

# ACCOUNTANCY AND RISK MANAGEMENT: OUR ROLE

Presentation by:

Irene Koki Muasya

# Why do organizations exist?



Organizations exist to provide value

Private sector- maximize shareholders wealth.

Public sector - provide services for the public good.

Not-for-profit organizations alleviate a need within society

## Shareholder Value



# Risk Management



☐ <https://www.bing.com/videos/search?q=risk+management+funny+clips&&view=detail&mid=7165C4DE3FE4172C57EF7165C4DE3FE4172C57EF&rvsmid=DAE0C70B87E398E8A632DAE0C70B87E398E8A632&FORM=VDRVRV>

—

# Risk Management



❑ What is a Risk?

❑ According to ISO 31000,  
A **risk** is the effect of  
uncertainty on objectives



❑ **Risk management** is therefore  
fundamentally about making **decisions** in  
the context of **uncertainty**. It involves  
understanding the past, present and  
possibilities for the future.

# Enterprise Risk Management (ERM)



- . ERM gives the board and managers a better understanding of how risk affects the voice of strategy. It also provides confidence that all levels of the organization are attuned to the risks that can impact strategy and performance, and that these are proactively being managed.

.

# Integrated Risk Management



To a great extent, anyone and everyone in an organization is, or should be, a risk manager.

Integrated risk management can be regarded as the holistic implementation of risk management through sound decision-making and day-to-day business activities rather than as a separate activity. The real value of accountants is in providing reliable information from which to make good decisions. Good decisions mean less risk.

# Where do accountants come in?



❑ The role of accounting is to provide stakeholders with financial information about the company, to enable them make good decisions

❑ Accountants do this through:

- Analyzing Expenses and Revenue
- Creating Budgets and Forecasting Ideas for Growth
- Providing Financial Information to Steer Company Decisions



# Role of Accountants in ERM



To drive more effective ERM, management must draw upon the chief financial officer, accountants and finance function to ensure risk management practices provide a holistic understanding of opportunity and risk linked to objectives and value creation.

# Accountants Role in Risk Management



- ❑ Business requires taking risks and seizing opportunities to achieve success. The accountant's primary role in ERM is not solely to mitigate risk, but to promote and facilitate effective risk and opportunity management in support of value creation and preservation over time.

# Accountants Role in Risk Management



- Ensure that the processes used to deliver the information used in forecasts are of sufficient quality by providing 'risk-adjusted' forecasts and projections
- Help leadership make informed and intelligent decisions, considering what can be done to positively affect the future path and the achievement of objectives.
- Improve the internal control program of an organization in an effort to manage and reduce risk

# Accountants Role in Risk Management



- Align risk management with value creation and preservation
- Drive insights and enable decisions through provision of risk modelling and analytics, data governance and identification of organization's risk appetite
- Enable integration and interconnectivity by breaking down siloes across the organization to share information

# Accountants Role in Risk Management



- Avoid dysfunctional behavior in decision making. Dysfunctional behaviors include making decisions while unaware of the relevant risks, self-interested behaviors such as deliberate understatement of risks or overstatement of benefits to get approval for a proposal. Such dysfunctional behaviors include many causes of strategy failure

# Examples of Corporate Failures



<https://www.accounting-degree.org/scandals/>

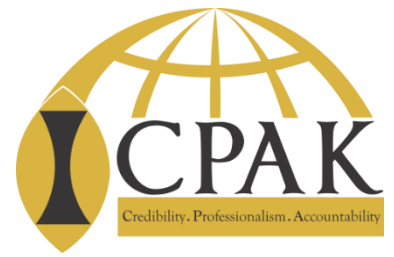
<https://www.youtube.com/watch?v=8UwSUDvWBBU>



# Examples of Corporate Failures



# Examples of Corporate Failures



# Risk and Decision making



- ❑ Businesses face decisions almost every day. Each business decision carries an element of risk. The key aspect of making the right business decisions comes from determining the balance between **risk and reward**. Companies that expose themselves to high risks with minimal rewards can gamble themselves right out of business. At the other extreme, firms that play it too safe can miss out on growth opportunities.

# Harnessing the upside of risk



# What creates the above successes?



**Vision**

**Strategy**

**Innovation**

**Growth**

# Accountants and Innovation



The accountant's role has evolved from that of a bean counter to that of a strategic business partner. As part of enhancing and preserving organization value, accountants must embrace the upside of risk by facilitating innovation.

.

# Accountants and Risk Education



It is now critical to better integrate risk management into professional education and training for accountants, and to improve the relevance and quality of continuing professional development (CPD).

.

# Q&A



If you don't invest in risk management, it doesn't matter what business you're in, it's a risky business.

— Gary Cohn —

AZ QUOTES

# Thank You!



"I believe that one of  
life's greatest risks  
is never daring to risk."

~ Oprah Winfrey