

## Example Risk Control and Results Analysis

## DeXtraD IDP and Total Control of risks

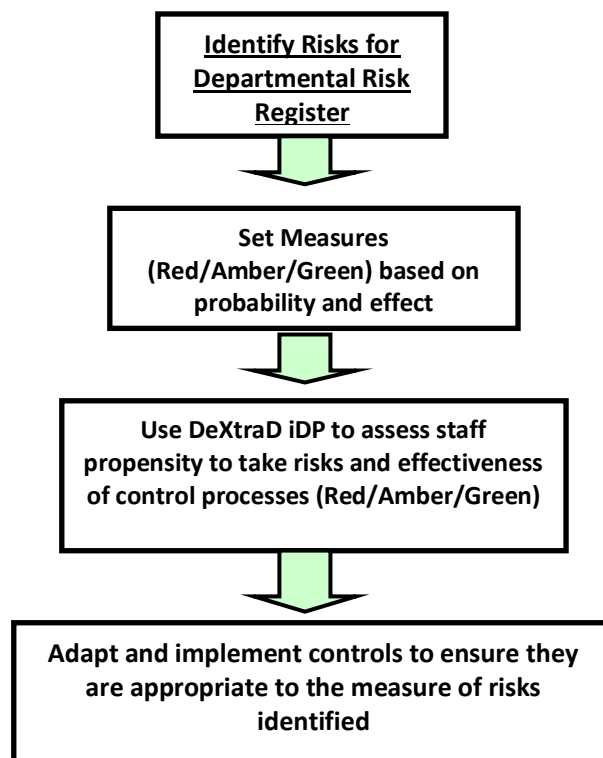
Processes and procedures to control risk are often put in place without consideration being given to the innate personality and character traits of the people who will be following them. DeXtraD IDP adds this essential dimension to enable organisations to implement rational and cost-effective controls and appropriate risk appetite based on scientific analysis.

### Use with the existing Risk Register

Most organisations will already have in place an overall and/or departmental risk register. The risks contained will have been assessed and rated using a red/amber/green system depending on their likelihood and effect. A set of procedures and controls will then have been implemented against each risk to act as a control.

The DeXtraD IDP system enables a similar red/amber/green rating to be applied to those controls taking into account the risk propensity of the individuals within the relevant area and the effectiveness of the procedures and processes.

By combining the two ratings, organisations can ensure the overall control (people and processes) is appropriate to the risk identified. For example, a red risk should aim to have a green control, whilst a green risk with red control may indicate an over complexity of process for the type of individuals employed. The overall process would work as follows:



## Risk Propensity

DeXtraD iDP uses a series of psychological stimuli<sup>†</sup> to determine an individual's risk propensity (RP) within the following parameters:



The individual has a high propensity for risk – this means that although they may be creative and decisive they may have a lower attention to detail which can lead to carelessness, errors and a relaxed approach to procedures and protocols.



The individual has a medium propensity for risk which may lead to occasional carelessness, errors and lapses of adherence to procedures and protocols



The individual has a low propensity for risk and can be relied upon to follow procedures and protocols meticulously

<sup>†</sup>including the Zuckerman-Kuhlman Personality Questionnaire, Reality Monitoring and Innate Associations analysed by the Psychology Department at Bangor University 2009/10.

## Reality Monitoring

Good decision makers must accurately and realistically self-assess the degree of control they have over a given situation. DextraD iDP measures the bias that all persons have in such self-assessment.

### **High illusion**

*The person is biased towards self-belief even in unwarranted circumstances. Such self-belief can be a powerful tool for persuading others, but can also lead to decisions unaligned with reality.*

### **Low illusion**

*The person is biased to realistically assess their degree of control.*

## Innate Associations

DeXtraD iDP objectively determines a person's association with risk taking and truth.

## Control Processes

By combining the overall risk propensity score for a department with an assessment of the current process-based controls in place, a clearer and more effective measure of risk can be obtained.

The Control Process (CP) assessment could either be the result of a formal audit of controls or a review of their effectiveness by assessing their completeness and individual knowledge of the processes. Such a review could be undertaken using the additional knowledge capture and assessment modules of DeXtraD iDP.

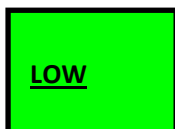
The assessment will result in the following ratings;



The procedures/processes in place have a high risk of failure or a low level of control



Medium risk of failure and/or a medium level of control



Low risk of failure/high level of control

These are combined with the Risk Propensity assessment to give a combined Total Control Rating (TCR) as follows:

Risk Propensity	High	High RP and Low CP	High RP and medium CP	High plus High
	Medium	Medium RP and low CP	Medium RP and Medium CP	Medium RP and High CP
	Low	Low plus Low	Low RP and Medium CP	Low RP and High CP
		Control Process		High

*The above colours are suggested you may wish to adjust (i.e. any box with a high score for either could be red or any with a low score for either could be green)*

## Match to risks

The TCR above is then matched to the risk with the following groupings recommended

- Red risk matched to Green TCR
- Amber risk to Amber or Green TCR
- Green risk to Amber or Red TCR

Combinations falling outside of the above recommendations indicate insufficient or over control of a risk.

For example:

Green Risk with Green TCR indicates an overuse of complex procedures and/or inappropriate personnel (ie low risk people which could be better used elsewhere).

Red Risk with Red TCR indicates a high chance of control failure in an area with an already high likelihood and effect of risk. TCRs can be improved where required by both attention to process and training and selection of appropriate individuals. An amber TCR, for example, could be improved to green by ensuring the next recruit into the area has a low RP.

Therefore use of the TCR enables organisations to make more effective use of time and resources and match controls more appropriately against risk.

## The RP and Risk appetite

A further use of the RP is to check individuals against the risk appetite determined as necessary for particular areas or functions of organisations.

An organisation's sales team or investment committee may determine its appetite for risk to be high due to the nature of the decisions it has to take on a regular basis. If however the individuals in that team or committee have an average low RP than there is a mismatch between appetite and reality that may result in decisions not being reached and opportunities being missed.

On the other hand an organisation's fraud team or audit committee may determine its appetite for risk to be low. If however the individuals in that team or committee have an average high RP than there is a mismatch between appetite and reality that may result in details not being checked and errors being missed.

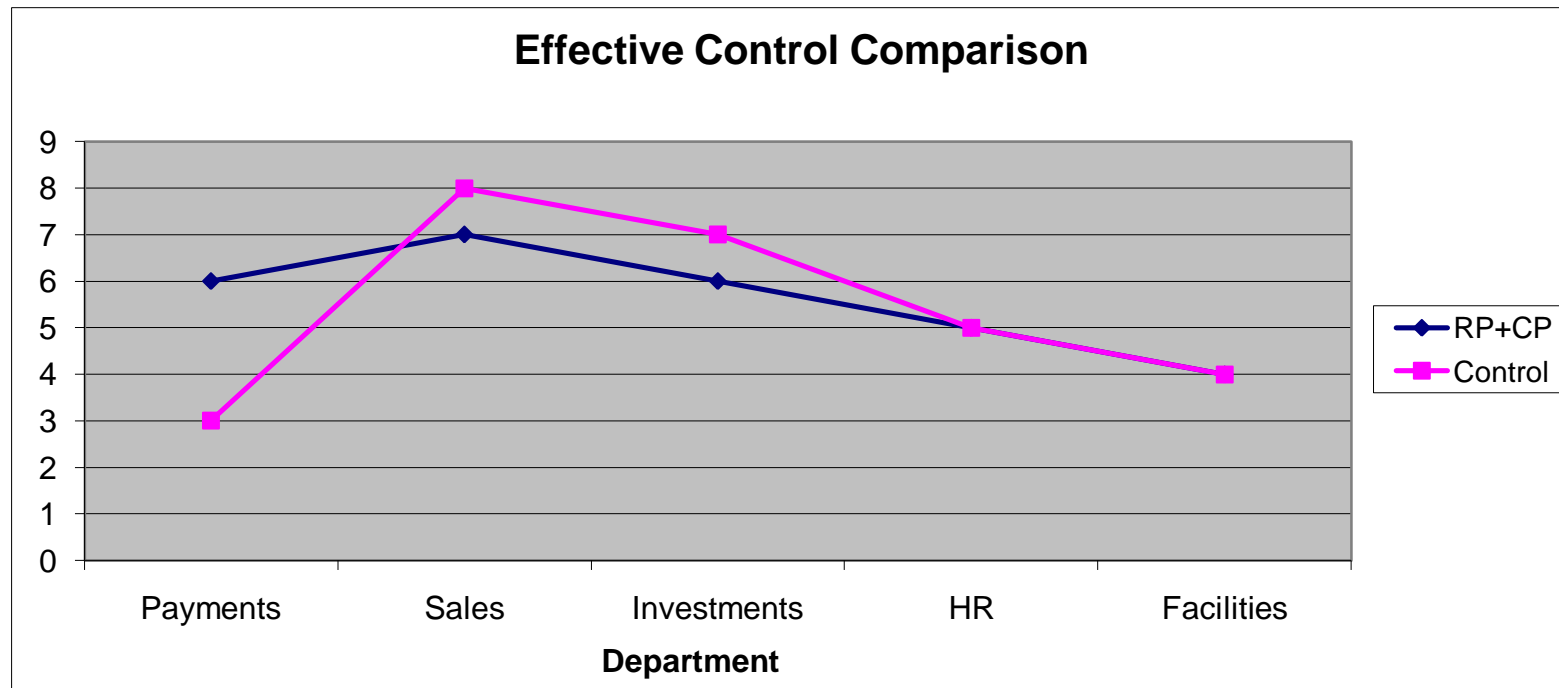


## Reporting

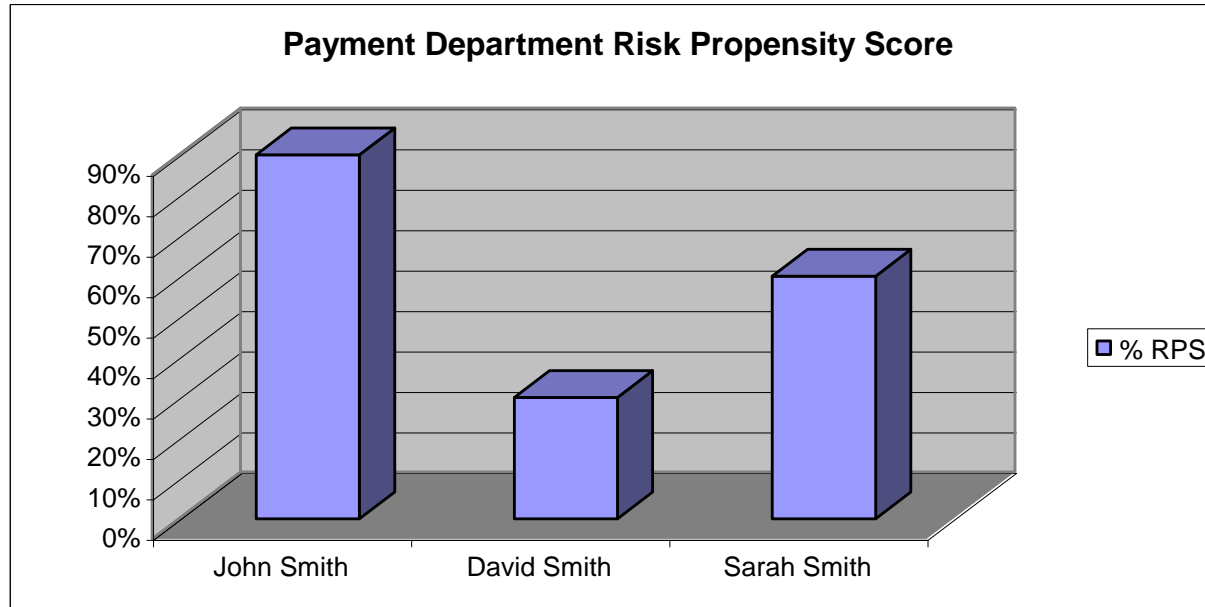
The ideal is an effective Total Control Rating (TCR) to balance the risk measure i.e. Red/Amber/Green. To achieve this the people and the process must be in balance: Risk Propensity (RP) + Control Process (CP) = TCR

Results from the individual DeXtraD iDP sessions have been analysed by the Psychology Department at Bangor University and compared to your existing Control Process.

The graph below is an example of how comparing your RP plus CP to the ideal control (by department) to demonstrate where procedures should be reviewed and tightened or conversely there may be opportunity to reduce the constraint (and expense).



## Example Analysis and Recommendations



The greatest disparity within your organisation is within the Payments department where the level of RP is high (see above breakdown for staff) and the current CP is not tight enough to balance this.

As rightly identified in your Risk Register the Payments Department is a high risk area with a low risk appetite. In the function of HMRC Payments every payment is required to be right, on time and the recording of such needs to be accurate.

A personality profile which embraces risk (John Smith) is neither useful nor welcome in this area and in effect increases the risk as such personality types are less likely to follow protocol. Two of the three staff employed in this area (John Smith & Sarah Smith) score above the recommended threshold for this activity and we would recommend a strengthening of the present checking control process to correct this imbalance should changes to personnel not be possible.



**Prepared By** Stephen Hill

**Company** Mission IT Limited  
Unit 4 St Saviour's Wharf  
23 Mill Street  
London  
SE1 2BE

**Phone** 0345 652 2121

**Fax** 020 3012 9134

**Date** 26<sup>th</sup> May 2010

**e-mail** [shill@missionit.net](mailto:shill@missionit.net)

**Website** <http://www.missionit.net>

Some of our registered partnerships:



Symantec Registered Partner



Mission IT, Office 10, Unit 5 Safestore,  
1000 North Circular Road, London, NW2 7JP  
Tel 0345 652 2121 Fax 020 3012 9134