

## Globalizing Risk Management and Internal Control Guidelines

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A recent survey released by the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) evaluates the need for stronger risk management and internal control guidelines. The survey also supports the concept of creating international standards for risk management and internal controls. With an ever increasing number of companies engaged in international operations, set standards will allow for continuity resulting in increased knowledge and greater compliance with risk management and internal control guidelines. A global standard may also assist in alleviating a future financial crisis.

The global survey summarizes the results from approximately 600 individuals representing organizations from over 80 countries. The respondents included risk and compliance managers, CFOs, controllers, internal auditors, and business managers. Some interesting insights and results from the survey follow:

**Current strengths and weaknesses of risk management and internal controls:** Most of the survey respondents currently have a risk management and/or internal control system in place within their company. Many of these systems are active due to requirements from regulators, governments, and customers. While a majority of the respondents indicated risk management and internal control guidelines are separate in their current company, they believe integration of the two will be a great improvement. Increased awareness, systematic design and implementation, more integration, effective and efficient controls, and continuous improvement are some of the strengths noted within their current organizations. Current weaknesses noted include treating risk management as an “add-on” instead of a “built-in” integrated part of the business, control environment, objective setting, risk assessment and response, and information and communication.

**Function of risk management and internal control guidelines:** Many respondents agree that the current guidelines in their country are satisfactory and can be improved by integrating risk management and internal control guidelines. It is believed attention to risk management and internal control has increased globally, but on separate levels rather than integrated. Overall, the respondents think risk management and/or internal control guidelines are in need of more integration, global alignment, and a wider scope.

**Desire for international standards:** It is perceived that global alignment of risk management and internal control will have a positive impact. The respondents feel the current guidelines in their respective countries can be more effective with globally integrated risk management and internal control guidelines, which will reduce the complexity of business transactions. It is suggested this be accomplished by increased international stakeholder participation and improvements to international due process.

IFAC concluded a strong focus should be placed on the advantages of risk management and internal control guidelines, how to implement risk management and internal control guidelines, and development of international standards. To download the full results of the *Global Survey on Risk Management and Internal Control*, click [here](#).