



CONTROL RELATED COSTS

Controls come at a certain price. However we have a choice with controls. We can compare the costs of the various options and select those that are sufficiently effective at the right price.

Introduction

Often we are obliged to allocate controls. In other cases controls may not be necessary but we think it wise to have them anyway. In the Pandora Risk Manager we stick to the assumption that the average life cycle of a control is about 3 years. Taking into account that controls need to be reassessed every year, this means that we have two types of costs: costs related to the development and introduction and costs related to two years of maintenance. We understand that exact calculations are not possible, but now at least we have a reliable indication.

DETAILED COSTS PER CONTROL (x € 1000)				
	YEAR 1 initial year	YEAR 2	YEAR 3	
Initial costs				
Development costs for this control/these controls:	1,00			
Implementation costs for this control/these controls: <i>(training, newsletters, dissemination of documents etc.)</i>	2,00			
Total initial costs:	3,00			
Yearly costs				
Maintenance costs <i>Yearly review, costs for updates, additional training (for new employees), fresh up activities</i>		0,50	0,50	AVERAGE yearly
TOTALS	3,00	0,50	0,50	1,33

First we enter the initial costs. Think about development, construction, procurement, introduction (Newsletters? Demonstrations? Training?....).

These costs will lead to what we call 'Total initial costs'.

During the second and third year (some maintenance is required. This may range from a complete technical overhaul of hardware to checking regulating documents on still being up-to-date.

Also yearly licence-fees are to be regarded as 'maintenance costs'.

When estimating those costs (initial as

well as maintenance) you should be rather generous, thus avoiding disappointments when the real invoices are hit your desk.

After having entered these figures, the Pandora Risk Manager comes up with a yearly average. If there are various controls possible that will do the trick, you can now make a choice based on the expected costs.

Especially in those cases where you have your doubts about the need for controls it is interesting to compare the average risk-related yearly costs with the average control-related costs.

Total costs for this risk	€ 17,00 (x 1000)	Expected costs yearly	€ 34,00 (x 1000)
Development costs for this control	€ 3,00 (x 1000)	Expected costs yearly	€ 1,33 (x 1000)
		Your profit	€ 32,67 (x 1000)

This is what that comparison look like in the Home-screen.



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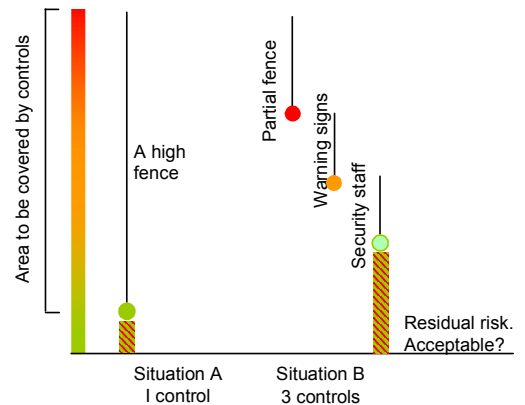
What if more controls are needed?

If one control will not do, it means that you are stuck with a residual risk that in itself is not acceptable.

This can only lead to one result: this residual risk has to be entered as a new risk that is in need of treatment. In theory you can repeat these activities time and time again until you can finally be satisfied with the results. But keep in mind that to say something of the price for these controls, you have to add all the yearly averages together.

There is no guarantee that a few cheap controls together will still be cheaper than one all-comprising control.

On the right you can see a simple graph showing controls that deal with the risk of intruders on a gas plant.



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An overview of the method

As far as qualitative risk management is concerned, there are various approaches on the market that differ slightly from each other. The method the Pandora project uses is part of the PARIS methodology for process management.

An outline of the training program for managers

Managers play a key-role in risk management in their organisation. Therefore we offer a training program that supports every step in this process. This outline gives you a detailed overview of the training activities.

A training program for managers

This program supports the manager to increase risk awareness in the organisation and to capitalise on the results. It offers a combination of theoretical background information, implementation strategies and practical tips.

A risk assessment card

These cards should be freely distributed in the organisation. They are considered to be an important tool for the identification and assessment of risks. These cards come with an extensive instruction for their use.

The Pandora Risk Manager

This is a simple, stand alone software tool that helps with the assessment of risks, their primary consequences (for people, environment, assets and reputation) and the secondary consequences: money, money and money. It also helps with the comparing the costs related to the incident with the costs related to the development, implementation and maintenance of controls.

This tool comes with a detailed learning manual.

