

Top Risks Facing Organizations: 2022

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SPEAKER BIO / CONTACT INFORMATION



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Ron has more than 30 years of experience in internal controls, internal audit, business process improvement, construction audit, enterprise risk management, fraud and forensic prevention and investigation and Sarbanes-Oxley compliance. His expertise covers a variety of industries, including construction, government, healthcare, higher education, manufacturing, nonprofit, retail and telecommunications.



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Bianca has more than 16 years of auditing and consulting experience focusing on improving clients' operational and financial business processes, identifying growth opportunities, and ensuring compliance with laws and regulations. Her areas of expertise include internal audit, risk management, control assessment, Sarbanes-Oxley/FDICIA/Model Audit Rule, and environmental, social, and governance (ESG) implementation and compliance.



Darren Johnson
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Darren provides internal audit services, including planning and testing, identifying and mitigating risk, writing reports and delivering results to management. He has substantial experience coordinating and managing outsourced and co-sourced internal audit services for clients in both integrated and non-integrated Sarbanes-Oxley (SOX) audit environments, working closely with all levels of management and reporting to audit committees.

Learning Objectives:

1. Understanding Risks
2. Covid-19's Continuing Impact on Risk Management
3. Key Risks for 2022



Understanding Risks



Risk definition:

- Risk is commonly defined as condition where there is a **possibility** of an **adverse deviation** from a **desired outcome/objective**
- Every **choice** we make in the pursuit of objectives involves risk
- Risk is a part of **decision-making**
- Risk can be **subjective**
- **Acceptance** of risk is part of an organization's control environment

Covid-19's Continuing Impact on Risk Management

Continuing to learn from the pandemic...

Remote workforce / hybrid workforce

Dynamic and agile workplace

Economic Challenges

Crisis response

Employee engagement



Continued impacts of Covid-19...

Remote work and virtual meetings will continue

E-Commerce will continue to grow

The speed with which organizations adopt process automation and AI will increase

Occupation mix will shift with little to no job growth in low-wage occupations

As many as 25% more workers may need to switch occupations than before the pandemic

Companies and policymakers can help facilitate workforce transitions



McKinsey Global Institute
February 2021

Key Risks for 2022

OnRisk 2022 Report



- Published by the Institute of Internal Auditors
- Interviews and surveys of Board Members, C-Suite Executives, and Chief Audit Executives across multiple industries
- Identified top risks facing organizations (industry agnostic)
- Recommended actions will be presented on the 3 lines of defense
- Every organization is different and must consider their individual operating environment and controls structure when determining risk

Top Risks: 2022

Cybersecurity

Talent Management

Organizational Governance

Data Privacy

Culture

Economic and Political Volatility

Change In Regulatory Environment

Supplier and Vendor Management

Disruptive Innovation

Social Sustainability

Supply Chain Disruption

Environmental Sustainability

Top Risks: 2022

Organizational

Organizational Governance

Change in Regulatory Environment

Supplier and Vendor Management

Supply Chain Disruption

People

Talent Management

Culture

IT / Technology

Cybersecurity

Data Privacy

Disruptive Innovation

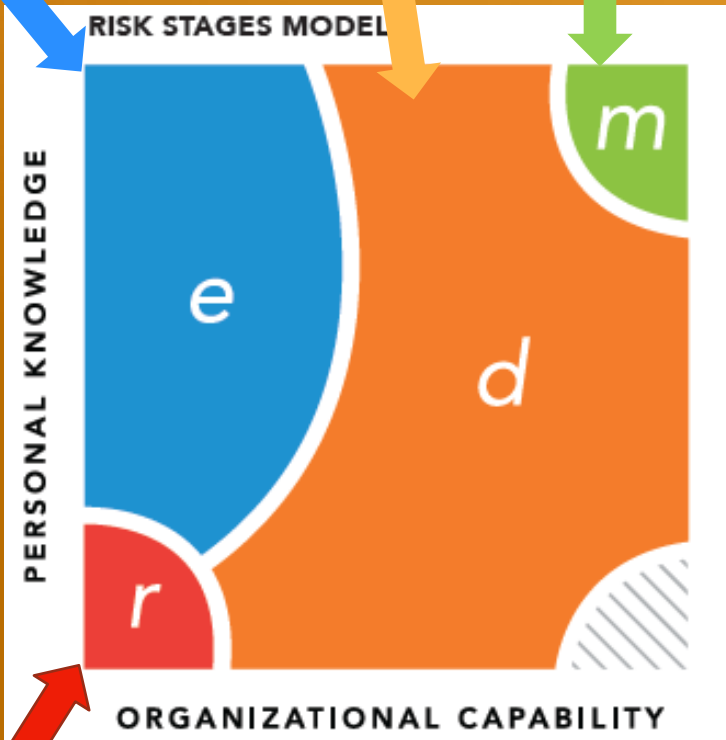
ESG

Economic and Political Volatility

Social Sustainability

Environmental Sustainability

Risk Stages Model



r – RECOGNIZE

Knowledge – LOW

Organizational Capacity – LOW

e – EXPLORE

Knowledge – MID to HIGH

Organizational Capacity – LOW

d – DEVELOP

Knowledge – MID to HIGH

Organizational Capacity – LOW to HIGH

m – MAINTAIN

Knowledge – HIGH

Organizational Capacity – HIGH

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m – MAINTAIN

Knowledge – HIGH

Organizational Capacity – HIGH

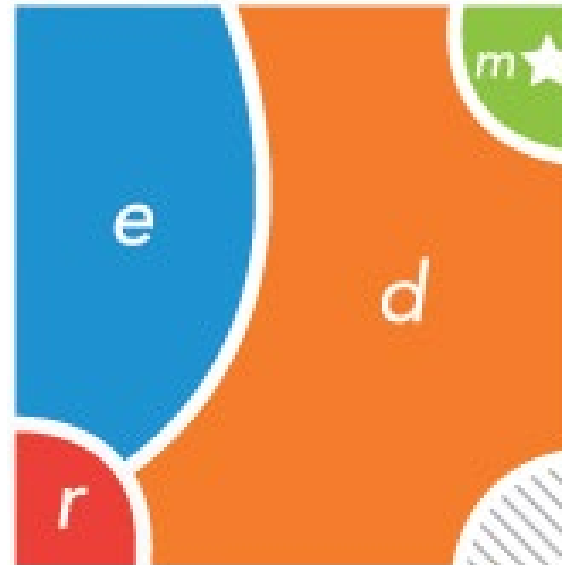
ORGANIZATIONAL RISKS

Organizational Governance

Definition:

Governance encompasses all aspects of how an organization is directed and managed and the system of rules, practices, processes, and controls by which it operates. This risk examines whether organizations' governance assists or hinders achievement of objectives.

Risk Stage



Recommended Actions

- Perform an overall organizational risk assessment
- Clarify board and management roles
- Determine if performance (departmental, individual) is closely linked to strategy
 - Honestly evaluate performance
 - Have the courage to make changes at every level of the organization
- Monitor, report, and continually evaluate organizational performance using key metrics linked to strategy

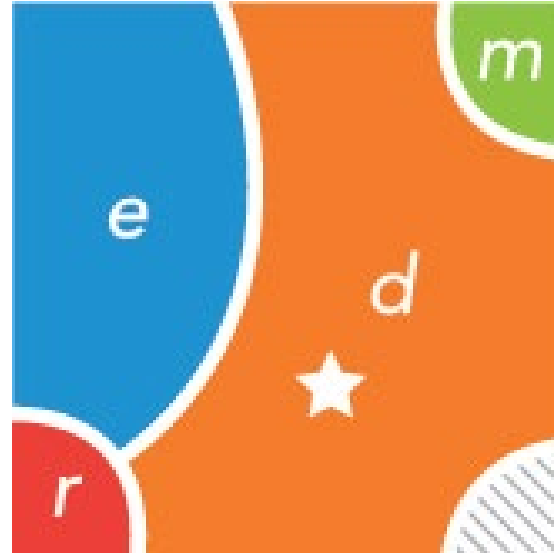
ORGANIZATIONAL RISKS

Change in Regulatory Environment

Definition:

Fundamental changes in government appetite for regulation can have a significant impact on organizations, including those not considered heavily regulated. This risk examines the challenges organizations face in a dynamic and ambiguous regulatory environment.

Risk Stage



Recommended Actions

- Implement tools or software to help manage and communicate the regulatory environment
- Identify a competent role or department in the organization to closely monitor the regulatory environment
 - Allow this role to play an active role in influencing decision-making
- Inform, train management and staff regularly

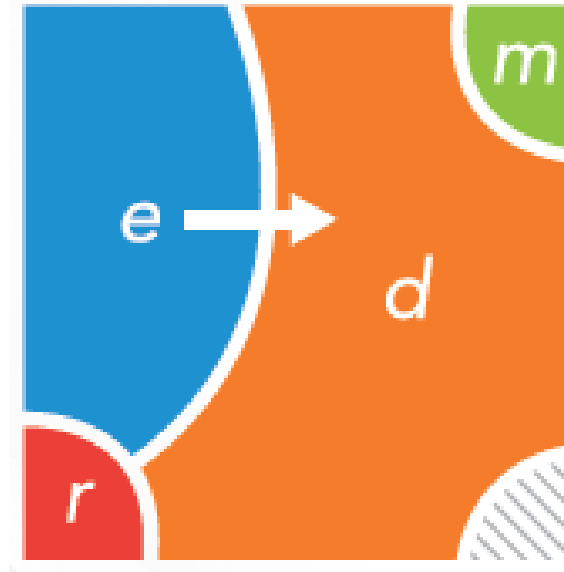
ORGANIZATIONAL RISKS

Supplier and Vendor Management

Definition:

For an organization to be successful, it has to maintain healthy and fruitful relationships with its external business partners and vendors. This risk examines organizations' abilities to select and monitor third-party relationships.

Risk Stage



Recommended Actions

- Perform a supplier/vendor management risk assessment
- Analyze or organization's positions with vendors against industry and/or common business practices
- Ensure your vendor contracts have a right to audit clause
 - Perform contract compliance audits

ORGANIZATIONAL RISKS

Supply Chain Disruption

Definition:

The disruption to business-as-usual operations globally, rooted in the global pandemic, has highlighted the need for resilience in supply chains in support of organizations' achievement of strategic objectives. This risk examines whether organizations have built in the flexibility to adapt to current and future supply chain disruptions.

Risk Stage



Recommended Actions

- Diversity your supply chain
 - Do not heavily depend on any single source
- Actively monitor threats
 - Physical location of suppliers
 - Regulatory restrictions
- Perform a supply chain vulnerability assessment
 - Create a contingency plan

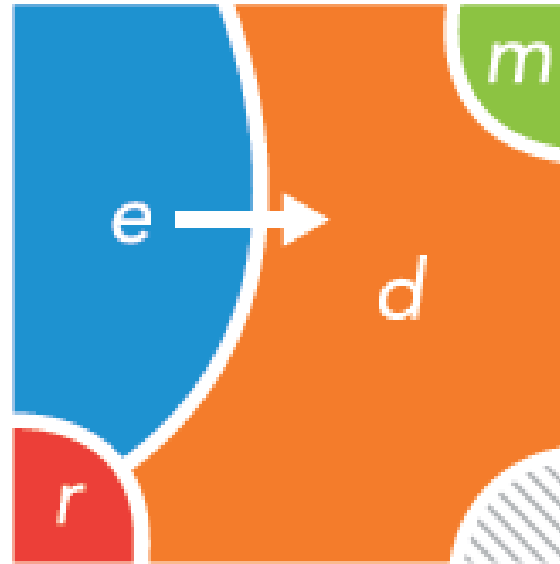
PEOPLE RISKS

Talent Management

Definition:

The increased need for and acceptance of remote operations, including working from home, as well as continued dynamic labor conditions are redefining how work gets done. This risk examines the challenges organizations face in identifying, acquiring, upskilling, and retaining the right talent to achieve their objectives.

Risk Stage



Recommended Actions

- If you don't have one already, develop an organizational talent management strategy
- Identify key metrics to stay ahead of talent planning and recruitment
- Identify key characteristics that the organization should be looking for in potential candidates (by level, by department)

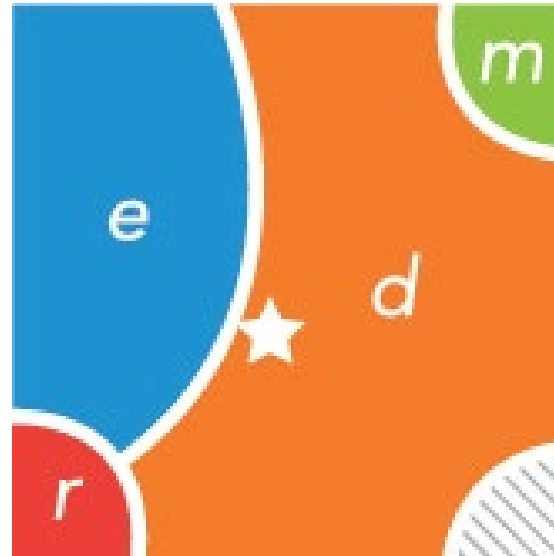
PEOPLE RISKS

Culture

Definition:

With an increasing percentage of professional employees working remotely full or part-time, organizations are challenged to maintain, enhance, or control their organizational culture. This risk examines whether organizations understand, monitor, and manage the tone, incentives, and actions that drive the desired behavior.

Risk Stage



Recommended Actions

- The most industry agnostic of all identified risks
- Survey or interview a cross-section of employees within the organization; determine where culture is strong/weak
- Encourage strong, effective leaders in the organization to take roles to engage your workforce
- Recognize and address employee's needs...quickly

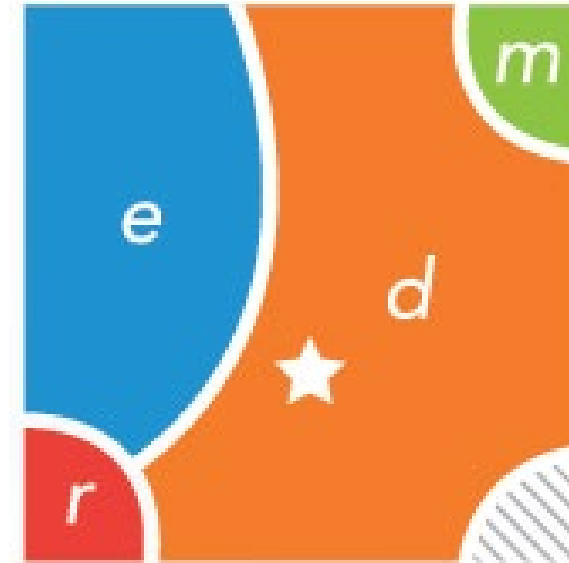
IT/TECHNOLOGY RISKS

Cybersecurity

Definition:

The growing sophistication and variety of cyberattacks continue to wreak havoc on organizations' brands and reputations, often resulting in disastrous financial impacts. This risk examines whether organizations are sufficiently prepared to manage cyber threats that could cause disruption and reputational harm.

Risk Stage



Recommended Actions

- IT Risk Assessment to determine your organization's current environment and any vulnerabilities
- Establish if internal resources can adequately manage and mitigating risk
- Determine if software or outside services are needed to assist the organization in mitigating known and potential risks

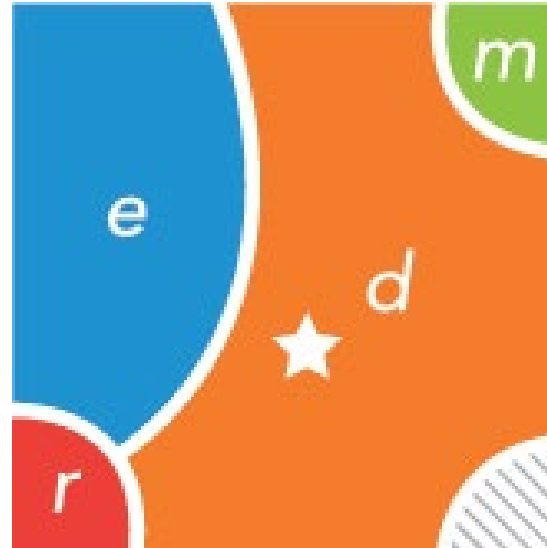
IT/TECHNOLOGY RISKS

Data Privacy

Definition:

The growing list of regulations from jurisdictions around the world is making Data Privacy increasingly complex and dynamic. This risk examines how organizations protect sensitive data in their care and ensure compliance to all applicable laws and regulations.

Risk Stage



Recommended Actions

- IT Risk Assessment to determine if organizational approaches to data privacy are present and/or in alignment with standards
- Establish if internal resources can manage and mitigating risk
- Determine if software or outside services are needed to assist the organization in mitigating known and potential risks
- Establish a data management program

IT/TECHNOLOGY RISKS

Disruptive Innovation

Definition:

We are in an era of innovative business models, fueled by disruptive technologies. This risk examines whether organizations are prepared to adapt to and/or capitalize on disruption.

Risk Stage



Recommended Actions

- Industry specific / job specific
 - Print media
 - Delivery services
 - Financial Advisors
 - Office Assistants
 - Cashiers

- Assess your specific industry and the speed with which the industry and technologies are moving

- Determine if the organization is capable of being an early adapter or if there is a need/desire to lag and accept the risks that come along with that delay

ESG RISKS

Economic and Political Volatility

Definition:

The ongoing impacts of the pandemic combined with the normal dynamics of macroeconomic cycles have the potential to create volatility in the markets in which organizations operate. This risk examines the challenges and uncertainties organizations face in a dynamic and potentially volatile economic and political environment.

Risk Stage



Recommended Actions

- ESG Risk Assessment to determine your organization’s current position and any vulnerabilities and volatility
- Integrate ESG risks into an enterprise-wide approach to managing ESG risks
- Include volatility scenarios in crisis management plans and test such scenarios and responses
- Prepare for enhanced regulatory requirements and/or investor expectations on ESG reporting
- Assessment of your customer base and supply chain to evaluate the impact of economic and political volatility

ESG RISKS

Social Sustainability

Definition:

Increasingly, there is a recognition that organizations have significant influence on individuals who they employ, who work in their value chain, who consume their products and services, and who live in their communities. This risk examines the ability of organizations to understand and manage the direct and indirect impacts their actions have on individuals and communities.

Risk Stage



Recommended Actions

- ESG Risk Assessment to determine your organization’s current position and any vulnerabilities and volatility
- Integrate ESG risks into an enterprise-wide approach to managing ESG risks
- Diversity, Equity, and Inclusion (DEI) and Culture Assessments – identifying your stakeholders, how you represent and serve them
- DEI and Culture Audits to deliver value to management to determine how initiatives align with an organization's current state
- Strengthen governance across the organization

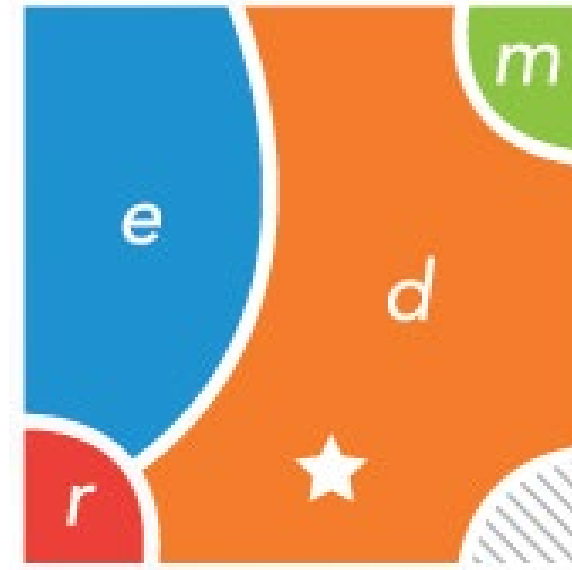
ESG RISKS

Environmental Sustainability

Definition:

Organizations are facing increased pressure from stakeholders, including shareholders, regulators, customers, and employees, to evaluate and disclose how they are impacting the environment in which they operate. This risk examines the ability of organizations to reliably measure, evaluate, and accurately report on their environmental impacts.

Risk Stage



Recommended Actions

- ESG Risk Assessment to determine your organization’s current position and any vulnerabilities and volatility
- Integrate ESG risks into an enterprise-wide approach to managing ESG risks
- Assessment of your customer base and supply chain to evaluate the impact of environmental change on their operations and financial health
- Prepare for enhanced regulatory requirements and/or investor expectations on ESG reporting
- Prepare for measuring your organizations direct/indirect environmental impact

Solutions for Every Risk Area



ORGANIZATIONAL RISKS

[Internal Audit](#)
[Strategy & Transformation Assessments](#)
[SOX](#)
[SOC 1](#)



IT/TECHNOLOGY RISKS

[Cybersecurity Assessment](#)
[Penetration Testing](#)
[Vulnerability Assessment](#)
[SOC 2](#)
[Virtual CISO](#)
[HITRUST](#)
[ITGC Internal Audit](#)
[IT Risk Assessments](#)



ESG RISKS

[ESG Gap Assessment](#)
[ESG Risk & Opportunity Assessment](#)
[ESG Roadmap](#)
[Internal Audit](#)



PEOPLE RISKS

[Internal Audit](#)
[Diversity, Equity, and Inclusion Assessments & Audits](#)
[Strategy & Transformation Assessments](#)

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Questions?

To download the IIA 2022 OnRisk report, please visit: https://web.theia.org/cn/atxbg/OnRisk_2022

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