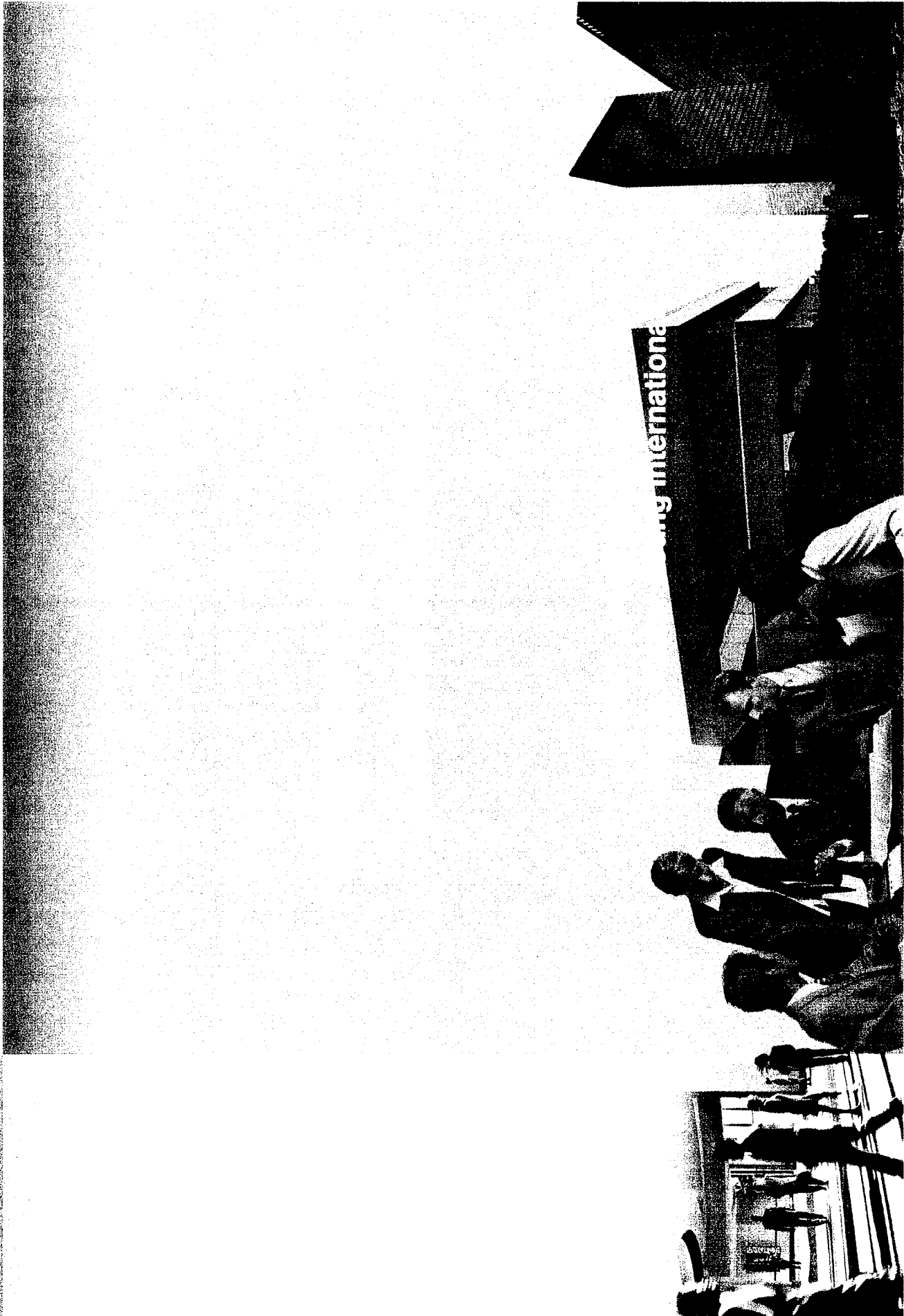


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## Outline

- Migration towards greater accountability
- What is accountability?
- The control environment
- Why risk management is key?
- Main risks
- Risk management players

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## Towards Greater Accountability

### From

- Impunity
- Acceptance
- Fragmentation
- Blind faith
- Wastefulness
- Reaction
- Carelessness

### To

- Real liability
- Skepticism
- Coordination
- Limited trust
- Stewardship
- Prevention
- Accountability

*The focus is on Accountability...*

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## What is Accountability?

- Agreeing to meet certain objectives
  - Economically, effectively, efficiently and ethically
- Being responsible for
  - Working within agreed limits
  - Due professional care
  - Avoiding problems before they occur
  - Setting the tone and ensuring that it 'sticks'

*The Control Environment encompasses all this...and more*

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## The Control Environment

It's the basic *culture* of an Organization

- Leadership sets the tone
- Objectives must be understood and accepted
- Efforts are designed to meet objectives
  - Policies and procedures must enable
  - Processes and systems must deliver
  - Management and staff must be competent

*Forms the basis of Trust...*

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## But, Trust must be Verified

- From different perspectives
- Broadly across the organization
- More deeply in sensitive areas
- Independent of management
- In a coherent manner
- With an integrated view
- With the possibility of improvement

*And we do this by looking at Risk...*

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## Why Risk Management is Key?

- With any Objective, risks emerge, therefore:
  - Understand the risks
    - Identify
    - Assess and predict exposure
    - Decide what to control, and how
    - Decide what residual exposure will be managed
  - Report the efforts and results
  - Verify independently
  - Make changes as needed

*So, we need to keep on top of Risk...*

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## Consider the following

- Risk reality
- Changing habits
- Principles to follow
- A suggested framework to use

## Risk Reality

- The word is avoided
- It's sometimes hard to identify
- It's measured with difficulty
- Managed selectively and reluctantly
- Assessed too cautiously
- Overseen too infrequently
- Over-reacted to when it occurs

*Habits need to change...*

## Ways to change habits

Audit Committees and Boards introduce:

- Control Framework
  - Consistent risk language
  - Stable reference point
  - ‘Forces’ and integrated approach
  - Enterprise-wide view of risk
  - Assigns responsibilities
  - Encourages accountability

*But, principles need to be established first...*

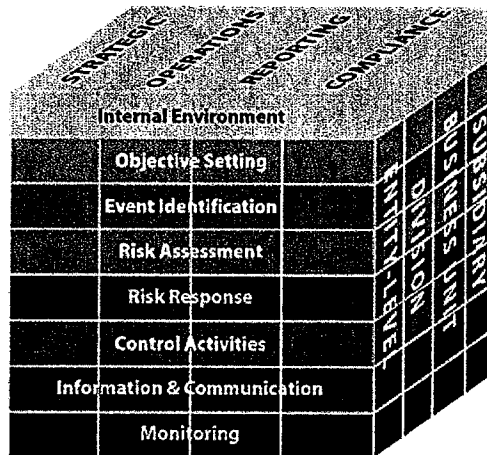
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## Principles to follow

- Establish risk management objectives
- Decide on a risk policy and tolerances
- Use a well known framework (COSO)
- Assign roles and responsibilities
- Assess progress
- Demand independent verification
- Hold accountable
- Follow up

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## COSO Framework



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## Main Risks

- Strategic – making the right choices
- Operational – doing things the right way
- Financial – doing it economically
- Reputation
- Fraud and corruption
- Ignorance
- The 'blind spot'

*Hence the need for different views on the same risk issues*

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## Risk Management Players

- **Management confirms**
  - Results are in line with agreed *objectives*
  - *Risks* are identified and managed appropriately
  - *Control environment* is an enabler
- **Internal Audit verifies**
  - Management is telling the truth
- **External Audit verifies**
  - Financial controls and information is reliable
- **Audit Committee**
  - Whole arrangement is satisfactory
  - Management is being held accountable

*All must work together...*

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## Some Conclusions

- Control environment requires a framework
- Framework requires an assessment of risk
- Risk is therefore managed more effectively
- Accountability is enhanced if:
  - All risk management players perform
  - Proper follow-through
  - Sufficient follow-up

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## Questions?

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