

Chartered
Accountants
Worldwide | Network
USA

BEYOND
ACCOUNTING
NOT JUST THE NUMBERS

**NAVIGATING RISK
WITH PURPOSE**

CFGI



Learning objectives

By the end of this presentation, you will understand:

1. What Enterprise Risk Management (ERM) is
2. Why ERM is an important concept for accountants
3. The value of identifying and assessing risk
4. Future trends and regulators' views on risk management
5. How you can use ERM to drive positive change in your organization




DANIEL SHAFRIR, CA

Managing Partner,
Risk Advisory Practice Leader

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Overview

Daniel is a Managing Partner in CFGI, leading the Risk Advisory Practice. Daniel focuses on all things IT and Enterprise Risk. He brings over 15 years of experience in technology and internal controls to clients of varying sizes and complexity, across a range of industries.

Relevant Skills include:

- SOX Compliance, COSO, Internal Controls
- Internal Audit
- IT Risk Management
- Enterprise Risk Management
- Financial, IT, Cyber and Data Privacy Risk Assessments
- Third Party Assurance Reports, e.g. SOC 1, SOC 2
- Security frameworks, e.g. NIST Cybersecurity Framework, ISO 27001
- Vendor Risk Management
- Segregation of Duties
- Bitcoin, Blockchain, Digital Assets

Industry experience includes:

- Technology & Software
- Manufacturing
- Financial Services, Banking, Fintech
- Life Sciences, Pharmaceuticals
- Oil & Gas

Systems/technology and implementation expertise:

- SAP
- Oracle
- NetSuite
- Microsoft Dynamics 365
- Sage
- AuditBoard
- Workiva (*Lead Partner of Strategic Partnerships*)

Professional Experience

Daniel’s extensive subject matter expertise includes design assessment and operational effectiveness testing for all focus areas relevant to financial statement audits and SOX with an emphasis on IT general controls, as well as entity-wide assessments and ERM; auditing IT dependencies, such as key reports and spreadsheets, interfaces and automated controls; SOC 1 and SOC 2 reviews; cybersecurity risk assessments based on a number of leading industry frameworks; blockchain and distributed ledger technology; and a wide range of IT governance support, covering COSO, IT operations, cybersecurity and data privacy.

Prior to joining CFGI’s IT Risk Advisory practice, Daniel served as the IT Audit Subject Matter Expert at PwC’s National Office. Throughout his career, Daniel has provided IT SOX, SOC 1 & 2, Compliance and External Audit services to dozens of clients, from privately held startups to multinational banks.

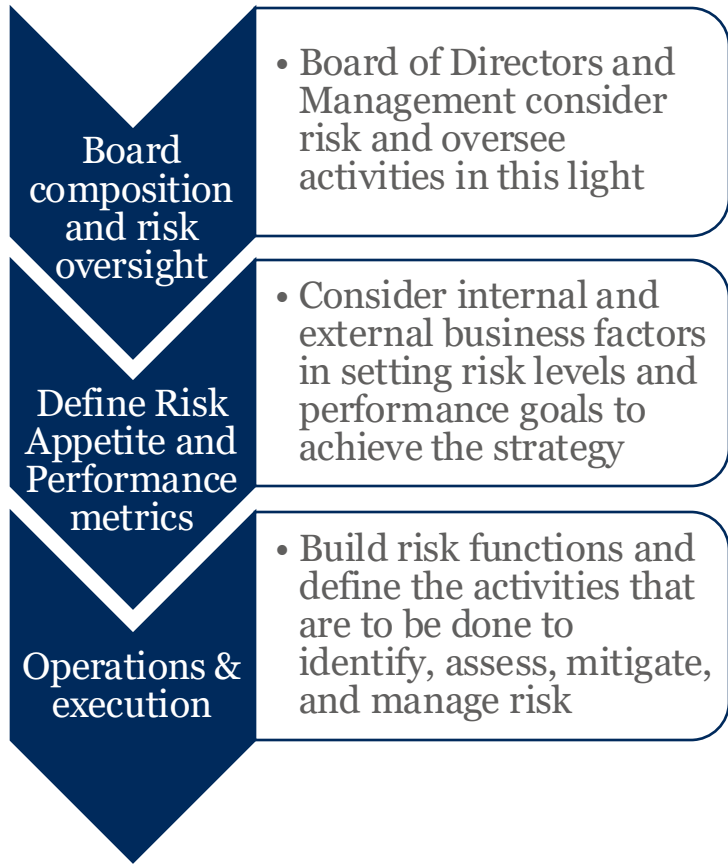
Education, Licenses & Certifications

- Bachelor of Engineering from the University of St. Andrews in the U.K.
- Chartered Accountant from the Institute of Chartered Accountants of Scotland (ICAS) in the U.K.
- Certified Information Systems Auditor (CISA)

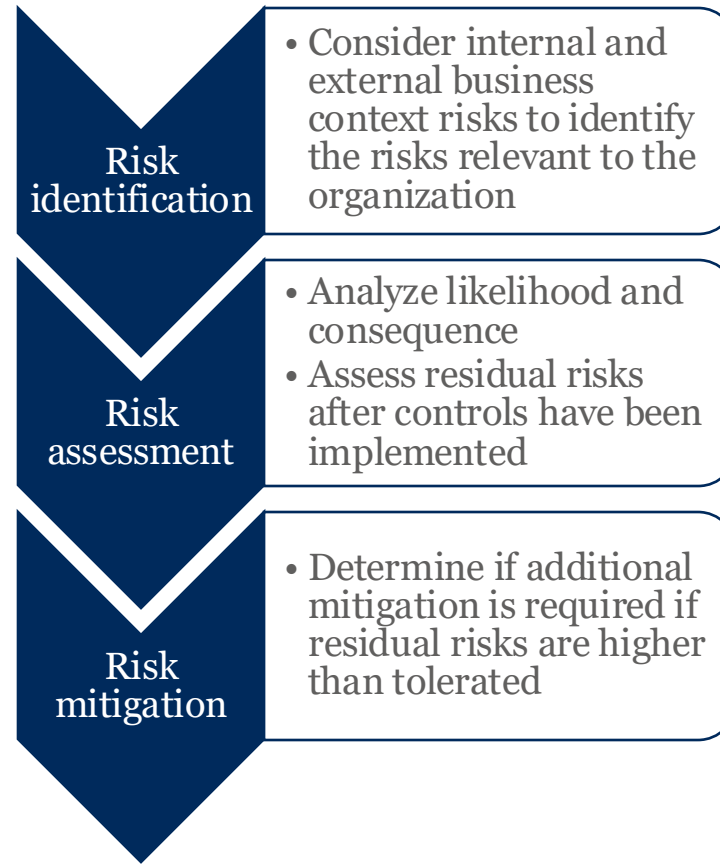
WHAT IS ENTERPRISE RISK MANAGEMENT?

Business strategy

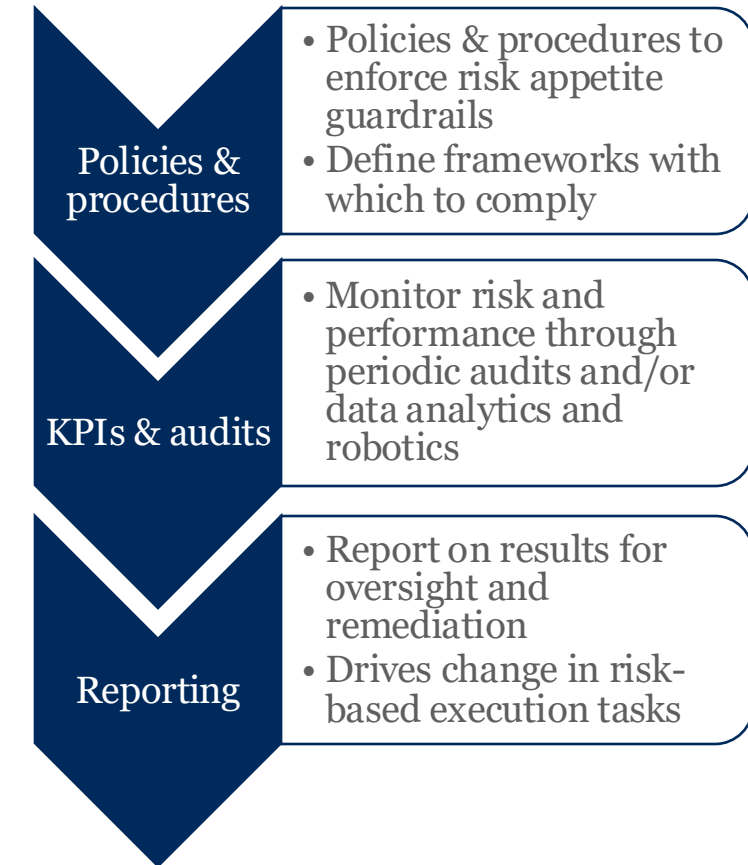
Governance



Risk

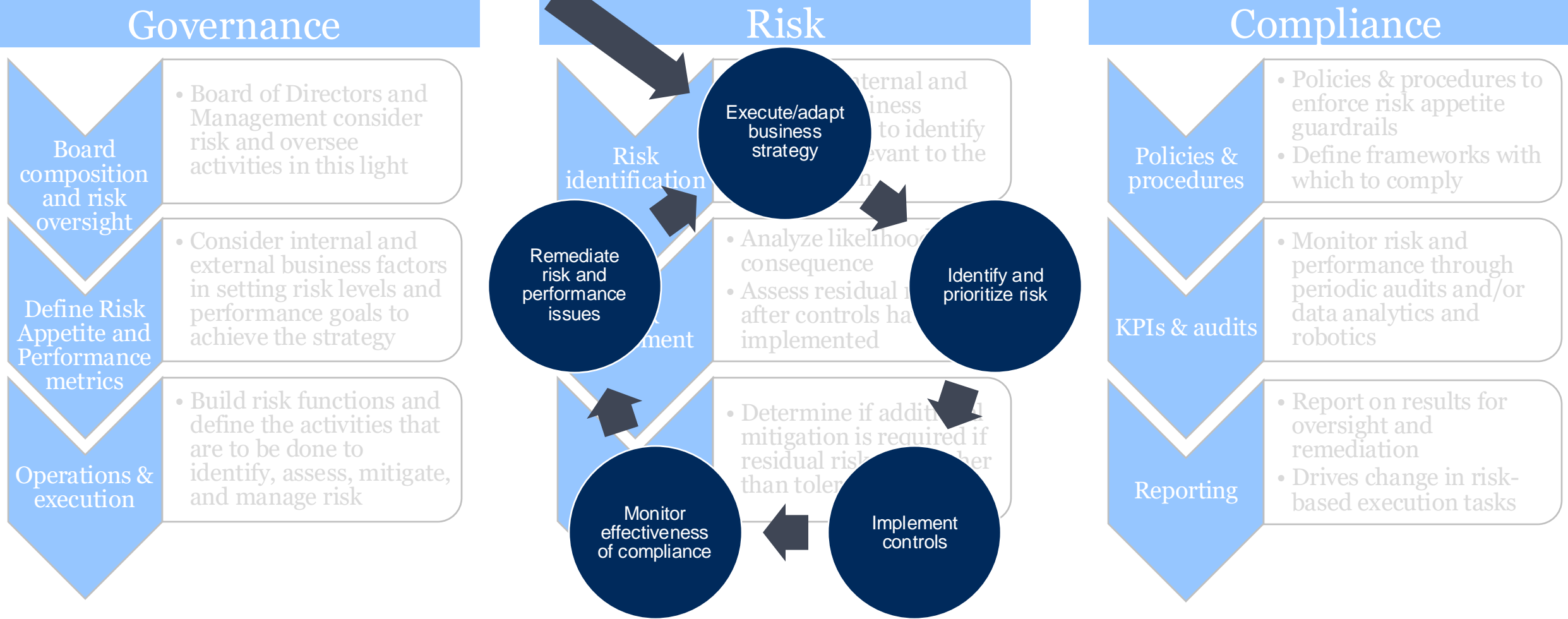


Compliance



WHAT IS ENTERPRISE RISK MANAGEMENT?

Develop business strategy while considering threats and opportunities in internal and external business context



THE EVOLVING ROLE OF THE ACCOUNTANT



THE RISK-INFORMED ACCOUNTANT

The value of identifying and assessing risk

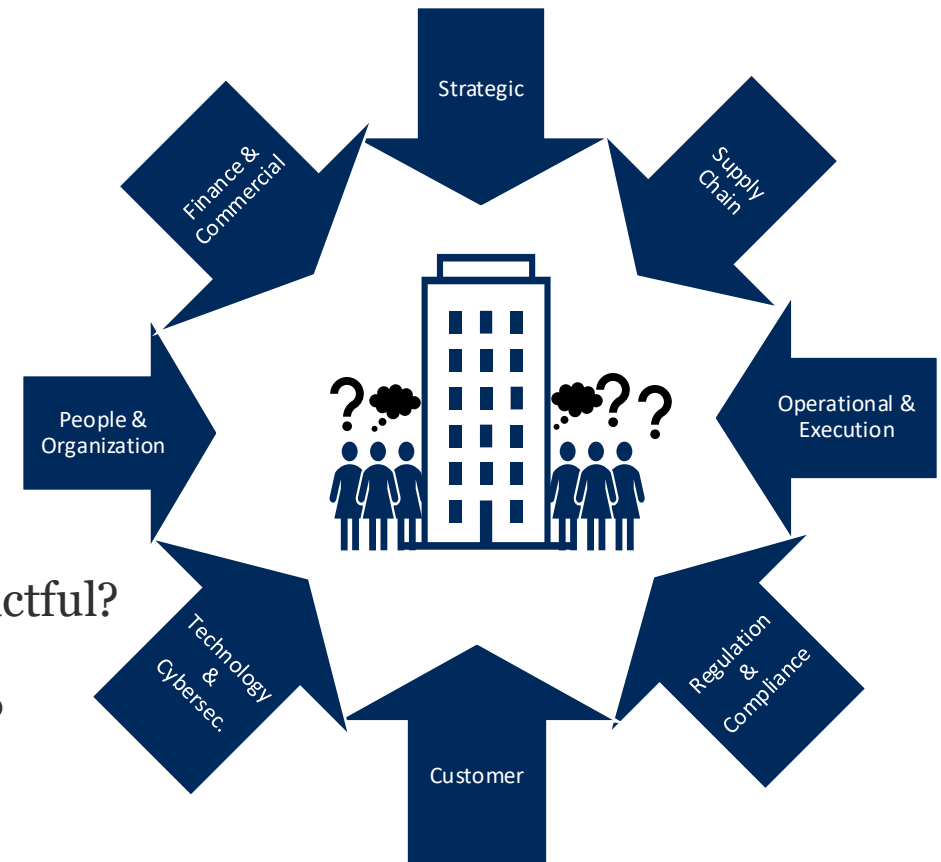
- Changes impacting the organization:
 - labor shortage
 - rising supply chain costs
 - cost of capital
 - customer expectations, trends, tastes
 - technological advances
 - wave after wave of new compliance expectations
 - ESG considerations
 - etc...



THE RISK-INFORMED ACCOUNTANT

The value of identifying and assessing risk

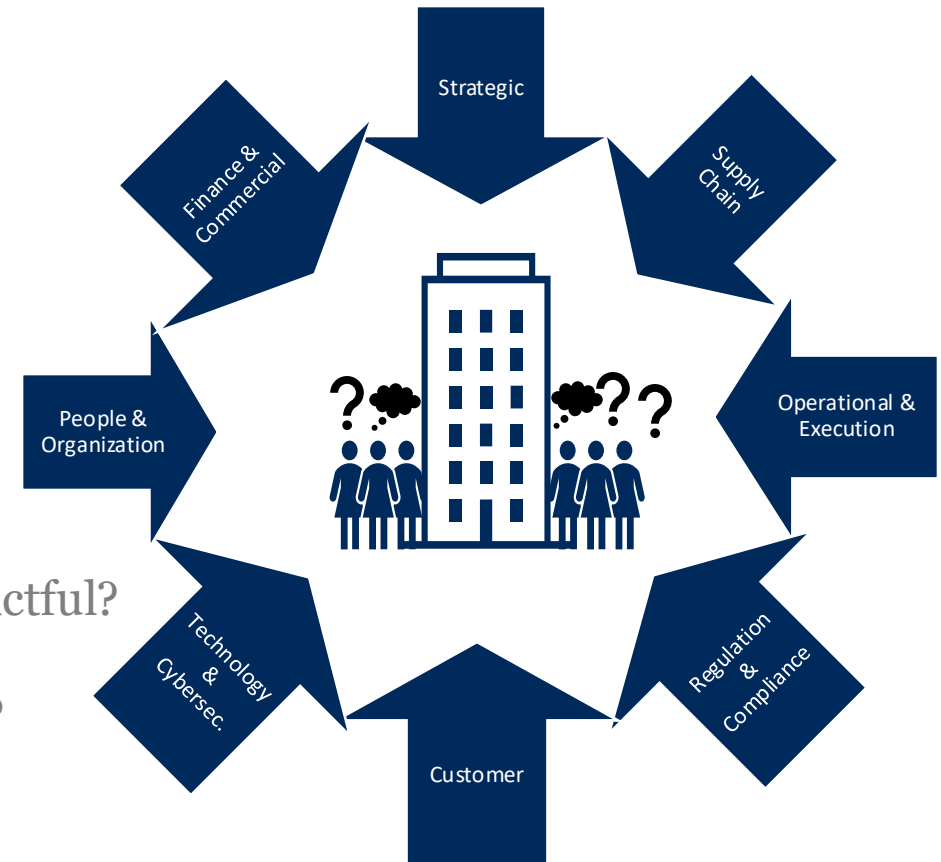
- Ask yourself:
 - Is this change relevant to my organization?
 - Do I have enough data and key stakeholder support to say if it is relevant and what it means?
 - Will the change create a threat and/or opportunity?
 - Am I prioritizing my attention to areas that are most impactful?
 - Are my resources being allocated to areas with lower ROI?
 - What market forces are at play?



THE RISK-INFORMED ACCOUNTANT

The value of identifying and assessing risk

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 - What market forces are at play?
 - ***What am I missing?!***



THE RISK-INFORMED ACCOUNTANT

The value of identifying and assessing risk... is MANAGING risk

- Strategic decisions can't be divorced from their risks and opportunities.
- Forward thinking leaders know that good strategy decisions are formulated with good risk data in mind to avoid blind spots.

THE RISK-INFORMED ACCOUNTANT

The value of identifying and assessing risk... is MANAGING risk

- Strategic decisions can't be divorced from their risks and opportunities.
- Forward thinking leaders know that good strategy decisions are formulated with good risk data in mind to avoid blind spots.
- ***Mature enterprise risk management (ERM) practices will help you avoid the following pitfalls:***
 - Strategic decisions are made with insufficient risk consideration
 - Leadership risk oversight is only focused on must-have compliance items
 - Management is reactive in responding to operational and compliance problems
 - Business units operate in silos rather than in alignment with one another in meeting enterprise objectives

THE RISK-INFORMED ACCOUNTANT

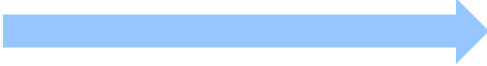
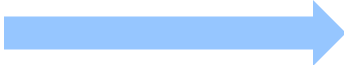

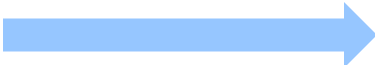

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Navigate Risk with Purpose

FUTURE TRENDS

Adoption of modern ERM practices

- Risk functions handled in silos  Enterprise Risk orchestration
- Risk functions' goals narrowly focused  Risk informs strategic decision-making
- Reporting and escalation within departments  Reporting to the Board and its committees
- Reactive responses to discrete events  Proactive monitoring and predictive analytics
- Excessive emphasis on risk considered a cost  ERM is seen as a competitive advantage

FUTURE TRENDS (REGULATORS' VIEWS)

Regulators weigh in

- The Chief Accountant's office at the Securities and Exchange Commission (SEC) issued a release to prompt companies and auditors to have a broader view of relevant risks when it comes to financial reporting and the effectiveness of internal controls over financial reporting (ICFR).
- The Chief Accountant emphasizes the need for a robust risk assessment process and strong entity level controls



Note that this is not a change in the rule, this is a statement/release by the SEC staff

FUTURE TRENDS (REGULATORS' VIEWS)

“Accordingly, we are troubled by instances in which management and auditors appear too narrowly focused on information and risks that directly impact financial reporting, while disregarding broader, entity-level issues that may also impact financial reporting and internal controls.”



FUTURE TRENDS (REGULATORS' VIEWS)

“Such a narrow focus is detrimental to investors as it can result in material risks to the business going unaddressed and undisclosed, thereby diminishing the quality of financial information.”



FUTURE TRENDS (REGULATORS' VIEWS)

“When business risks change, a robust, iterative risk assessment process and strong entity and process-level controls are essential to transparent and high-quality financial reporting. Auditors in their public gatekeeper role serve as an independent check on management’s performance of these critical functions and should transparently communicate with investors in accordance with PCAOB standards.”



USING ERM TO DRIVE POSITIVE CHANGE

Gauge the culture and appetite to use ERM beyond a tool for compliance

Seek key stakeholder support and champions

Start conversations to identify top risks

Be practical in your team's capacity to support full enterprise risk assessments

Start small (e.g. your department)

Think big (e.g. beyond the day-to-day)

Leverage what you already have in place (existing risk functions and Internal Audit)

Think of whether performance and incentives align with mitigation of top risks

Consider benchmarking and finding key metrics that might help



Q&A
