

The Board Imperative: How can data and tech turn risk into confidence? (PART 1)



ISAAC SARPONG: Isaac is the Partner in charge of Tax Services. He has over 26 years' experience in the provision of multi-faceted advice to both local and international clients in taxation, accountancy, audit & assurance, and corporate law, among others. Isaac is a Chartered Accountant, a Chartered Tax Practitioner and a Lawyer.



Effective use of data and technology to manage and report on enterprise risks is a top priority that differentiates leading businesses.

In brief

- Seven in 10 boards say their business will increase investment in technology for risk management in the next 12 months.
- Boards are looking for risk reporting that is predictive, focused on emerging and atypical threats and is based on external as well as internal data.
- Boards have a strong role to play in driving the use of technology in risk management and pushing for risk reporting that is fit for purpose.

Despite its elevated importance, organizations' risk monitoring and mitigation efforts currently fall short of boards' expectations. This is the stark finding that emerges from EY's new survey of more than 500 board directors around the world.

Why the gap?

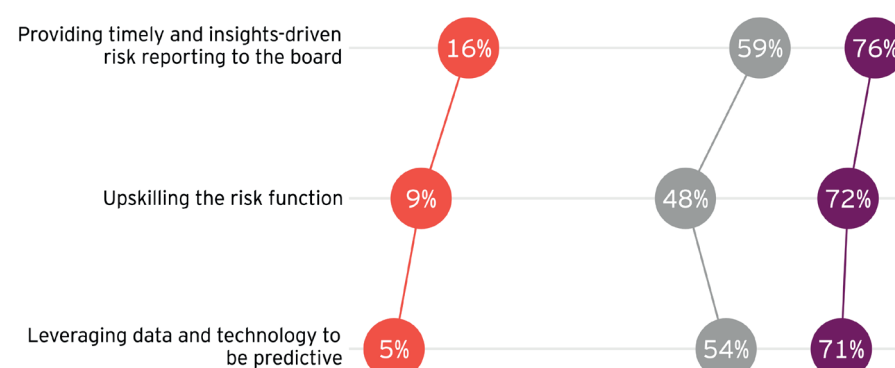
- Eight in 10 boards believe improved risk management will be critical for their business to protect and build value in the next five years.
- At the same time, 55% say risk management has difficulty keeping pace with changes in business strategy.
- Fewer than 20% of boards believe their organizations are highly effective in disaster response and contingency planning or their understanding of how risks are interconnected.

How can your organization's risk management improve? Although there are many ingredients, the EY Global Board Risk Survey 2021 identifies two key drivers of effective risk management: the extent to which technology is used to identify and manage risk and the breadth and depth of risk reporting to the board. In fact, 71% of risk management leaders - those organizations deemed highly effective at risk management based on our analysis of survey data - use data and technology effectively, compared with just 5% of risk management laggards, who might still be developing their approach.

Leading companies are more effective at taking a data-driven approach to risk management

Percent of respondents reporting their organization is effective at a given activity

Company ● Developing ● Improving ● Leading



However, despite their importance, fewer than one in five boards say their organization's risk management is highly effective at leveraging data and technology or delivering timely, insight-driven reporting to the board. In parallel, just 49% of CEOs say their risk-assessment processes are adequately data-driven.

"Risk reporting is very static and historic and not forward-looking, so I've asked management to engage with the wider business about trying to figure out potential new risks that may arise and then report on those."

Alejandra Martínez S.
Member of Mexico's Board of Directors Leadership Network

While it's outside the board's remit to decide which technologies are used for risk management and to monitor their use, directors can still catalyze change. Boards can and should require that management has adequate controls and processes in place to monitor and manage risks. As technology plays a critical part in this, encouraging risk-management functions to capitalize on newly available data and technology should be a priority.

Here are the steps you should take:

- Drive awareness at board level of the role that technology and data can play in enhancing risk management
- Allocate sufficient budget to invest in technology and develop or acquire a workforce with the skill sets required to manage it
- Hold management accountable for their use of data and technology in risk-management activities
- Require that management have a strategy for leveraging data and technology, with a particular focus on skills
- Work with management to ensure risk reporting is forward-looking and predictive, covers emerging and atypical risks, and includes internal and external data

In addition, our Board Imperative Series offers a broader set of recommendations to help you reframe the future of your organization. It urges boards to think beyond today's challenges and develop a vision of the future to understand how they and their organizations should change.

Understanding and detecting risk: what tech can do

Which benefits can technology provide? For a start, automation technology can be used to process low-value manual tasks, such as risk-model verification and

simple data processing, freeing up risk professionals' time so they can focus on value-adding activities, such as evaluating new business models or assessing threats associated with their organization's deployment of new technology. Even more importantly, data collection and monitoring can be automated, so that it occurs in real time, flagging potential issues to risk and business teams much sooner than would be achievable with a purely manual approach.

What does this look like in practice? How EY teams collaborated with the US food company Kraft Heinz provides a good example. By automating risk analytics, the company was able to identify that, in a particular business unit, approximately 5% of purchase orders were being raised late. Reporting this insight to the board allowed Kraft Heinz to proactively take corrective action before the risk materialized as negative impact to the business. Automated risk analytics ensure consistency in the risk indicators that are being monitored, without which outliers like the one in the example above might go unnoticed or be acted upon too late. ■

(CONTINUED IN NEXT EDITION)

LEADING THROUGH THE PANDEMIC

Our purpose is building a better working world. It starts with better questions. The better the question. The better the answer. The better the world works. Please send an email to isaac.sarpong@gh.ey.com and copy in kofi.akuoko@gh.ey.com

About EY

EY is a global leader in assurance, tax, strategy and transaction and consultancy services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, clients and for our communities.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

Find out more:

Address: 60 Rangoon Lane, Cantonments City, Accra, P. O. Box KA16009, Airport, Accra, Ghana.
Telephone: +233 302 772001/772091
Email: info@gh.ey.com,
Website: ey.com