# RISK MANAGEMENT POLICY

**What is Risk?**

Goodman Agencies Limited defines risk as the possibility of an event occurring that will have an impact on the achievement of objectives in our business. We measure risk in terms of the likelihood of an adverse event occurring and the impact of that event in case it does occur. Our management is responsible for risk management. Our Internal Audit is responsible for assessing whether the risk management system has identified all key risks faced by the organization and appropriate measures and controls have been established to minimize the impact of the risk should it occur.

**What is Risk Management?**

Goodman Agencies Limited defines risk management as the process whereby management identifies and assesses business or operational risks (internal and external), and puts in place controls and other measures to mitigate the risk so as to have a reasonable assurance of achieving the organizational objectives. The Goodman Agencies management is responsible for this entire process.

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

**How is this done?**

The internal audit evaluates risk exposures relating to the organization's governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

The internal Auditor takes into account the following concepts relating to risks when conducting the risk assessment.

**Inherent Risk** - The probability of material errors and incorrect information, entering the accounting and management systems that could result in misrepresentation or misstatement of financial and other results, based on the assumption that there are no effective controls.

**Control Risk** - Control risk is the probability that the client's internal control system will fail to detect material misstatements due to its own structural weakness. Where controls are not properly designed or not properly executed as designed, the probability of control failures are higher.

**Residual Risk** - The risk remaining after management takes action through various measures, including establishing control activities, to reduce the likelihood of adverse events occurring and their impact should they occur. Management actions would reduce inherent risks, but may not completely eliminate the risks. Our management works to be aware of such residual risks.

**Detection Risk** – is the chance that the auditor will not detect a material problem. This mostly would arise as a result of poorly designed audit procedures or that the Auditors executing an audit programme do not fully understand the nature and importance of the planned audit tests.