

The background of the page is a photograph of a snowy mountain peak. Several hikers are seen ascending the slope. The hiker in the foreground is wearing a dark jacket with orange accents and is using a yellow ice axe. The sky is a clear, bright blue. The overall scene conveys a sense of challenge and risk.

RISK ADVISORY SERVICES

BDO MALTA



OVERVIEW

Identifying all the risks which may impact your organisation may be difficult. Unforeseeable risks may impact your business at any time. The consequences of being unprepared can be extreme. Disruption, in its widest form, is not about to disappear.

Any successful organisation knows that managing risks and the impacts of disruption is critical. As an organisation, you would want to do this within a well-defined risk management structure. Effective risk management provides the frameworks, mindset, and culture to look towards your future with confidence and clarity.

Well planned and tested risk management practices generate extraordinary value-added for your business. Organisations need to set their risk management framework which, will not only determine the risk management process, but also establishes the required protocols for enabling risk communication and the sharing of risk information. The framework assigns also the different roles required to ensure a best-practice risk management process.

Organisations are required to manage their risk profile to protect themselves from threats which may affect their interests and objectives, their market share, and their future perspectives.



RISK GOVERNANCE & FRAMEWORK

Establishing sound and reliable governance practices is integral for every organisation. As companies continue to expand their services, grow and evolve over time, it is imperative to always focus on efficiency in risk management, the development of an effective control environment and delivery of strategic goals to meet the expectations of both internal and external stakeholders.

The creation of comprehensive and supportive governance, risk and control frameworks should therefore be a top priority for all organisations, but the presence of strong governance can no longer be viewed as a reactive process. Instead, when faced with increasing uncertainty, organisations must take a proactive stance to manage risk and realize those opportunities that align with their stakeholder needs.

Organisations should implement governance, risk and control frameworks that address:

- ▶ structural or internal processes that have changed within the organisation;
- ▶ increased risk/complexity that has emerged within the organisation's sector;
- ▶ failures within the organisation's existing framework; and/or
- ▶ a new/updated regulation or legislation that affects the organisation.

BDO offers the following services:

Governance frameworks

Design and implementation of a risk governance framework that ensure effective support and delivery of organisational priorities and strategy.

Risk assessment and monitoring

Identification of internal and external risk factors, including 'horizon scanning'.

Control environment support

Identification of expected standards of conduct and internal controls on processes.

Training and engagement

Training to improve risk and control capabilities.

BDO aims to help organisations in achieving:

- ▶ clear accountability;
- ▶ increased efficiency and cost control;
- ▶ greater visibility; and
- ▶ increased agility through a sustainable model.



ENTERPRISE RISK MANAGEMENT

The business world is facing change at an unprecedented rate. Gone are many of the old certainties.

However, change brings with it risk. Organisations are facing risks of different shapes and forms: political, economic, social, technological, legal, environmental, and the list goes on. Each of these risks requires a measured and calculated response, in an appropriate time-scale.

Ratings agencies, listing exchanges and regulators around the world expect management to identify, assess and respond to risks in a prudent and structured manner. In addition, the board of directors is expected to share in management's responsibility for risk management and assessment.

As broader stakeholder expectations for risk management and risk assessment continue to increase, many board members and senior executives have come to appreciate the benefits of enterprise risk management (ERM). In particular, they expect their organisations to:

- ▶ achieve clearly articulated, high-level goals and objectives;
- ▶ use capital and other resources effectively and efficiently;
- ▶ report transparent and reliable operational and financial data; and
- ▶ maintain compliance with the most recent regulations and laws.

Board committee members and senior executives often need advice and assurance that they are providing effective risk management to the enterprises they serve. BDO helps organisations design and implement practical and cost-effective enterprise risk management solutions.

BDO assists organisations in creating ERM programs and improving processes for managing strategic, operational, financial, regulatory, and compliance risks.

At BDO, we believe that understanding the nature and extent of likely risks, and how to deal with them can be complicated enough without wrapping the whole process holistically from an enterprise-wide perspective.



OPERATIONAL RISK MANAGEMENT & BUSINESS CONTINUITY PLANNING

Organisations in industries face operational risk wherever they turn. This includes risks arising from employee conduct, third parties, data, business processes, controls, as well as cultural, moral, and ethical risks. All these types of risks are layered on top with technology risks, which are compounded as organisations embrace new technologies like automation, robotics, and artificial intelligence.

Operational risk is the risk of doing business. Small control failures and minimized issues if these are left unchecked or not tested, can lead to greater risk materialization and firm-wide failures. This may lead to a chain reaction that can be fatal to an organisation's reputation and possibly even to its existence.

The maturity of operational risk varies by industry. However, all successful organisations recognize that greater awareness and appreciation across boards and C-suite executives lead organisations to better recognize, manage, and understand operational risk management steps.

To prevent an event that could cripple or cease business, organisations should consider gaining a better understanding of their operational risk profiles as well as their risk appetite and tolerance. Leaders should formulate and adopt their own risk culture. They also need to prioritize, understand, and better articulate the materiality of the risks which their organisation is facing, in an effort to make informed decisions that balance organisational needs, client and customer demands, product and service specifications, and shareholder requirements.

With stakes this high, it is time to make operational risk management an organisational imperative and recognise the process as a critical C-suite tool. Effective management of operational risk can encourage greater risk taking and increased visibility.



BUSINESS RISK ASSESSMENTS

The business risk assessment (BRA) lies at the heart of the risk-based approach underpinning current AML/CFT regulatory frameworks. The BRA is a regulatory obligation that has been drawing increased scrutiny by supervisory authorities.

The BRA enables organisations to develop a thorough understanding of the inherent and residual ML/FT risks present in their customer base, products, delivery channels and services offered and the jurisdictions within which they or their customers do business.

The BRA is considered as one of the foundations of the AML/CFT framework. BDO can help organisations by facilitating the identification, assessment and understanding of their AML/CFT risk exposure in order for them to be able to take appropriate mitigating steps to align residual risk exposure with their risk appetite in line with this recommended approach.

CUSTOMER RISK ASSESSMENTS

The Customer Risk Assessment (CRA) is an integral part of customer due diligence measures when on-boarding customers. This assessment gains more importance under the EU 4th and 5th EU AML Directives and the FIAU's Implementing Procedures. Subject persons need to have documented customer risk assessments which are maintained throughout the duration of the business relationships.

BDO can assist organisations in:

- ▶ carrying out and recording customer risk assessments;
- ▶ determining the correct level of customer due diligence to be applied; and
- ▶ maintaining and updating the customer risk assessments.



INTERNAL AUDIT

For large and small businesses, we design appropriate internal audit functions – from conducting an assessment of risk across the organisation, to reporting findings to management, the board, and other stakeholders. We not only identify issues, but we work with management to implement tailored solutions and put the appropriate controls in place.

Regardless of a client's industry – or whether an internal audit department already exists – BDO creates a framework individually suited to meet each company's needs.

Some of the services offered include:

- ▶ Internal Audit Outsourcing
- ▶ Quality Assurance Review
- ▶ Process and Internal Controls Consulting
- ▶ Continuous Auditing Monitoring

Internal Audit has always been one of the cornerstones of good corporate governance. However, increased regulation, greater public scrutiny and increased globalisation have seen the importance of an effective internal audit function enhanced at Board, Audit Committee and Executive level. Furthermore, management are increasingly looking to Internal Audit for advice over control frameworks as an integral part of driving value from their business.

The provision of Internal Audit is no longer just a box ticking exercise and is increasingly seen at the top table in boardrooms.

FOR MORE INFORMATION:

BDO MALTA

Triq it-Torri Msida
MSD 1824
Malta

Tel: +356 2342 4000

info@bdo.com.mt

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