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Risk management

Role of board, audit and risk committees

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In today's business environment, organisations face diverse risks that can affect their operations and growth. To address these challenges, risk management must be aligned with business goals and embedded across enterprise. Effective risk management involves identifying, assessing, monitoring, and mitigating internal risks and external threats, supported by governance from management and board level committees. Traditionally, audit and risk committees have played a pivotal role in providing oversight but rapidly evolving business landscape, demands a holistic approach, where risk is not confined to compliance but is owned enterprise-wide and integrated into business.

This document aims to discuss certain key considerations relating to risk management including roles and responsibilities of these two committees.

Key considerations

Structure and composition of risk management committees

For effective enterprise risk oversight, boards should ensure that risk management committees are well-structured and include a balance of independent directors, C-suite executives, and functional leaders who can bring both strategic and operational perspectives. In practice, many organisations face challenges in formalising such committees, and industry regulations and business models often shape their design. Certain companies may lack dedicated risk management committees, leading to risk oversight falling to the audit committee. This situation places an additional burden on the audit committee and can blur accountability, straining the committee's ability to manage diverse risks. Therefore, boards should consider whether their governance structures provide clear accountability, sufficient expertise, and continuous oversight to enable timely risk identification, assessment, and escalation.

Audit and risk committee coordination and leveraging synergies for enhanced organisational risk management

Boards should recognise that effective risk oversight depends on clear coordination between the audit committee and the risk management committee. Given the convergence of strategic, operational, and regulatory risks alignment between the two is essential. Potential synergies include shared committee membership, pre-alignment of committee chairs, joint sessions and integrated reporting, all of which can foster transparency and a unified view of risk. Such mechanisms help break down silos, improve decision-making, and foster a culture of collaboration, coordination, and collective problem-solving. At the same time, boards must safeguard committee independence, clarify roles, and ensure secure information flows to avoid overlap and preserve accountability.

Role of CEO, senior leadership, and board in risk governance

Effective risk awareness requires shared accountability across leadership, with chief executive officer (CEO) managing execution and boards ensuring independent oversight. A dedicated and independent chief risk officer (CRO) is central to this framework, providing transparency and connecting management with the board. Regular engagement among the CRO, chief financial officer (CFO), and board strengthens preparedness for regulatory, cyber, ESG, and technological risks. However, defining the ideal CRO profile remains difficult, as the role demands strategic, financial, and cross-functional expertise and is often treated as part-time or a pathway to CFO. Fractional CRO models offer flexibility, but their long-term effectiveness is still uncertain. Clear role definition, independence of the risk function, and strong succession planning are essential. Elevating the CRO to the stature of the CFO is critical to embedding risk governance as a driver of resilience and sustainable value.

Other key considerations in organisations' risk management

Role of internal audit in risk management

Internal audit plays a dual role in risk governance—as an independent evaluator and as a collaborative partner to the risk management committee. Internal audit is integral to the organisational risk ecosystem, serving as a critical line of defense in the identification, assessment, and mitigation of risk. By aligning internal audit plans with enterprise-wide risk assessments and maintaining continuous dialogue with risk functions, internal audit strengthens controls, improves transparency, and enhances organisational resilience in a dynamic risk landscape.

Enterprise-wide risk ownership

Risk management is no longer siloed, rather it is multifaceted and interconnected. Therefore, requires a distributed responsibility within enterprises for identifying, assessing, managing, and monitoring risks throughout all levels and functions of an organisation. Embedding risk accountability into organisational culture improves visibility, enables early detection, and supports better decision-making. While challenges such as cultural resistance and inconsistent processes exists, enterprise-wide risk ownership transforms risk management into a strategic enabler of resilience and competitiveness.

Structured mechanisms for risk identification, monitoring, and responsiveness

Timely identification of emerging and existing risks is central to effective oversight. Organisations should establish mechanisms such as key risk indicators, continuous monitoring, scenario analysis, and trigger-based escalation are in place. Additionally, organisations may adopt an integrative approach to risk and strategy by incorporating risk reviews into business planning. This would strengthen responsiveness and allows management and boards to anticipate and address threats proactively.

The bottom line

The audit committee and risk management committee serve distinct but complementary purposes—the former overseeing financial reporting, controls, and compliance, and the latter addressing the broader spectrum of enterprise risks. Effective collaboration between the two, coupled with active board engagement, is critical to embed risk governance as a driver of resilience, protect organisational interests, and ensure sustainable growth. Thus, effective risk governance demands a careful balance between operational leadership and independent oversight.

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