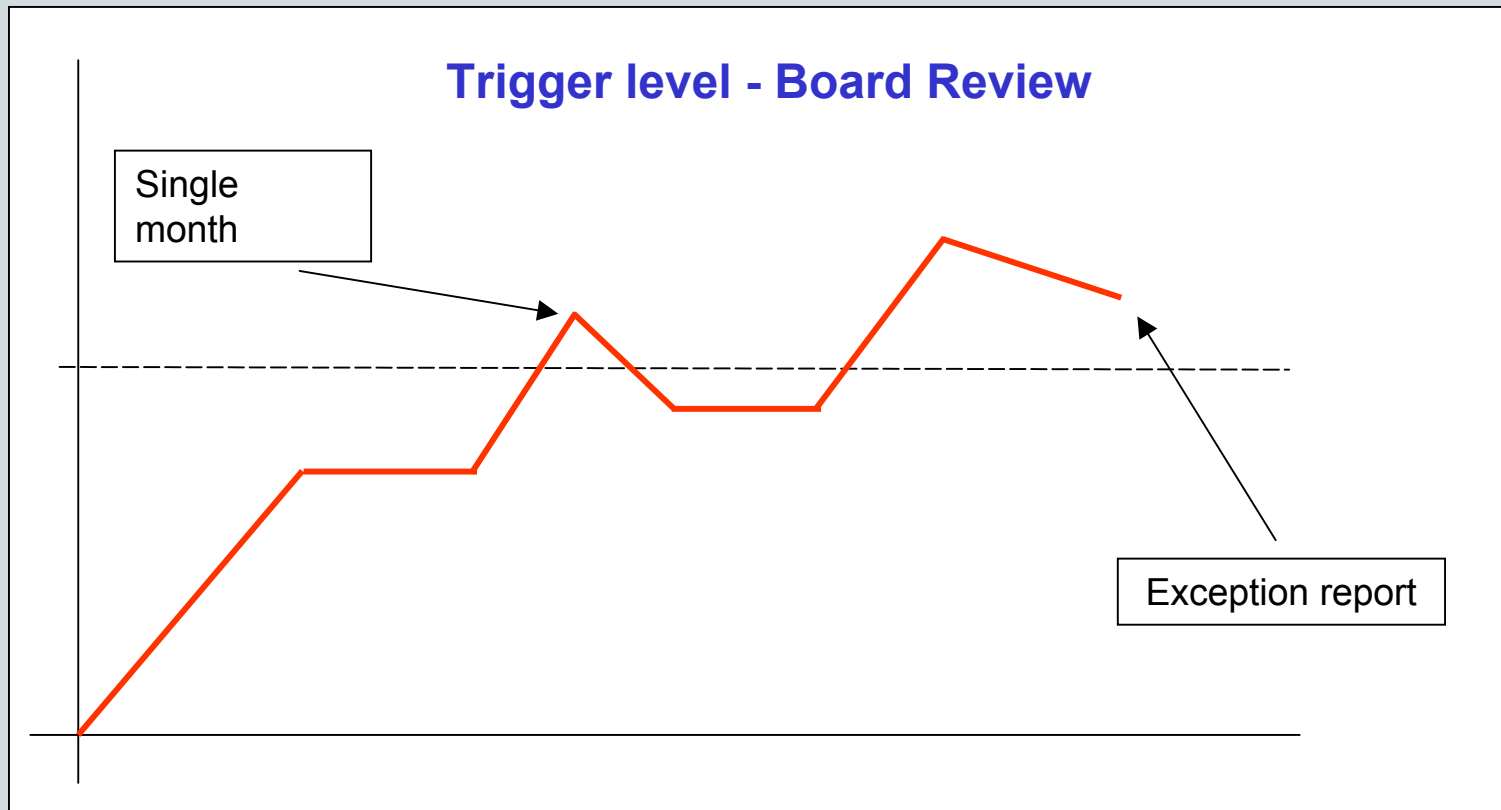
A Risk Owner is responsible for the management of appropriate policies, procedures, activities and resources to contain the risk within acceptable limits.

Monitoring Risks

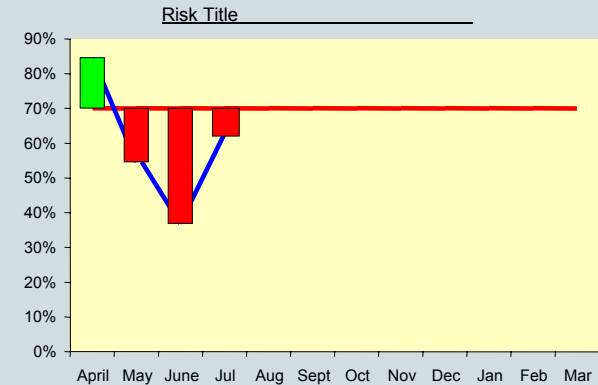
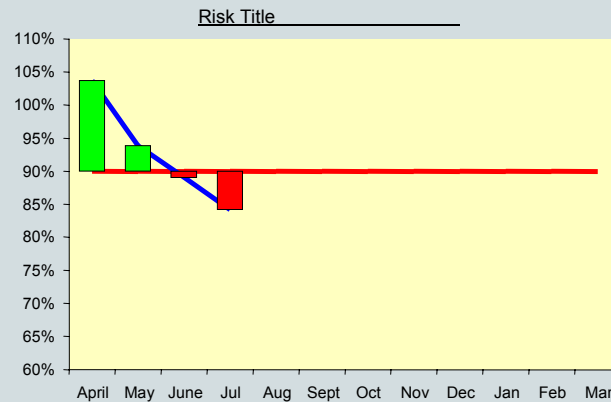
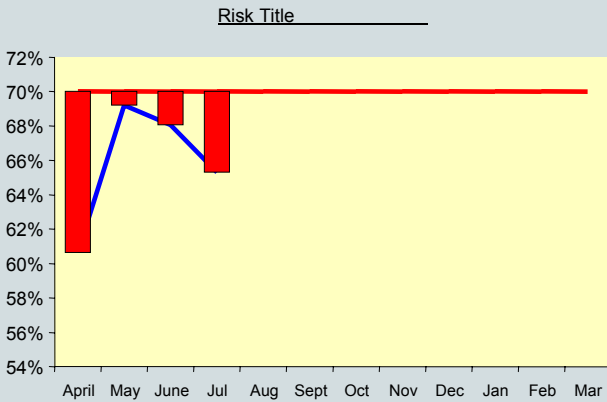
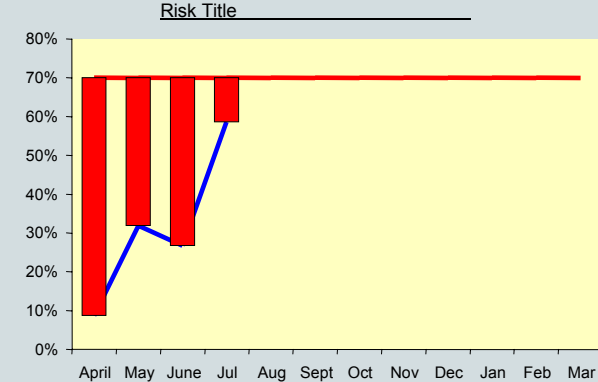
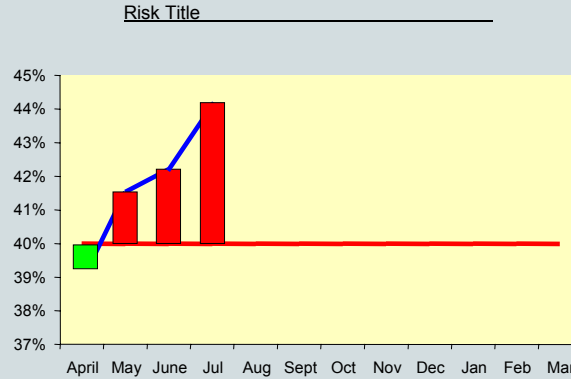
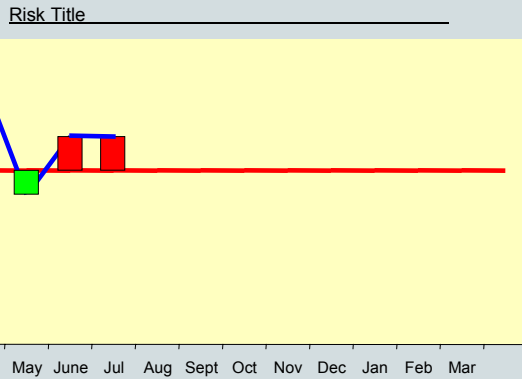
- Agreed description of the risk and its impact
- The actions to deal with the risk
- How the actions will be monitored
- How the risk will be monitored
- When the risk will be reviewed

Trigger points

It is critical to understand what measures will be used to monitor the risk and set trigger points that can enable further action to be taken.



Example Monthly Exception Report



Illustrative only - not actual results

Example Annual Review

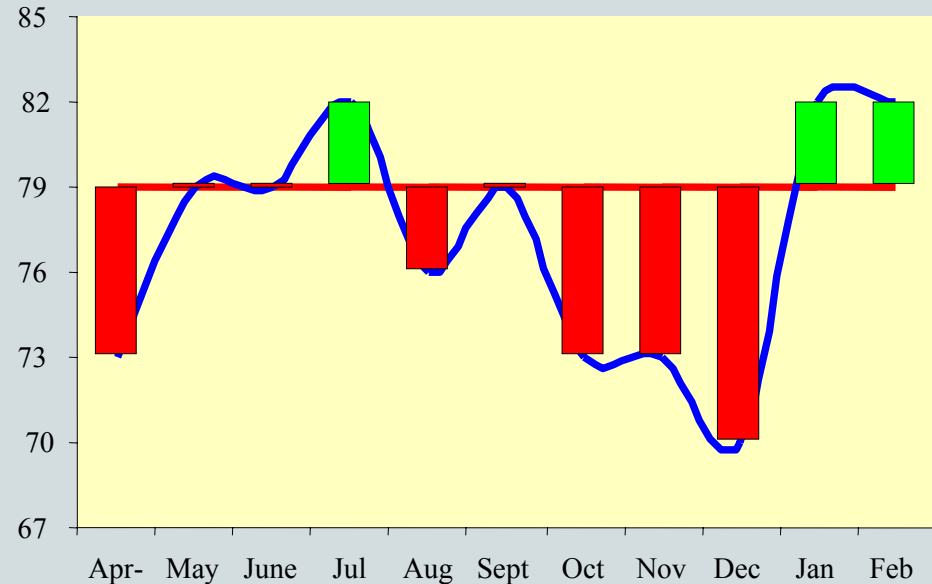
M/H

Risk Description:

Owner: A Person

Contact: A. N. Other

Owners Comments:



Recommendation:

1. Remain in Top Ten, description unchanged
2. Change likelihood to High
3. Review trigger and actions

Rationale: Current trend has improved but may not be maintained.

Illustrative only -
not actual results

Conclusion

- No complex IT solution
- Focus on the risk "architecture"
- Improving the risk descriptions
- Enabling effective monitoring

but still more to do... . .

I would like to benchmark the approach in BT Cellnet with other companies - let me know if you would like to participate.

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