Accountants Must Seize Opportunity to Drive Effective Enterprise Risk Management

Professional accountants have a meaningful opportunity to enable more effective Enterprise Risk Management (ERM) within their organizations, according to a report published today by IFAC (the International Federation of Accountants).

Businesses face rapid change and increasing uncertainty driven by a myriad of factors, including geopolitical events, volatile financial markets, technology developments, cybersecurity, data privacy concerns, and climate change. According to the report, professional accountants can play an amplified role within their organizations to identify, measure and mitigate emerging risks through robust ERM practices.

The report underscores the reality that risk management remains underdeveloped in many organizations. A survey of mainly US-based organizations, conducted by North Carolina State University and the American Institute of CPAs, found that less than 20% of organizations view their risk process as being integrated with strategy and objectives, and 69% of organizations do not have a comprehensive ERM process in place.

To drive more effective ERM, management must draw upon the Chief Financial Officer and finance function to ensure risk management practices provide a holistic understanding of opportunity and risk linked to objectives and value creation.

“This is a particularly uncertain time for businesses as the global economy experiences heightened volatility and rapid change. In this environment, proper risk management will be increasingly important for organizations to ensure their resiliency and success over the long term,” said Kevin Dancey, IFAC CEO. “Professional accountants are well positioned to better serve the organizations they work for by enabling effective enterprise risk management that identifies both risks and opportunities for the business.”

CFOs and accountants with clear risk management responsibilities are in a better position to make individually and functionally greater contributions to risk management. The report identifies three ways in which CFOs and finance functions can enhance their contribution to ERM:

- Align risk management with value creation and preservation;

- Drive insights and enable decisions through provision of risk modeling and analytics, data governance and identification of organizational risk appetite; and
- Enable integration and interconnectivity by breaking down siloes across the organization to share information.

Enabling effective ERM will require accountants to employ various competencies, including strong leadership and interpersonal skills, and to commit to lifelong learning on risk management and emerging risk issues. In the coming decades, it will be critical to better integrate risk management into professional education and training for accountants, and to improve the relevance and quality of Continuing Professional Development (CPD).