



Establishment of sound Risk Management practices

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31 May 2010



Importance of proper management of legal risks

Fraud risks identification, management and assessment

The role of Internal Audit in risk management and fraud prevention

Deloitte experience, tools and methodologies

Enterprise risk management (ERM)

The process by which organizations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

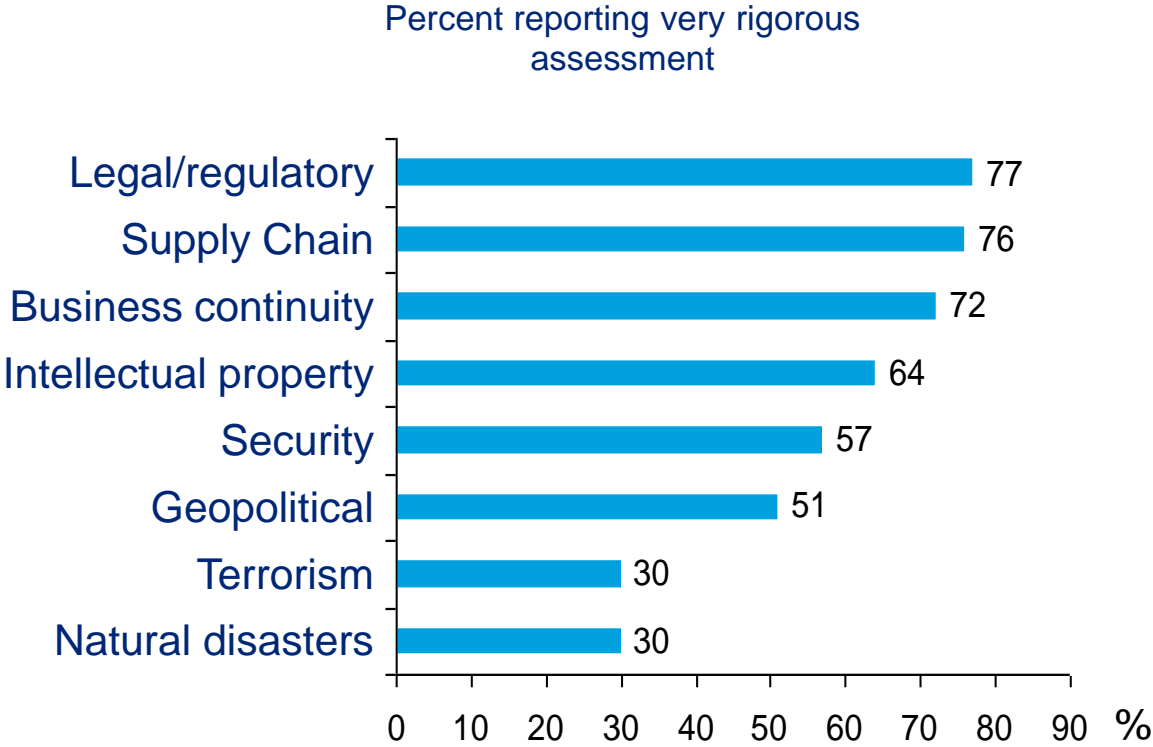
World-class ERM encompasses a framework of:

- Risk management structure: to facilitate the identification and communication of risk;
- Resources: to support effective risk management;
- Risk culture: to strengthen decision-making processes by management;
- Tools and techniques: to enable the efficient and consistent management of risks across the organization.



Enterprise Risk Management Challenges in Emerging Markets

Assessment of individual risks before investing in an emerging market



Source: Deloitte's Global Manufacturing Industry Group

Risk Intelligence Enterprise Framework

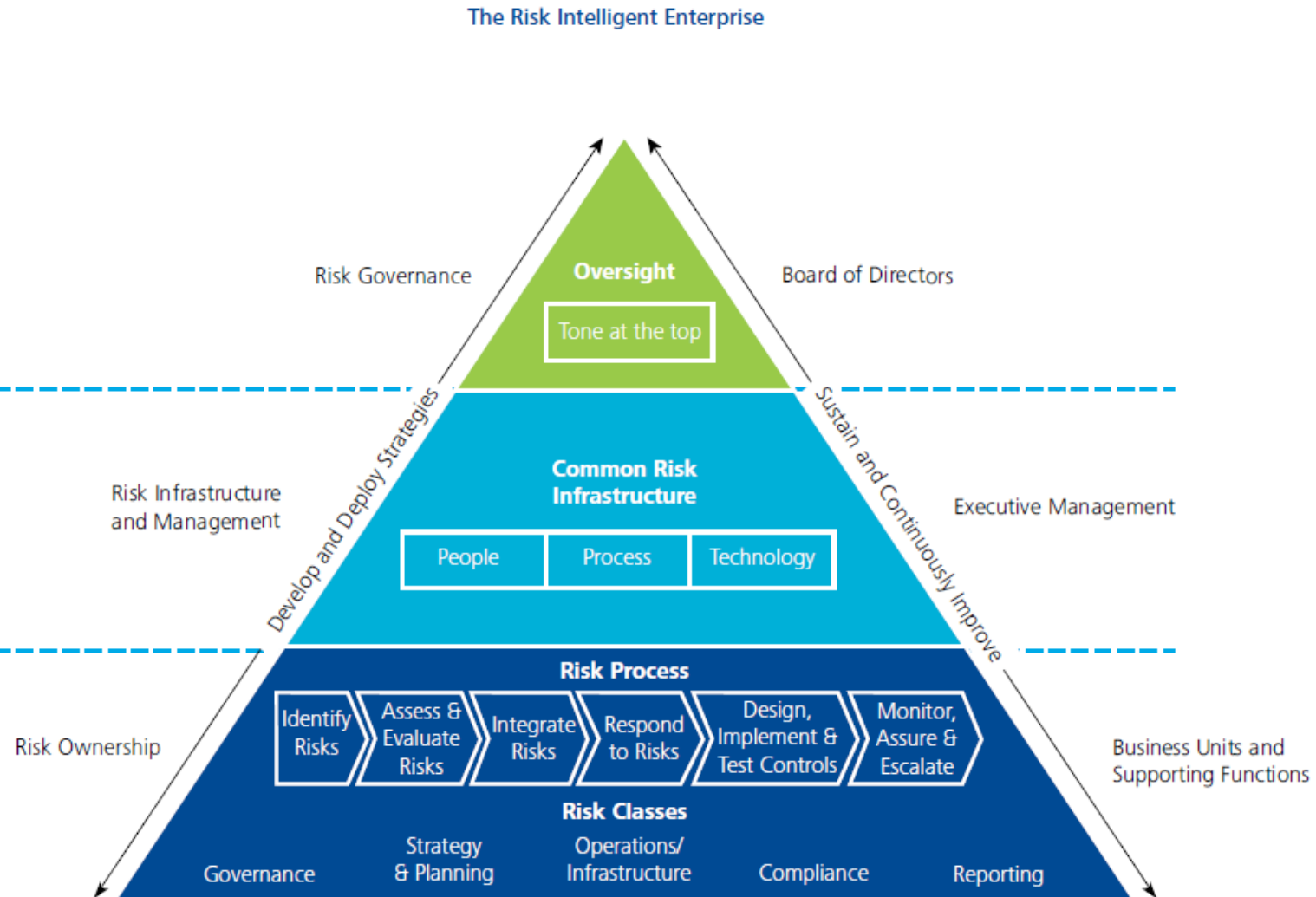
Effective management of enterprise-wide risks including legal risks depends on implementation of Risk Intelligent Enterprise framework

Nine Principles for Building a Risk Intelligent Enterprise

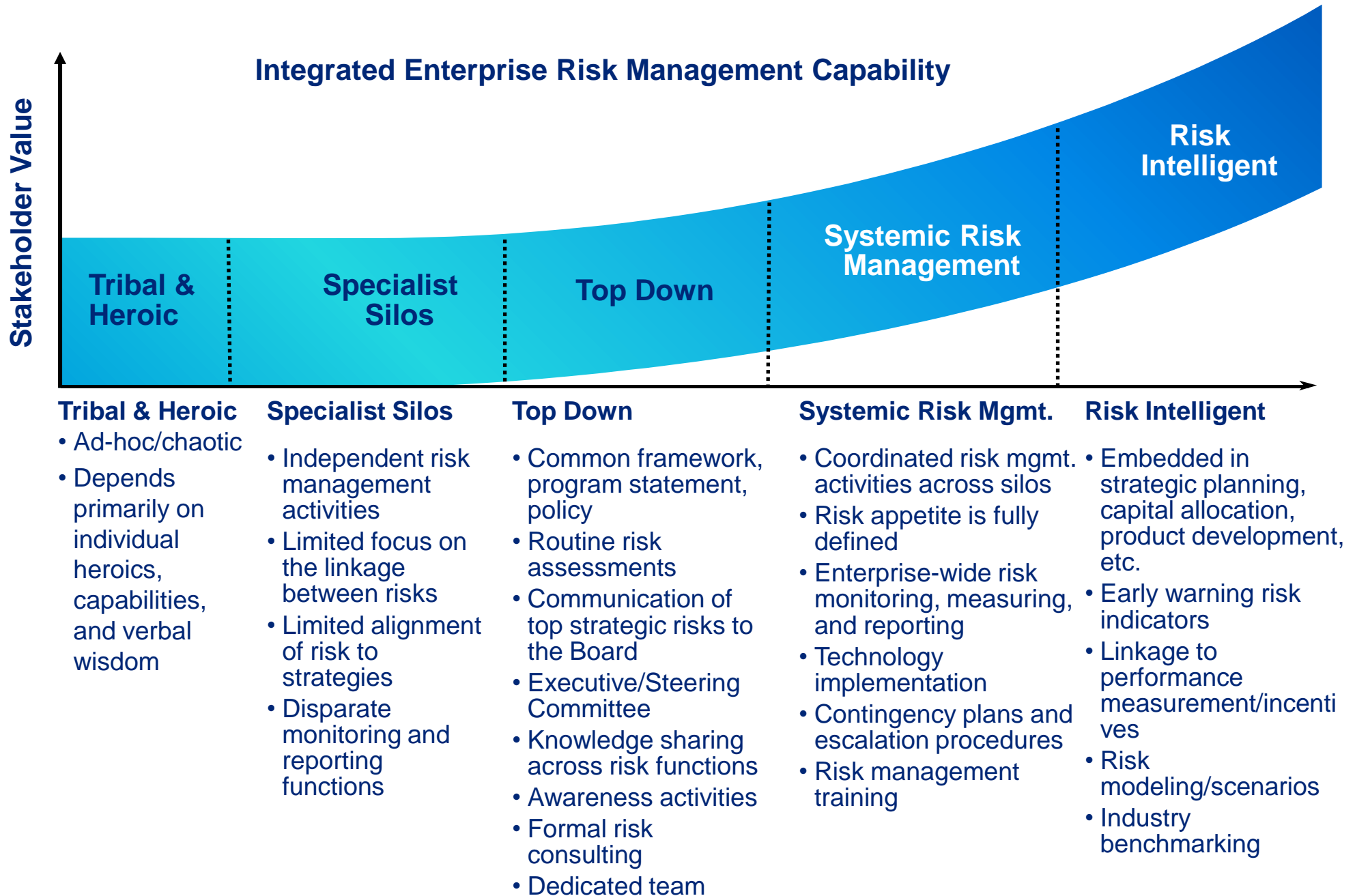
- Common Definition of Risk
- Common Risk Framework
- Roles & Responsibilities
- Transparency for Governing Bodies

- Common Risk Infrastructure
- Executive Management Responsibility
- Objective Assurance and Monitoring

- Business Unit Responsibility
- Support of Pervasive Functions



A Model for Evaluating Risk Intelligence



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How Expensive Is Fraud?

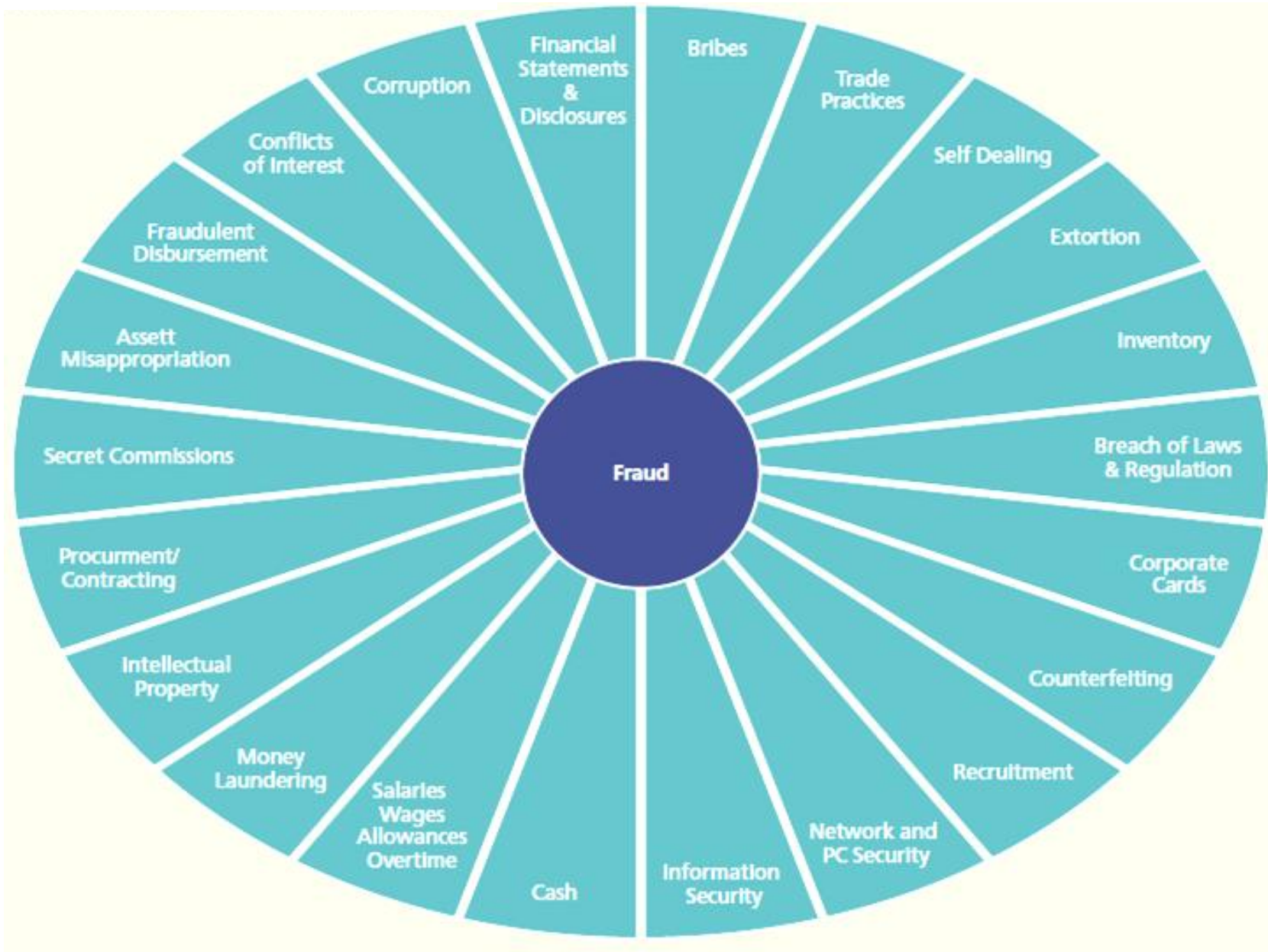
Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.

- Companies lose approximately 5 percent of their revenue to fraud
- The cost to U.S. corporations from fraud approximates to an estimated \$652 billion per year
- Asset misappropriation (schemes involving the theft or misuse of an organization's assets, such as fraudulent invoicing, payroll fraud or skimming revenues) was by far the most common type of occupation fraud, occurring in 91.5 percent of all reported cases, with a median loss of \$150,000
- Corruption involving unauthorized benefits, accepting or paying bribes and undisclosed conflicts of interest resulted in a median loss of \$538,000
- Fraudulent statements were the least reported incidents of fraud at 10.6 percent but the most costly, with a median loss of \$2 million
- The greatest percentage of fraud cases were detected as a result of t customers, vendors or anonymous)
- Fraud detection, especially before large losses occur, is still a great c

Source: Association of Certified Fraud Examiners



Fraud Risk Areas



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Internal Audit

*an independent, objective assurance and consulting activity designed to **add value** and **improve** an organisation's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the **effectiveness** of risk management, control, and governance processes*



Internal Audit Roles

SHOULD

- Giving assurance on Risk Management process
- Giving assurance on correct evaluation
- Evaluating Risk Management processes
- Evaluating risk reporting
- Reviewing key Risk Management processes

MAY

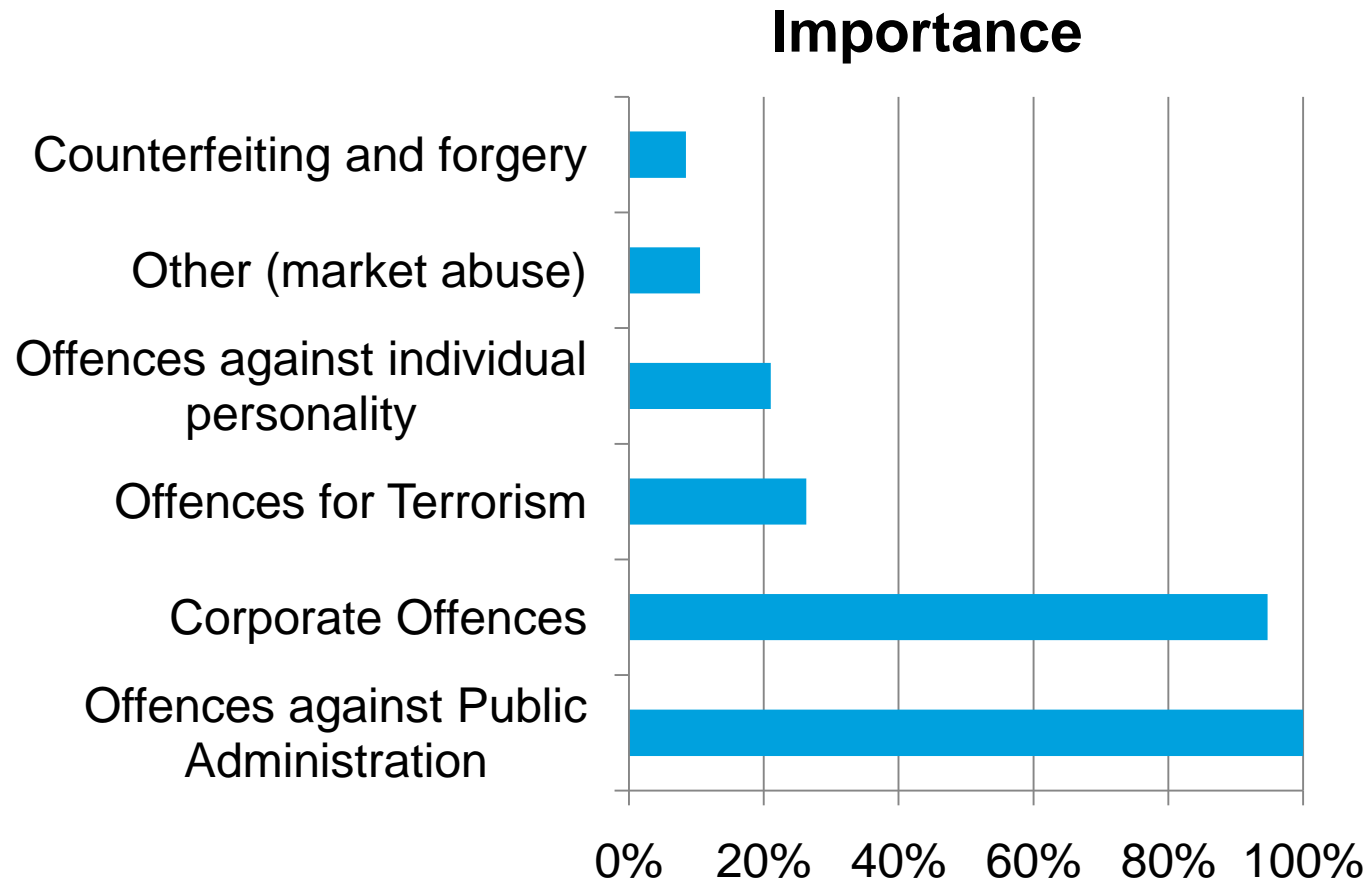
- Facilitating risk identification
- Coaching management
- Coordinating Enterprise Risk Management process
- Consolidating reporting
- Maintaining and developing Enterprise Risk Management framework and strategy

SHOULD NOT

- Setting the risk appetite
- Imposing Enterprise Risk Management processes
- Managing risk assurance
- Taking decisions and implementing risk responses
- Taking accountability for Enterprise Risk Management process

Legal Risks to be considered by Internal Audit

The research performed by Deloitte member firm showed that most companies consider the following kind of legal risks as more incident on their activities:



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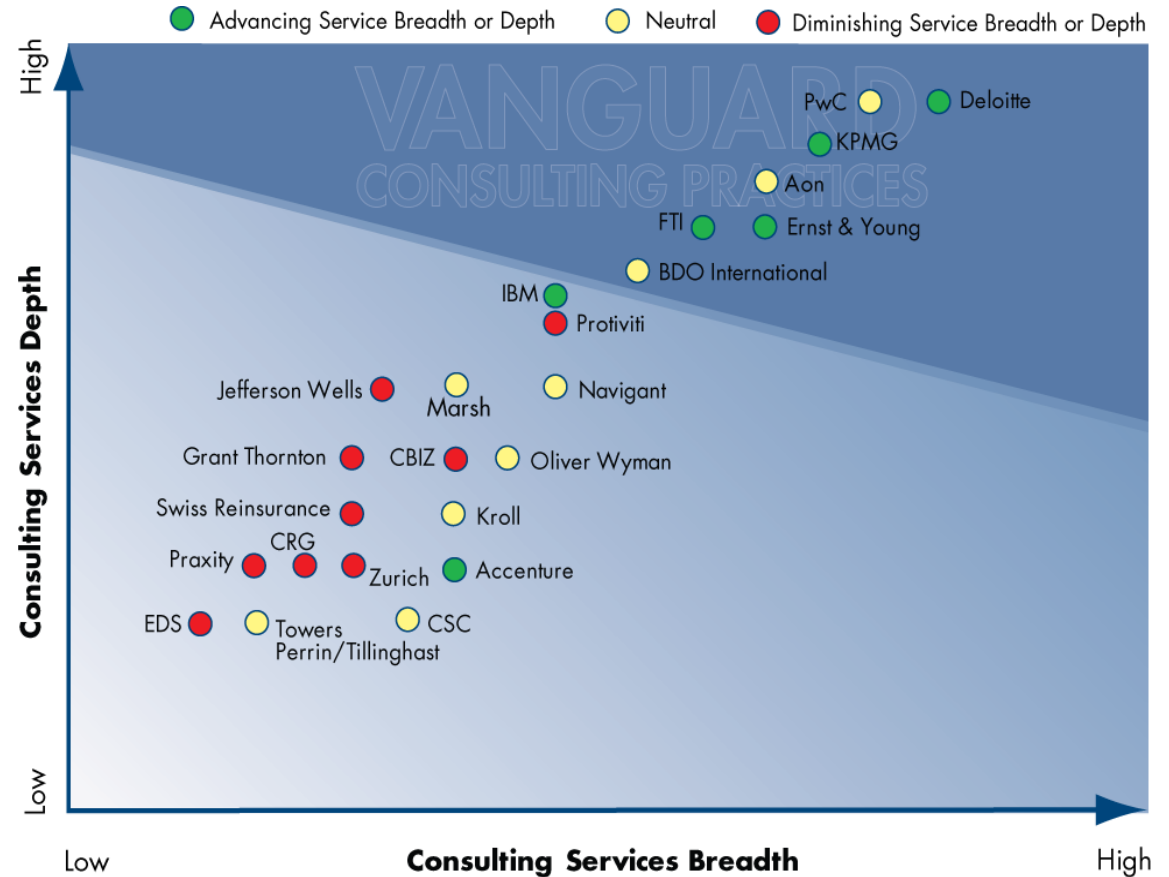
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Deloitte Risk Consulting Expertise

“Deloitte operates the world’s largest and most robust risk consulting practice. Its offerings stretch across every segment of the market.” *

Source: Kennedy Information; “Risk Management Consulting Marketplace 2009-2012”; © BNA Subsidiaries, LLC; reproduced under license.



“Deloitte... provides clients with a Risk Intelligence Map that helps them identify potential risks and risk interactions. Developed around 15 example classes of risk that corporations face, the Risk Intelligence Map enables clients to improve their risk management processes and identify key enterprisewide risks that need to be effectively managed and communicated to all levels of the organization.”*

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Deloitte Risk Map



The Risk Map is intended to help organizations manage risk by providing a view of the pervasive, evolving, and interconnected nature of risk. The Risk Map can be used in various way:

- to identify risks the organization should manage
- to prioritize the risks
- as a catalyst for discussing risk across the organization
- to determine how risks are being managed across silos
- to identify potential risk interactions
- to determine whether risk management approach is consistent

How Deloitte can help

Deloitte is an organization of member firms around the world in nearly 140 countries. With access to the deep intellectual capital of 150,000 people worldwide, Deloitte delivers services in four professional areas - audit, tax, consulting, and financial advisory services.

Our Deloitte Azerbaijan consulting practice has been established in 2003.

Now Deloitte Azerbaijan consulting consists of Enterprise Risk Services and Enterprise Applications functions.

In Deloitte Azerbaijan our consulting professionals can help you with hands-on experience in the following areas:

Fraud examination, identification and implementation of fraud risk management framework;

Establishment of *Risk management and Internal Audit functions* including methodological/legal support, staff trainings, hiring and function out-sourcing/co-sourcing.





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