

WEBINAR

Risk Mitigation Measures: Navigating Disruption with Confidence

QUICK TIPS

Zoom Webinars

Ask Questions in Q&A Box

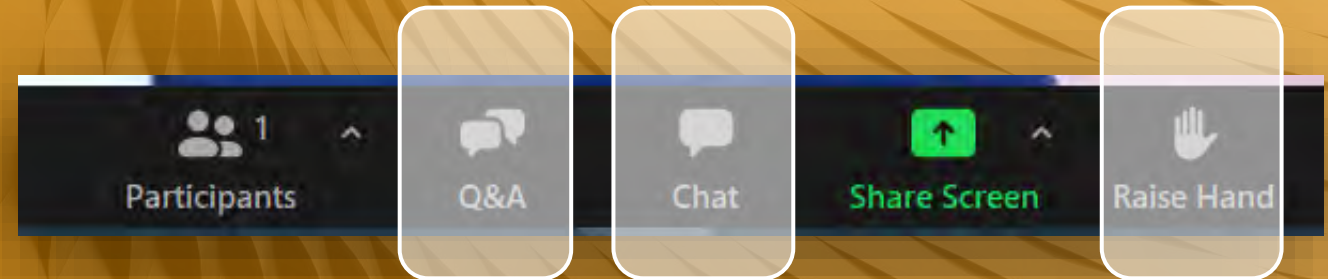
- Click the Q&A button to open the window
- Type your response in the text field
- Click Send

Chat

- Click the Chat button to open the chat panel
- Type your message in the Text box at the bottom of the panel
- Press Enter to send your message

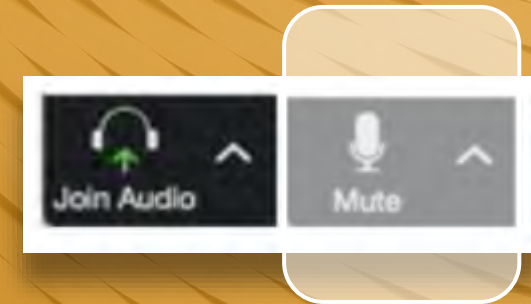
Raise Your Hand

- Click the Raise Hand button at any time to indicate to the host know that you have a question or need assistance
- To lower your hand, click the Lower Hand button



QUICK TIPS

Adjust Audio Speakers

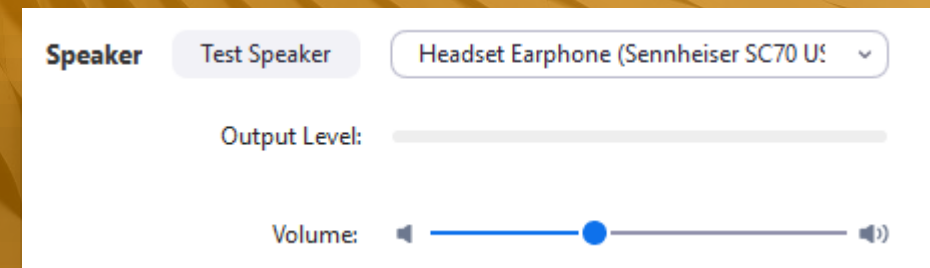


Mute | Unmute

- In the meeting controls, click the arrow next to Mute | Unmute in lower left corner

Audio Options

- Click Audio Options - this will open your audio settings
- Click Test Speaker to play a test tone
- If you cannot hear it, select a different speaker from the menu
- Try adjusting the Volume



QUALIFICATION

Requirements for CPE



RESPOND

Respond to 4 out of 5
Polling Questions



STAY ON

Stay on for the duration
of the broadcast

- Log in as an individual

FOR QUESTIONS

If you have technical
difficulties responding
to the polls, please send
an email to:

- Elevate@armaninoLLP.com
- Please include the name/date of
your session along with your poll
response

The background of the slide is a dark, top-down photograph of a desk. On the left, a portion of a silver laptop is visible, showing its keyboard. In the center, there is a dark-colored coffee cup. To the right and bottom, there are spiral-bound notebooks and a pen. The overall lighting is soft and focused on the central objects.

KNOWLEDGE

Learning Objectives

Evaluate common organizational risks in today's business environment.

Assess the impact of identified risks on business operations, finances and reputation.

Discuss practical strategies to mitigate risks.

WELCOME

Today's Presenters



Liam Collins

Risk Assurance
& Advisory
Lead Partner



Mark Knight

Risk Assurance
& Advisory
Cyber/Privacy
Partner



Kevin Guy

Risk Assurance
& Advisory
Contract Compliance
Partner



Lucie Wuescher

Risk Assurance
& Advisory
Internal Audit Partner



Mark Wuchte

Risk Assurance
& Advisory
Internal Audit Partner

Agenda

- Risks in Focus 2024 Survey Review
- Navigating Risk Management
- Enhancing Your ERM Program
- Top Risk Trends & Approaches to Mitigating Risks
- Emerging Risks & Approaches to Mitigating Risks



POLLING QUESTION

#**1**

RISKS IN FOCUS 2024 SURVEY*

Risk Categories

- Business continuity
- Climate change
- Communications/reputation
- Cybersecurity
- Digital disruption
- Financial liquidity
- Fraud
- Geopolitical uncertainty
- Governance/corporate reporting
- Health and safety
- Human capital
- Market changes
- Mergers and acquisitions
- Organizational culture
- Regulatory change
- Supply chain and outsourcing

The Internal Audit Foundation survey included...

- 4,207 survey responses from CAEs and Audit Directors
- 111 countries/territories represented
- 18 content roundtables
- 40 in-depth SME interviews

Key Survey Takeaways

CURRENT TOP RISKS IDENTIFIED



**CYBER INCIDENTS &
BUSINESS CONTINUITY**



**SUPPLY CHAIN &
THIRD-PARTY RISK**



HUMAN CAPITAL



REGULATORY CHANGES

EMERGING RISKS RESPONDANTS EXPECT TO SEE 3 YEARS FROM NOW

Cybersecurity & Business Continuity | **Digital Disruption*** | Human Capital | **Climate Change***

**Digital disruption and climate change risks are expected to increase dramatically.*



POLLING QUESTION

#2

THE WHAT

A strategy that integrates all aspects of risk assessment and management across an organization

THE WHO

Various stakeholders within the organization, and for the protection of client data



THE WHY

To enhance the organization's ability to identify, evaluate and mitigate risk in ways that align to the overall strategy objectives

THE WHEN

Ongoing...during planning, at regular intervals and after significant events

Unlike traditional methods that handle risks in silos a **holistic approach** coordinates efforts across all domains to ensure risks are understood, mitigated & monitored.

ENHANCING...

Your ERM Program

Helping organizations identify, assess, prioritize & manage risks across the enterprise.

- Enabling organizations to develop robust risk management frameworks
- Implementing effective risk mitigation strategies to enhance resilience & drive sustainable growth
- Establishing risk appetite and tolerance levels



POLLING QUESTION

#3

TOP RISK TRENDS

Cyber Incidents & Business Continuity

In The News:

- **Change Healthcare Breach (April 2024):** Missing 2FA resulting in a ransomware attack impacting pharmacy delivery and billing causing major disruptions in the healthcare industry including organizations who did not directly contract with Change
- **Samsung Customer Data Breach (November 2023):** Third-party business application exploit resulting in the disclosure of customer information worldwide.
- **Bank of America Data Breach (February 2024):** ransomware attack (Lockbit) on a third-party vendor (Infosys) compromised data of tens of thousands of Bank of America customers.

What We've Learned:

- **Third-Party Risk:** These breaches highlight the vulnerability of relying on third-party vendors. Companies should thoroughly assess the security practices of any third party handling their data.
- **Recovery is Key:** Ransomware attacks are a growing concern. Businesses must prioritize robust defenses, including data backups and recovery plans.
- **Keep it Simple:** Common vulnerabilities and attack vectors rather than zero-day exploits continue to be the most common root cause.



APPROACHES TO MITIGATING RISK

Cyber Incidents & Business Continuity

What can we do about it?

- **Accountability:** Clearly define roles and responsibilities for cybersecurity across the organization. Establish a leadership team accountable for setting and enforcing cybersecurity policies.
- **Governance:** Develop a comprehensive cybersecurity framework that aligns with industry best practices and regulatory requirements. Regularly review and update policies to address evolving threats.
- **Monitoring:** Implement continuous security monitoring tools to detect suspicious activity in real-time. Analyze log data and security alerts to identify potential threats and vulnerabilities.
- **Testing:** Regularly conduct vulnerability assessments and penetration testing to identify weaknesses in your systems and defenses. Perform a guided tabletop exercise evaluating the sufficiency of your disaster recovery plans.





POLLING QUESTION

#4

Supply Chain & Third-Party Risk

Supply chain disruption can occur when one or more component of a supply chain fails to deliver as anticipated or is otherwise non-compliant with agreed-upon contract performance terms. Some examples of Supply chain and related third party risks include:

Operational risk

- Demand planning
- Supplier continuity
- Third party performance issues
- Skilled labor shortage

Reputational risk

- Supplier data security
- Increased use of forth parties (or outsourced arrangements)
- ESG oversight
- Negative customer feedback

Financial risk

- Inflation impact on supply chain reduces investments
- Supplier bankruptcy or business divestiture
- Supplier non-compliance to contracted terms



APPROACHES TO MITIGATING RISK

Supply Chain & Third-Party Risk

Five steps to building an effective Supply chain/TPRM capability

1. Instill oversight and governance

- Establish a robust structure with engagement from the board, C-Suite and key business units and embed into organization's culture. Set the tone at the top.

2. Get a full view of third (and forth) party inventory

- Identify, categorize and assess existing third-party population. Legally require fourth party adoption of your business requirements and expectations

3. Establish a weighted risk assessment model

- Adopt risk models according to your organization's risk appetite and culture. Apply appropriate weighting. Update annually.

4. Implement policies and standards

- These should outline purpose and phases of the framework and hold stakeholders accountable.

5. Perform ongoing assessments of supplier compliance

- Establish formal process of auditing third parties based on outcome of risk assessment. Scope should include third party health, compliance to contract terms, contract management/oversight, SLA achievement, etc.



TOP RISK TRENDS

Human Capital

Talent Shortage and the Great Resignation

- **Talent Shortage:** 750,000 unfilled cyber security positions in the U.S.
- **Great Resignation:** 4 million people (2.6% of the U.S. workforce) left their jobs in October 2022 alone

Changing Work Culture and Values

- **Flexible Work Preferences:** Younger workers prefer hybrid work and purpose-driven enterprises
- **Middle Management Influence:** Actual work culture often defined by middle management, not the board

Diversity, Equity, and Inclusion (DEI)

- **Tracking DEI Metrics:** Organizations use DEI metrics to foster a diverse and inclusive culture
- **Legal Concerns:** Tracking diversity metrics can raise legal issues if they reveal discrimination



APPROACHES TO MITIGATING RISK

Human Capital

Evaluating Hybrid Work Risks

- **Management Strategies:** Assess how well management has identified and mitigated hybrid work risks
- **Cultural Practices:** Communicate varieties of corporate cultural practices to the board for policy setting

Monitoring Diversity and Inclusion

- **Formal DEI Metrics:** Assess the effectiveness of DEI metrics, including diversity of thought and mind
- **Intangible Signs of Cultural Issues:** Use personal interactions to identify and follow up on potential cultural problems

Talent Retention and Career Progression

- **HR Framework:** Evaluate if the HR framework aims to attract and retain talent across the enterprise, not just within silos
- **Career Paths:** Ensure career progress paths are well-structured and clearly communicated

Organizational Purpose

- **Broader Purpose:** Assess if the organization's purpose is well-defined and communicated, including in HR strategies



TOP RISK TRENDS

Regulatory Changes

Continuous evolution of regulatory changes:

- Technology innovation
- Cybersecurity
- Sustainability
- Geopolitical influences
- Third-party risk

Operational resilience and risk management:

- Increased scrutiny from last year's failures
- Prioritize both event-driven regulations and ongoing regulatory challenges, including use of:
 - Artificial Intelligence (AI)
 - Financial crime prevention
 - Promoting technological innovation while ensuring regulatory adherence and consumer protection



APPROACHES TO MITIGATING RISK

Regulatory Changes

- **Robust risk management** that includes a solid strategy that encompasses governance, risk management, and compliance
- **Being agile** in integrating long-term risk considerations with organizations strategic objectives to effectively manage both current and emerging regulations
- **Evaluate the completeness and accuracy of data processes** in the organization that relate to ESG issues, with particular attention to forthcoming regulatory compliance requirements on climate related disclosures
- **Assess the maturity of the organization's automated controls** systems to help reduce the burden of regulatory compliance



EMERGING RISK

Digital Disruption - AI

Key Questions to Ask

- Do we have AI policies in place across the organization?
- Where are my biggest AI risks coming from?
- Is a Large Language Model (LLM) or AI Service safe for my organization to use?
- Do we have any unauthorized AI usage in our organization?
- What content is being used within third-party AI systems?
- Which third-party vendors could be training on my data?
- Do we understand our ROI from AI usage?



APPROACHES TO MITIGATING RISK

Digital Disruption - AI

Frameworks to Leverage to Assess Risk

- NIST AI Risk Management Framework
- ISO/IEC 23053
- OECD AI Principles
- OWASP AI Security & Privacy Guide
- Google's Secure AI Framework (SAIF)
- The European Union Agency for Cybersecurity (ENISA)
 - [A Multilayer Framework for Good Cybersecurity Practices for AI](#)



EMERGING RISK

Climate Change

- Accurate data and reporting lines are critical for tackling climate-related risks
- Enhanced disclosure requirements from regulators (e.g., SEC)
- The Need for a Strategic Perspective
- Boards and executives face numerous high-level risks on their agendas
- Adopt an open-minded approach to assessing ESG-related risks
- Highlight potential advantages of a greater ESG focus, not just risks



APPROACHES TO MITIGATING RISK

Climate Change

- **Advise** on emerging technologies and risk/control implementation
- **Evaluate data management structures** and granularity for risk identification
- **Assess data processes** related to ESG issues, especially climate disclosures
- Proactively **discuss ESG risks with the board**, emphasizing strategic opportunities
- **Engage with management** on climate risk integration into business strategy
- **Develop a robust greenhouse gas (GHG) emissions inventory** management plan
- **Conduct materiality assessments** to prioritize sustainability focus areas
- **Ensure coherence** across financial statements, disclosures, and reporting
- **Leverage synergies** across global climate reporting mandates for efficiency





POLLING QUESTION

#5

RISK TRENDS & MITIGATION

Q&A

RISK ASSURANCE & ADVISORY

Navigating Risk Management

Compliance and guidance at any stage of your business needs



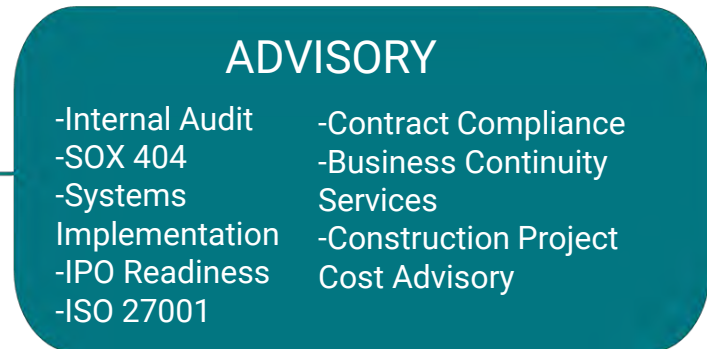
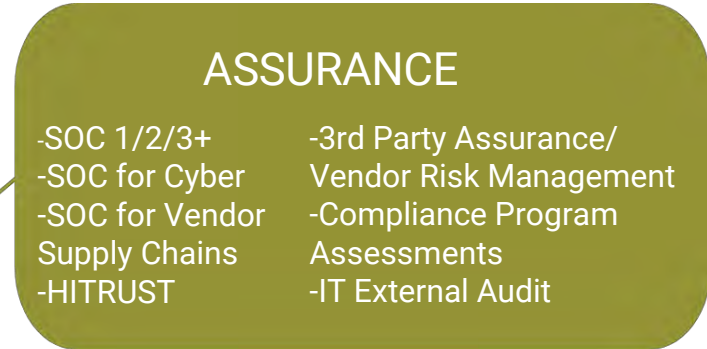
THOUGHT LEADERSHIP:

6 Ways to Comply With the SEC's New Cybersecurity Disclosure Rules

Navigating the New IPPF: A Roadmap to Internal Audit Excellence

Contract Compliance Guide: Minimize Third-Party Risk and Maximize Your Financial Benefits

SCAN ME FOR MORE INFO



**Thank you for
attending!**

Additional Questions?

Reach out to us at

liam.collins@armanino.com



Armanino offers clarity in a disruptive, ever-evolving world

Equipping you with the insights and tools needed to succeed today, and in the future



COMPLIANCE & REGULATORY

- Tax Planning
- Internal Audit
- SOX
- Contract



ASSURANCE & ADVISORY

- Cybersecurity
- SOC
- Restructuring
- Revenue Recognition



STRATEGY & PLANNING

- Corporate Strategy
- Strategic Advisory
- Benchmarking
- Business Transformation



STAFFING & DEVELOPMENT

- Payroll
- Health Benefits
- Executive Search
- Interim Placement



TECHNOLOGY SYSTEMS

- ERP
- CRM
- Business Intelligence
- Managed Services



ACCOUNTING & BACKOFFICE

- Bookkeeping
- Budgeting/Forecasting
- Account Receivable
- Accounts Payable