



Key Risk Areas for Business Assurance Leaders in 2021

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Business Assurance: Key Risk Areas for 2021

Business Assurance Leaders around the world are continuing to expand their impact and influence within their organisations through the delivery of assurance and advisory services around the most important risks to their organisations. The Business Assurance Leaders comprise Heads of Internal Audit, Risk Management, Internal Control and Compliance functions.

In finalising the business assurance plan for 2021, the key question for every Business Assurance Leader is:



Are you aware of the risks concerning your organisation today and in the near future?

In response to this question, we have identified and compiled some areas of focus related to risks which Business Assurance functions should consider in developing their assurance plan and priorities for the year 2021.


Key Risks for 2021

Without a doubt, 2020 was defined by the global coronavirus pandemic, decline in crude oil price, the EndSARS protest and the second recession in five years in Nigeria which have all set a scene for a new business normal for years to come.

These new developments have emerging risks that Business Assurance functions should take into consideration in the annual plan without neglecting key established risks. Barring any black swan events, we believe the following risk areas will take the centre stage in 2021.

RISK

Business Resilience



Crisis management and planning will have to be updated to address potential for more waves of the coronavirus, not to mention other operational disruptions or pandemics that could follow a similarly contagion path.

- **Business Assurance** should evaluate whether the business has carried out reviews to determine how well it is coping with the crisis and whether the business continuity or crisis response plans are fit for purpose, complied with or require updating. Business Assurance should also seek evidence of the governance around crisis decision-making and the integrity of data and information reported to crisis committees.

RISK

Staff Well-being and Talent Management




New ways of working and organising personnel in response to the pandemic is trending towards flexible working arrangements and greater autonomy for staff. All businesses should have some degree of skills mapping and forecasting capability to understand and anticipate the organisation’s human capital requirements.

- **Business Assurance** should evaluate whether the business has refreshed policies in place to accommodate flexible working plans and support employee well-being.
- **Business Assurance** should also ascertain that the business understands and is forecasting the skills, competences and resourcing required to secure its market position and long-term strategic relevance.

RISK

Foreign Exchange




Following the ravaging impact of the coronavirus pandemic on the global economy, a decline in crude oil price, and the recent decline in the value of the Nigerian Naira, concerns on fluctuation of the currency continues to pose a challenge to businesses.

- **Business Assurance** can provide independent input into the scenario planning exercises where different exchange rates are simulated for transactions prior to decision-making
- **Business Assurance** can provide independent input into the cost-benefit analysis conducted by management, prior to the adoption of hedging instruments such as futures and forwards.
- **Business Assurance** can also review the company’s business and operating model and identify opportunities for reducing the exposure to foreign exchange volatility

RISK

Fraud



The risk profile will change and fraud risk, in particular, will change significantly after the COVID-19 pandemic. The control framework and monitoring of potential criminal activity may have become weakened due to reduced headcounts and remote working, leaving gaps in fraud detection and creating opportunities for malicious customers and staff. The pandemic also had a significant impact as short-term liquidity risk, which could also lead to a higher fraud risk being the consequence of cost cutting in the control environment to reduce monitoring activities.

- **Business Assurance** can gain insights into the business’s fraud risks by identifying the effects of recent operational changes. Business Assurance should identify potential fraud risks during every audit, and evaluate if the established controls that prevent and recognise fraudulent behavior are still in place and operating effectively.

RISK

3rd Party Risk Management and Contract Compliance

Third-party risk management remains important as organizations choose to outsource their business functions to third-party vendors emphasizing an existing need for contract management. As the pandemic is disrupting the supply chain and business service set-up of many companies, relationships with third parties are changing. Vendor insolvencies have the potential to cause massive disruption.

In response to the economic challenges, third-party risk management will be very important as many organisations will be faced with the risk of declined earnings and the need to still preserve and grow shareholder funds. While some organisations may not even realize it, profit could be eroded because third parties and business partners such as suppliers, distributors, and licensees, fail to meet their full contract obligations in many cases.

The complexity of the environment implies that contracts may not reflect changed circumstances, therefore increasing the need to manage risks related to third-party relationships and conduct contract compliance reviews.

- **Business Assurance** should ensure that there is a right-to-audit clause in key contracts and conduct contract compliance reviews to verify cost claims and payments made to third parties as well as revenue earned from third parties
- **Business Assurance** should assess whether the business has paid sufficient attention to the need to remodel supply chains and outsourcing strategies to improve its operational resiliency.
- **Business Assurance** should also take a holistic look at third-party risk management to assess whether the company has a robust framework to support it.

RISK

Cyber-security and Data Privacy



The wide-scale shift to working-from-home arrangements has rapidly increased the vulnerability of organisations to cyber crimes. There is also significant changes to traditional process controls to accommodate the new working arrangement. Moreover, advancements in technology has increase the sophistication and frequency of cyber security attacks and frauds.

- **Business Assurance** should evaluate the impact of the changes to the traditional process controls and determine the extent to which any changes to controls has increased the risk of data leakage or security breaches. Business Assurance Functions should also evaluate the sufficiency of cyber security awareness as well as training on the risk and mitigating activities required have been deployed to staff.
- **Business Assurance** should improve the organisation's understanding of cyber security risks and identify possible mitigation strategies to these risks to determine if cyber risks have been adequately managed.

RISK

Culture, Behaviour and Soft Controls



Recent studies have shown that companies with a clear purpose and an explicit set of values are more successful. Such companies instill trust in products from customers and promote camaraderie among employees.

- **Business Assurance** should continue to evaluate the soft controls within their organisation, provide assurance over the current culture based on a culture audit exercise and evaluate impact of the business culture and soft controls on the effectiveness of the controls set in place.

RISK

Regulatory Uncertainty and Compliance



Fiscal challenges to government revenue suggests an increasing pressure on all revenue generating government entities to meet the revenue projection and bridge the budget deficit. Consequently, a harsh regime of fines and penalties may be expected. Additionally, businesses face new regulations from all jurisdictions they operate in. These new regulations place growing pressure on executive management and add complexity to the organisational governance and control structure.

- **Business Assurance** needs to have a strong understanding of the existing regulatory landscape in which the organisation operates in order to assess compliance with relevant regulations.
- **Business Assurance** should ensure that the impact of emerging legislations are assessed, and strategies implemented to ensure long-term compliance while working with management to transform the regulatory changes into opportunities

RISK

Environmental, Social and Governance (ESG)



Business Assurance needs to increasingly recognise the challenges and risks companies face in achieving their sustainability goals from an ESG perspective, particularly as foreign investors and local regulations are increasingly paying more attention to it. Also, the effective management of key stakeholders has become more imperative in safeguarding an organisation's social license to operate.

- **Business Assurance** can assist to establish or evaluate how adequate and effective the ESG practices of the organisation is. The function can also assist in designing and monitoring the ESG risk metrics for the organisation or providing assurance over the ESG performance being disclosed to stakeholders.
- During process reviews, Business Assurance functions can also examine ESG at an operational level including materials sourcing, logistics, energy consumption and waste management.

RISK

Data & Analytics Management



With remote working and increased reliance on enterprise planning systems and other applications, data collection and management is expanding extremely rapidly. Technological advances provide businesses with the opportunity to enhance productivity and to make smart business decisions. The adoption of data & analytics becomes crucial and it is essential that organisations identify the possibilities and risks of integrating these technological capabilities into their business operations and strategies. It should also leverage the capabilities for continuous audit and continuous risk monitoring.

- **Business Assurance** should assist the organisation with the creation and implementation of data analytics tools and dashboard reporting that is aligned with business needs. Business Assurance should also play an important role in developing system-generated exception reporting and automated controls in order to monitor key risk areas.

RISK

Digitisation and Intelligent Automation



Artificial intelligence, algorithms, cognitive computing and robotic process automation (RPA) are among the top technologies that will continue to have a significant impact on the way we conduct business in the future. As digitalization continues to disrupt operations, business processes and models, it ultimately brings new risks and challenges in this digital age.

- **Business Assurance** can help to integrate governance, risk management, and controls throughout the automation program lifecycle by assisting organisations through the change management process. Business Assurance plays a significant role in developing appropriate governance and control frameworks and providing input to create a company-wide digital transformation strategy.

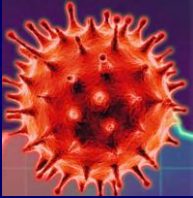
In Conclusion

Businesses are facing unprecedented times and challenges. These challenges are posed to extend into year 2021 and demands more introspection, agility, pragmatism, and forward thinking from Assurance Leaders. The contributions of Business Assurance functions in helping their organisations to weather the challenges caused by the pandemic and the subsequent economic aftershocks will determine the value and respect the Business Assurance function will have in the organisation going forward.

Consequently, Assurance Leaders are encouraged to review the risks noted in this report, consider the peculiarities of their organisations and build in necessary reviews and activities into their assurance plan for 2021. Additionally, Assurance Leaders should assess the existing resources – tools and human capital - available to execute the plan to ensure existence of sufficient capacity and competences to meet the challenges ahead. Where there are gaps, the Assurance Leader, working with the Audit Committee, should carefully evaluate the options to bridge the gap in a cost effective and efficient manner.

KPMG Nigeria Thought Leadership

Below are some of our thought leaderships in KPMG Nigeria for Business Assurance Leaders

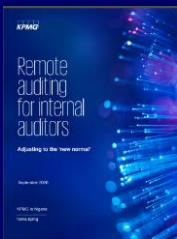


Navigating the Pandemic: Top 10 Considerations for Business Assurance Leaders

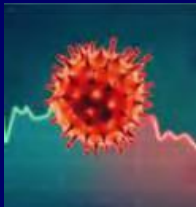
– The Governance, Internal Audit, Risk and Compliance Practice of KPMG in Nigeria published the “Top 10 business risks” report of 2020/21 highlighting the risks that are uppermost in the minds of Nigerian Business Executives. Click on [Top 10 Considerations for Business Assurance Leaders](#) for access.



Top 10 Business Risks in 2020/2021 – The Risk Consulting Practice of KPMG in Nigeria published the “Top 10 business risks” report of 2020/21 highlighting the risks that are uppermost in the minds of Nigerian Business Executives. Click on [Top 10 Business Risks in 2020/2021](#) for access.



Remote Auditing for Internal Auditors – The Risk Consulting Practice of KPMG in Nigeria published the “Top 10 business risks” report of 2020/21 highlighting the risks that are uppermost in the minds of Nigerian Business Executives. Click on [Remote Auditing for Internal Auditors](#) for access.



COVID-19 a business impact series – To help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat, please review timely insights from KPMG business leaders. Click on [COVID-19 – A Business Impact Series](#) for access.



Navigating the pandemic; A board lens – Navigating the uncertainty of a pandemic crisis requires organisations to focus on people, cashflow and operations while keeping sight of the bigger picture. Click on [Navigating the pandemic; A board lens](#) for access.



On the 2019 Audit Committee Agenda – Drawing on insights from our interactions with audit committees and business leaders over a twelve-month period, we highlighted six items that audit committees should keep in mind as they consider and carry out their agendas: Click on “[On the 2019 Audit Committee Agenda](#)” for access.



Enhancing the strategic value of IA – This KPMG survey revealed that Chief Financial Officers and Audit Committee Chairmen (executive stakeholders) envisage a more strategic role for Internal Auditors than the auditors see for themselves, and it is up to Internal Auditors to take the initiative and broaden their responsibilities. Click on [Enhancing the strategic value of IA](#) for access.

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