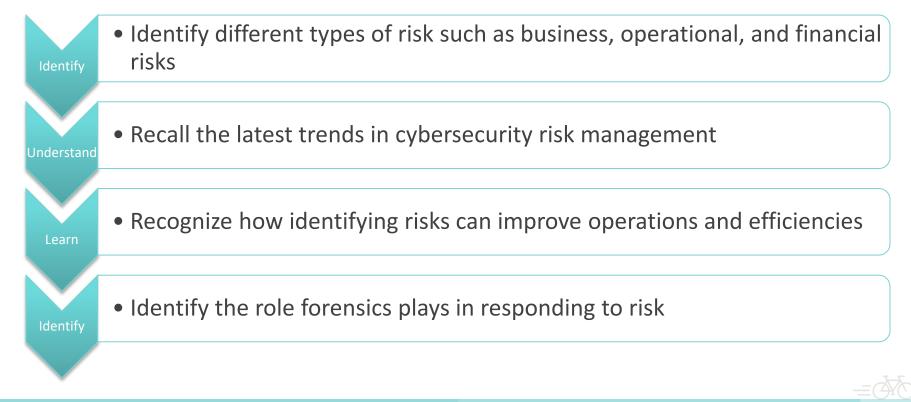


Navigating Risk: Strategies for Successful Risk Management April 2023

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At the End of this Session, You Will Be Able to:





Today's Presenters









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Areas for risk:

understand the risks it faces?

Does your organization

Operational

Financial





Is management aligned?





Exposure to situations/factors that could lower profits/value, disrupt operations, or impair reputation

Current events that could impact the business

What is Risk?

Impact of Risk

- Once identified
 - What is the likelihood and impact?
 - Areas of impact
 - Financial
 - Legal
 - Strategic
 - Reputation
 - How do you measure the impact?
 - How do you want to manage/mitigate the risk?
 - Think about risk and its effects at every level and turn





Benefits in Addressing Risk





Risk is not all negative

What do you accept, what do you avoid and what do you mitigate?

Reducing risk can

Increase business value

Improve profits

Maintain/grow operational activity

More agile workforce





Types of Risk

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Definition

Do you have inefficient operations/divisions?

Are your processes more manual where you can implement technology for further leverage?

What can go wrong?

- •Transaction processing errors
- •Lawsuits from employees
- •Controls not performing as intended
- •Inability to implement price increases in response to inflation
- •Inability to respond to red flag indicators
- •Outgrowing capacity
- •Business disruptions due to cyberattacks





Financial

Definition

Is the accounting/finance department sell staffed?

Are there adequate segregation of duties?

What can go wrong?

- Erroneous financial reporting
- Fraudulent financial reporting
- Loss of key relationships
- Inaccurate inventory records

Examples





Definition

Organization's ability to meet business needs, comply with laws and regulations, etc.

How fast are regulations/laws changing?

What can go wrong?

- Non-compliance with regulations (fines, penalties)
- Damage to reputation
- Lack of awareness of changing regulations/laws
- New state nexus (sales/income tax)
- Inability compete / bid in certain industries







Definition

Are automated workflows available used versus a manual process?

Is access based on job roles with defined processes for granting/changing/removing access?

What can go wrong?

- •Technology not capable of accommodating growth
- Fraudulent vendors or employees created
- •Controls circumvented
- •Cyber attack

Examples



Cybersecurity

Upward trending of cyber attacks and data breaches

- Ransomware as an industry
- Exfiltration and double-extortion
- Critical infrastructure
- "Patching your people"

Continued Adoption of Cloud and As-A-Service

- Hybrid is becoming the norm
- Convergence of Cloud Environments
- Additional Layers of Security
- Opportunities for

Regulations

- GLBA and FTC Safeguards Rule
- Cybersecurity Maturity Model Certification (CMMC)
- DFARS and NIST SP800-171

Artificial Intelligence Going Rogue

- Automation, predictive analytics
- Big data
- Interactive AI (ChatGPT)
- Many are calling for a pause





Strategic Risk



Definition



What can go wrong?

Loss of an owner or key member of management External factors not planned for Lack of sufficient resources Inability to attract and retain talent Loss of key customer or vendor



Examples

Succession planning Strategic business plan Synergistic acquisitions Strong culture



Internal Control

Internal control is:

- A process consisting of ongoing tasks and activities (procedures) supporting management's expectations (policies)
- Effected by people (Board, management, personnel)
- Able to provide reasonable assurance, not absolute assurance
- Geared to the achievement of objectives (operations, reporting, and compliance)
- Adaptable to size and complexity of an organization

Strong processes and internal controls will help us mitigate:

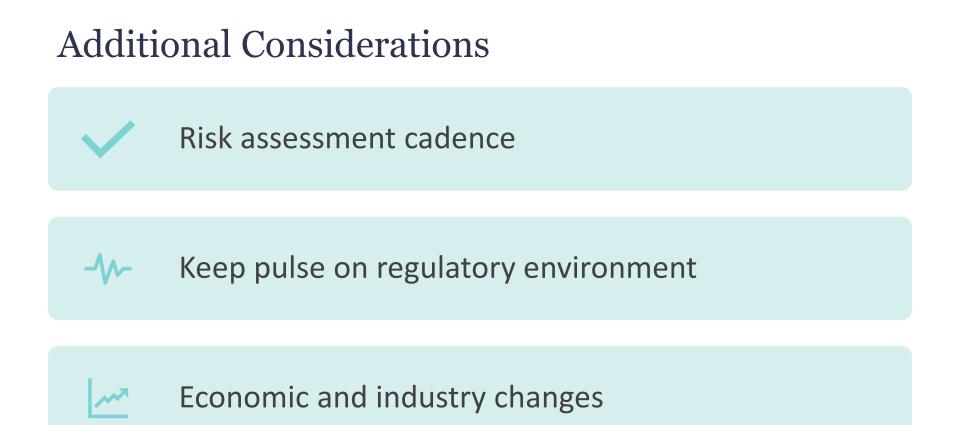
- **Operational Risks** effectiveness and efficiency of operations
- *Compliance Risks* compliance with applicable laws, regulations, other
- *Financial Risks* reliability of financial reporting and misappropriation of assets
- Technology risks general controls, cybersecurity



Current Events

- Open discussion on some recent events in the news where risk has impacted a business
 - What lessons were learned?







Questions?

Please type any questions or feedback you have in the chat!

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