

Harnessing the Power of Data, Risk Management and Accounting Innovation

Risk management and control

Olumide Oshikoya

16 Jan 2025



The better the question. The better the answer. The better the world works.

The EY logo, featuring the letters 'EY' in a bold, white, sans-serif font. A yellow and blue graphic element, resembling a stylized 'Y' or a checkmark, is positioned above the 'Y'.

Shape the future
with confidence

The ICAN logo, featuring the letters 'ICAN' in a bold, blue, sans-serif font. Below the letters are three horizontal lines. Underneath the lines, the text 'THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA' is written in a smaller font, followed by the tagline 'Accuracy and Integrity'.

At the end of the session, participants should be able to;

- Appreciate the Fundamentals of Risk Management in the finance and accountancy sector
- Explore the concept of internal controls and its importance in the risk management process
- Discuss the role of technology in risk management and controls
- Recognize key skills, opportunities and development needs to empower young accountants

Agenda

- Importance of risk management in finance and accounting sectors
- Internal controls and its importance in risk management
- Role of Technology in risk management and controls
- Preparing for the future
- Empowering young accountants

What is risk management?

Risk Management is the process of identifying, assessing, and controlling threats to an organization's capital and earnings. These risks can stem from various sources, including financial uncertainties, legal liabilities, strategic management errors, accidents, and natural disasters.

Effective risk management involves a systematic approach to managing risks, which includes the following steps:

- Risk Identification: Recognizing potential risks that could affect the organization.
- Risk Assessment: Evaluating the likelihood and impact of these risks.
- Risk Mitigation: Developing strategies to manage and mitigate the identified risks.
- Monitoring and Review: Continuously monitoring risks and the effectiveness of the risk management strategies.



Why is Risk Management Crucial in the Finance and Accounting Sectors?

Risk management is particularly crucial in the finance and accounting sectors for several reasons:

1. Protecting Financial Stability
2. Regulatory Compliance
3. Enhancing Decision-Making
4. Safeguarding Assets
5. Building Trust and Reputation



Example 1: Financial Risk Management in Banking

Banks face various financial risks, including credit risk, market risk, and liquidity risk. To manage these risks, banks implement several strategies:

- Credit Risk:
- Market Risk:
- Liquidity Risk:

Example 2: Internal Controls in Accounting

Accounting departments implement internal controls to manage operational and financial risks:

- Segregation of Duties:
-

- Reconciliation:
- Audit Trails:

Example 3: Cybersecurity in Financial Services

Financial institutions are prime targets for cyberattacks. To manage cybersecurity risks, they implement the following measures:

- Data Encryption:
- Multi-Factor Authentication (MFA):
- Regular Security Audits:.

What are internal controls?

Internal controls

Internal controls are processes, policies, and procedures implemented by an organization to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud. These controls are designed to provide reasonable assurance that the organization's objectives in operational efficiency, financial reporting, and compliance with laws and regulations are achieved.



Type of controls

Type of control	Manual	Manual Controls	
	Automated	IT dependent manual controls (ITDM)	
		Application controls	
Objective of control		Prevent	Detect and correct

Importance of internal controls in Risk Management



Ensuring Accuracy and Reliability of Financial Reporting

Example: Implementing a reconciliation process where bank statements are regularly compared with accounting records helps identify and correct discrepancies, ensuring accurate financial reporting.



Preventing and Detecting Fraud

Example: Segregation of duties, where different employees are responsible for authorizing, processing, and recording transactions, helps prevent fraudulent activities by ensuring that no single individual has control over all aspects of a financial transaction.



Promoting Operational Efficiency

Example: Implementing standardized procedures for procurement and inventory management helps ensure that resources are used efficiently and reduces the risk of overstocking or stockouts.



Ensuring Compliance with Laws and Regulations

Example: Establishing a compliance program that includes regular training, monitoring, and reporting helps ensure that employees are aware of and adhere to regulatory requirements, reducing the risk of non-compliance.



Protecting Assets

Example: Implementing access controls and security measures to protect physical assets and sensitive information helps prevent unauthorized access and potential theft or misuse.



Enhancing Accountability and Transparency

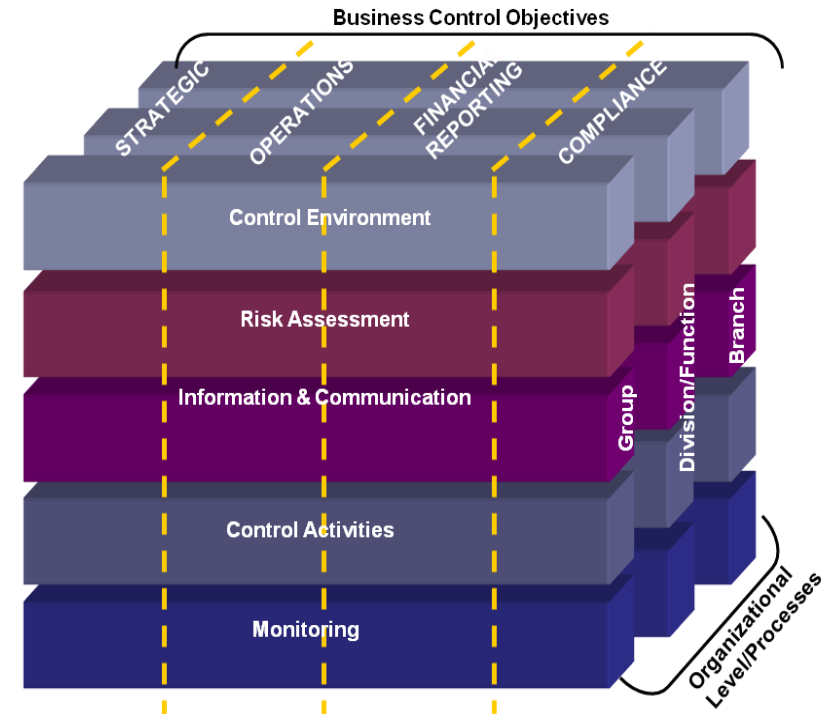
Example: Establishing clear policies and procedures for financial transactions and requiring regular reporting and review by management enhances accountability and transparency.

Steps to design and implement effective internal controls within an organization

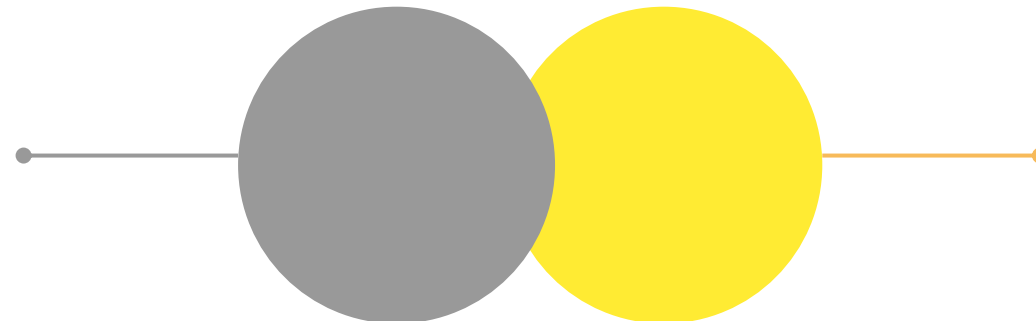
- 1. Understand the Organization's Objectives and Risks**
 - ▶ Identify Objectives:
 - ▶ Assess Risks:
- 2. Establish a Control Environment**
 - ▶ Set the Tone at the Top:
 - ▶ Define Roles and Responsibilities:
 - ▶ Develop Policies and Procedures
- 3. Design Control Activities**
 - ▶ Preventive Controls:
 - ▶ Detective Controls:
 - ▶ Corrective Controls:
- 4. Implement Control Activities**
 - ▶ Communicate Controls
 - ▶ Train Employees:
 - ▶ Integrate Controls into Processes:
- 5. Monitor and Evaluate Controls**
 - ▶ Ongoing Monitoring:
 - ▶ Periodic Evaluations:
 - ▶ Feedback Mechanisms:
- 6. Respond to Identified Issues**
 - ▶ Investigate Issues:
 - ▶ Implement Corrective Actions:
 - ▶ Update Controls:
- 7. Document and Report**
 - ▶ Document Controls:
 - ▶ Report to Management and the Board:
- 8. Continuous Improvement**
 - ▶ Stay Informed:
 - ▶ Adapt and Improve:

Key Risk management Frameworks - COSO Framework

- ▶ COSO defines several control objectives and components that are illustrated in the COSO cube.
- ▶ A direct relationship exists between objectives, which are what an entity strives to achieve, components, which represent what is required to achieve the objectives, and the organizational structure of the entity (the operating units, legal entities, and others).



The Framework sets forth the requirements for an effective system of internal controls, that provide reasonable assurance regarding the achievement of an entity's objectives.



It consists of five (5) basic components, which in turn are set out in seventeen principles representing the fundamental concepts of each component.

Key Risk management Frameworks- ISO 31000

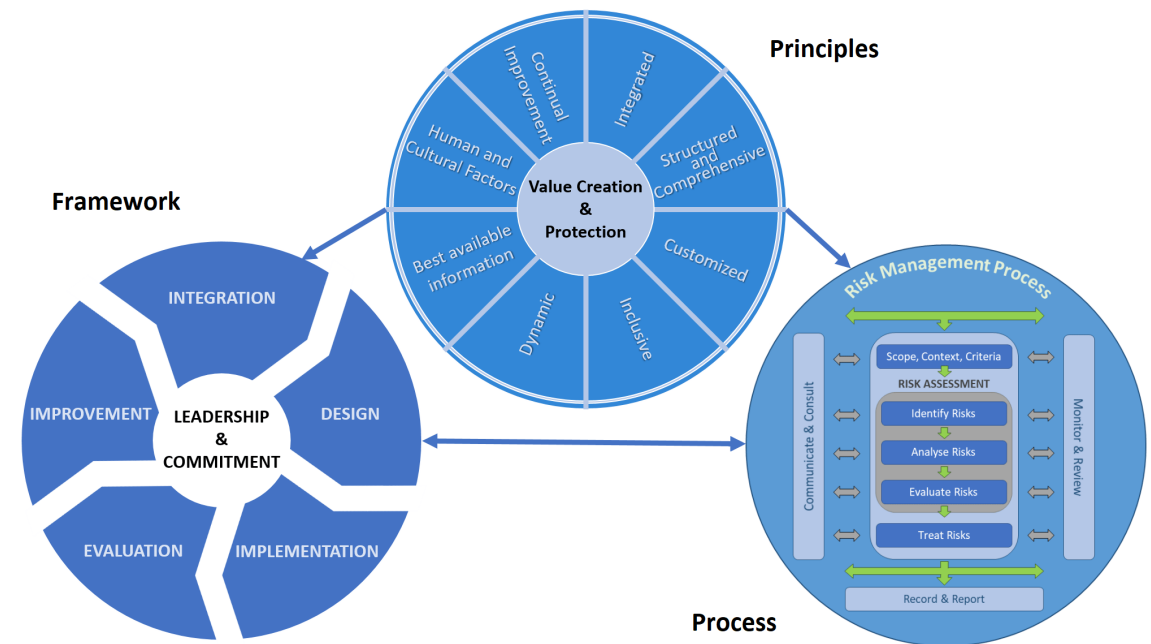
ISO 31000 is an international standard for risk management, providing guidelines and principles to help organizations manage risks effectively. The core purpose of ISO 31000 is to create and protect value within an organization by improving risk management practices.

Principles: The standard outlines eight principles for effective risk management, including integration, structured and comprehensive approach, customization, inclusiveness, dynamism, best available information, human and cultural factors, and continual improvement¹.

Framework and Process: ISO 31000 emphasizes the importance of a robust risk management framework and process. This includes establishing the context, assessing risks, treating risks, monitoring and reviewing, and communication and consultation

Implementation: Organizations that adopt ISO 31000 can better identify, assess, and manage risks that could impact their objectives. This leads to improved decision-making and resilience.

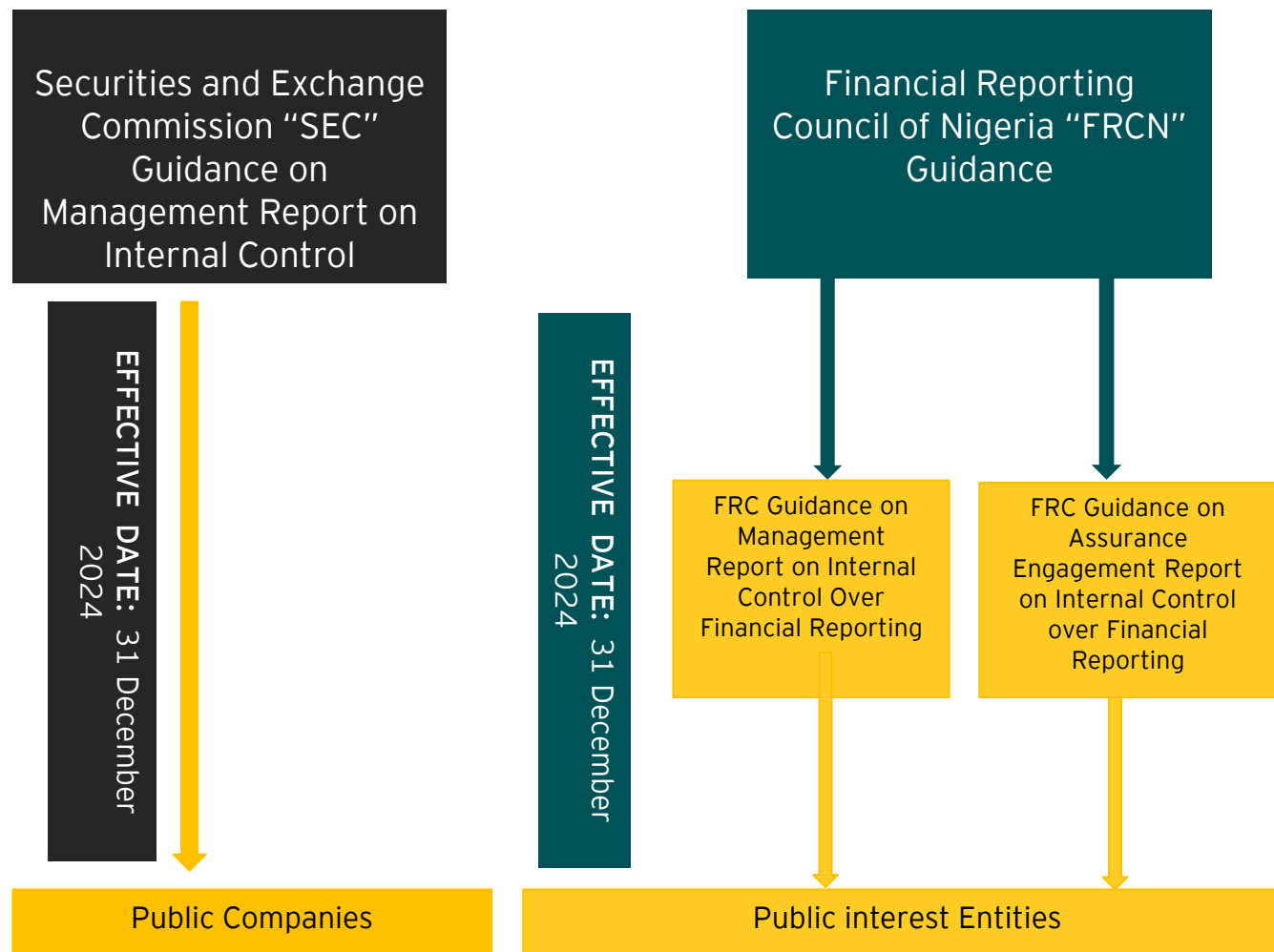
Global Relevance: The standard is applicable to any organization, regardless of size, industry, or sector, making it a versatile tool for risk management across various contexts.



Risk Management and Financial Reporting - Internal controls over financial reporting

Internal control over financial reporting

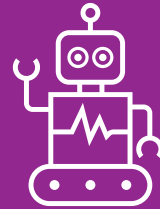
"Internal Control over Financial Reporting" is defined as a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles





Data Analytics:

How data analytics can be used to identify and assess risks.



Artificial Intelligence and Machine Learning:

How data analytics can be used to identify and assess risks.



Cybersecurity:

Importance of cybersecurity measures in protecting against digital risks

Skills and Competencies:

1. Technical Accounting Skills
 - a. Financial Analysis
 - b. Auditing
 2. Risk Assessment and Management
 - a. Risk Identification
 - b. Risk Mitigation
 3. Analytical and Critical Thinking
 - a. Data Analysis
 - b. Problem-Solving
 4. Technology Proficiency
 - a. Data Analytics Tools
 - b. Cybersecurity Awareness
 5. Regulatory Knowledge
 - a. Compliance
 - b. Ethical Standards
 6. Communication and Interpersonal Skills
 - a. Effective Communication
 - b. Collaboration
 7. Project Management
 - a. Planning and Organization
 - b. Time Management
 8. Continuous Learning and Adaptability
 - a. Staying Informed
 - b. Adaptability
- **Certifications and Training:** Refer to next slide
 - **Career Opportunities:** Discussing various career paths in risk management and control.
 -

Certifications

- Certified Risk Manager (CRM)
- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA)

Benefits of Certifications

- Validates expertise and knowledge.
- Enhances credibility and marketability.
- Provides opportunities for career advancement.

Professional Organizations

- Chartered risk management institute of Nigeria (CRMI)
- Institute of Internal Auditors (IIA)
- Information Systems Audit and Control Association (ISACA)

Potential Career Paths:

- Risk Analyst
- Compliance Officer
- Internal Auditor
- Risk Manager

Career Progression:

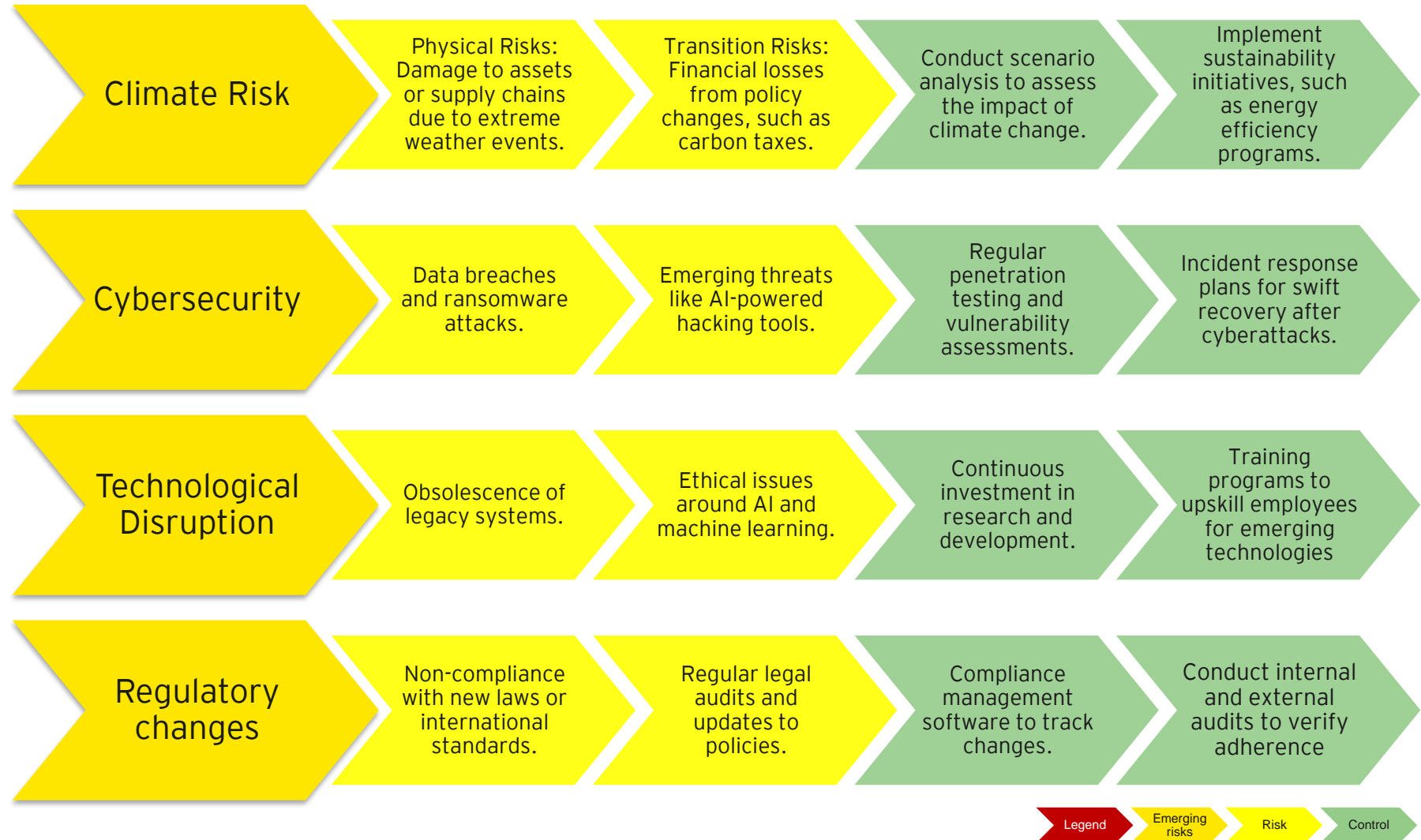
- Entry-Level: Risk Analyst, Junior Auditor
- Mid-Level: Risk Manager, Compliance Manager
- Senior-Level: Chief Risk Officer (CRO), Director of Risk Management

Opportunities for Growth:

- Continuous learning and professional development.
- Networking and mentorship.

Preparing for the future: Emerging Risks and Controls

Emerging risks are new or evolving risks with the potential to significantly impact organizations. These risks require forward-thinking strategies and adaptive controls.



- Risk management and internal controls is crucial for safeguarding assets and ensuring organizational stability.
- Effective risk management practices lead to tangible benefits such as reduced fraud, improved safety, and stronger cybersecurity.
- Proficiency in risk management skills and certifications significantly enhances career prospects and job opportunities
- Building professional relationships and engaging in continuous learning are essential for career growth in risk management
- Upholding ethical standards in risk management builds trust, protects reputation, and ensures compliance with regulations



Q&A