

9 Questions

Every Board Should Ask About Risk Management

Boards play a critical role overseeing an effective risk management process that permeates an organization, minimizing liabilities and maximizing opportunities.

Board oversight is key to ensuring that management is accountable for risks facing the organization and is designing a strategy that aligns the appropriate degrees of acceptable risk with organizational goals and objectives. Risk conversations, as a dedicated part of every board meeting agenda, should consider the following questions:

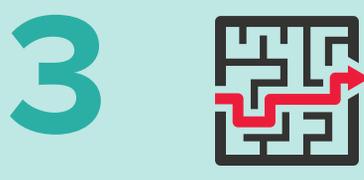
Risk Environment



1 What is the organization's **appetite for risk** in the pursuit of building shareholder value?



2 Are risk governance and management responsibilities **clearly defined** at all levels of the organization?



3 Is there a **process in place** for identifying and collecting information about new or changing risks?

Risk Assessment



Likelihood
of the risk event occurring



Impact
of the risk if it occurs
(financial and nonfinancial)



Effectiveness
of internal controls



Residual Risk
Is it acceptable?



4 Has a **risk assessment framework** been customized to consider risk characteristics that are most critical across the organization?



5 Are risk identification and assessment linked to the **business strategy**?



6 Do **existing controls and processes** adequately mitigate identified risks?

Risk Monitoring



7 Are all identified risk metrics properly aligned with **strategy objectives** to serve as indicators of potential problems?



8 Is risk management embedded in **planning, communications, and training** activities across all functions?



9 Is the **dialogue and reporting of risk** throughout all organization levels, including the boardroom, open and ongoing?

For more information, contact:

Gerard Zack, BDO Global Forensics Practice, Managing Director, 202-644-5404 / gzack@bdo.com

Amy Rojik, BDO Center for Governance, Partner, 617-239-7005 / arojik@bdo.com

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information please visit: www.bdo.com.

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs. © 2016 BDO USA, LLP. All rights reserved.

