

**INTERNAL AUDIT AGENCY  
2022 ANNUAL INTERNAL AUDIT CONFERENCE  
UPSA AUDITORIUM, 17<sup>th</sup> August, 2022**

**MAINSTREAMING ENTERPRISE RISK MANAGEMENT  
IN PUBLIC SECTOR: THE ROLE OF STAKEHOLDERS**

**Presentation by:  
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# ....Outcomes....

1. Need for many more government agencies and public entities to increasingly pay attention to government operations' risks
2. Recognition by agencies that solutions to risk problems offer the potential to:
  - save billions of Ghana cedi
  - improve service to the public and build trust
  - strengthen performance and accountability
  - accomplish Agency mission
3. A call for Action

# Outline

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- Back to Basics
- The ERM Journey
- Unstrapping the Worth of ERM
- A Call to Stakeholders for Action
- Next Steps for Stakeholders
- Wrap-up

# Back to Basics

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# Risk

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“The uncertainty of outcomes arising from events, laws, policies, decisions and actions. Risk has to be assessed against the combination of the likelihood of something happening, and the impact that arises if it does actually happen”

Terry F. Buss

# ERM

“A process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”

## COSO

The Committee of Sponsoring Organizations of the Treadway Commission

....Simply....

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ERM is a strategic process sponsored at the highest level of an organization to protect it against being blindsided by unforeseen risks and to ensure that all risks are managed within a specific risk tolerance.

# ERM is the Capability to Effectively answer to these:

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What are all the risks to our business strategy and operations?

How much risk are we willing to take?

How good are we at overseeing risk taking?

How do we ensure we have the right information to manage risk?

How do we determine the size and scope of the risks and report the results?

How well do we manage the risks?

What are we doing about the risks?

What else can go wrong and how are risks interconnected?



**A Reality:**

**Inadequate Public and Private Sector Risk  
Management**

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# What are all the risks to our business strategy and operations and what else can go wrong?



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# How good are we at overseeing risk taking and how are risks interconnected?



....government spent some **GH¢25billion in cleaning up** the sector.....

.....Revocation of licenses: MFIs, Savings & Loans and Finance Houses

....loss of \$9.8 trillion in wealth....stock market plummeted, drop in economic growth in developing economies

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# How do we ensure we have the right information to manage risk and how do we determine the size and scope of the risks?



Dozens of people at Bogoso-Apeatse in the Western Region are believed to have died from an explosion.



# .....need to redefine how public sector businesses operate: through ERM practices

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Private and public sector risk management

Potential problems of inappropriate risk management guidance

**WHAT SHOULD BE THE BASIS?**

# .....build upon exclusive public-sector experiences and problems or upon developed business models?

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1. The enterprise as the primary decision-making unit: **single profit center**
  - many organizations with delegated responsibility to make decisions that then pass through to one another
2. The level of **shareholder value** to an organization
  - Enterprises categorized as public entities are assessed in their **value to the public**
3. Identification and calculation of risk based on the **use of decision aids and tools**
  - correlation between risk and general business strategy
  - delegation of decision making across multiple organizations

# The ERM Journey

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# Public Financial Management Act, 2016

## Act 921

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### Section 7 (2)

A Principal Spending Officer shall, in the exercise of duties under this act, establish an effective system of risk management, internal control and internal audit in respect of the resources and transactions of a covered entity.

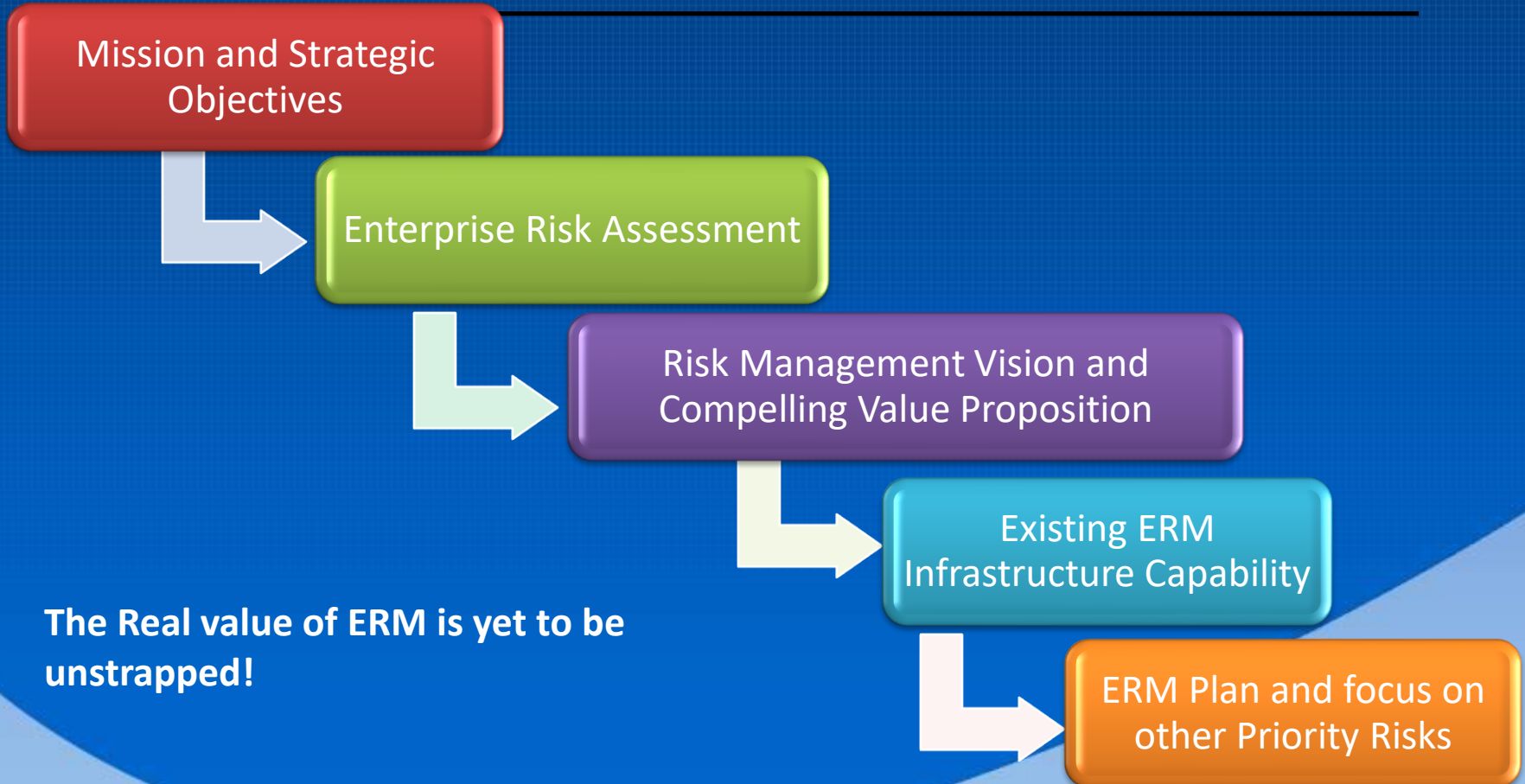
### Section 90

The governing body of a Public Corporation or State Owned Enterprise shall establish and maintain:

- Policies
- Procedures
- Risk management and internal control systems
- Governance and management practices



# ERM is a Journey: Stories from Afar



**The Real value of ERM is yet to be unstrapped!**



# Unstrapping the Worth of ERM in Public Sector

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# ....risks tend to hide in complex bureaucracies with limited interdepartmental communication

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ERM operates across the enterprise, and its application is targeted to the:

- achievement of the agency's:
  - mission
  - goals and objectives
- protection and enhancement of the unique combination of tangible and intangible assets

.....traditional methods focus exclusively on protecting tangible assets and related contractual rights and obligations.....

ERM elevates risk management to a strategic level by broadening its application to all sources of value – including brands, innovative processes, knowledge and reputation – and not just physical and financial ones.

# .....delving deeper to unstrap more value of ERM



# A Call to Stakeholders for Action

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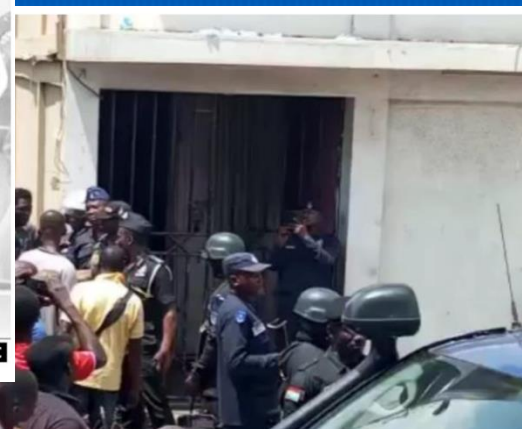
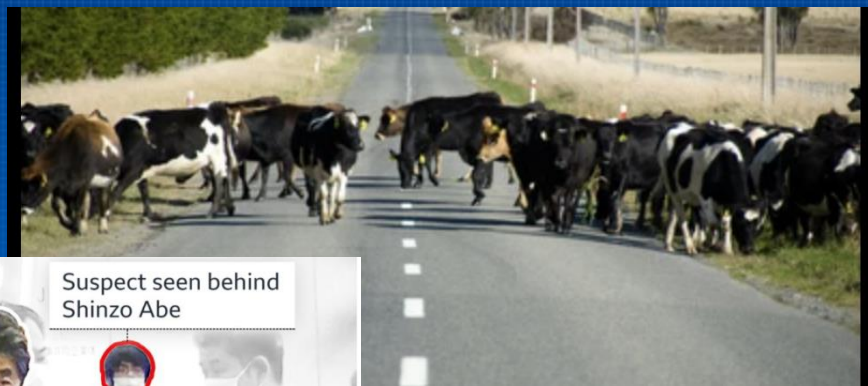
# The Headlines: Ongoing cavade of decisions reflecting need to Mainstream ERM in Public Setor



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# Stakeholders must commit to the Mainstreaming of ERM in Public Sector to Unstrap its Value

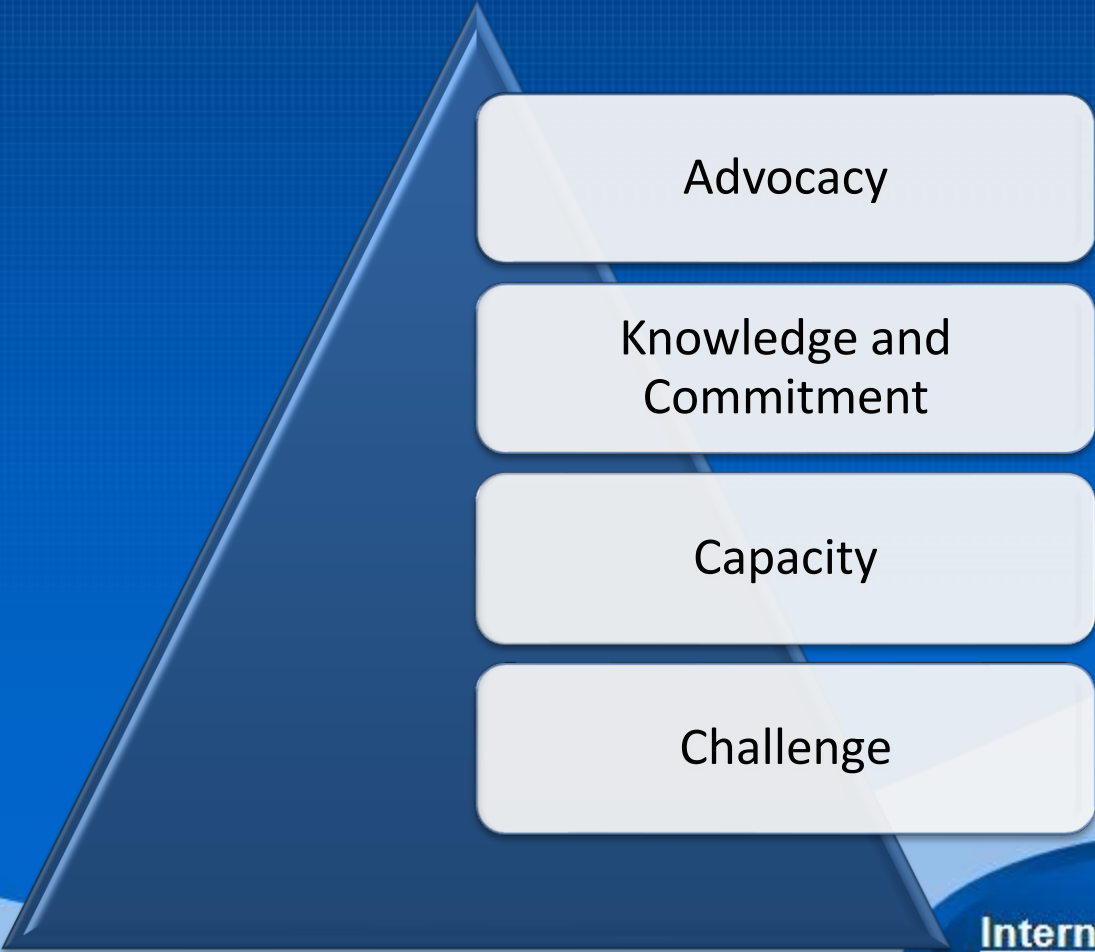


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# Establish and Strengthen the Fundamentals as Stakeholders

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Advocacy

Knowledge and  
Commitment

Capacity

Challenge

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# Clear the Hurdles as Stakeholders

## Leadership:

- Sponsors
- Sustained Support from the top

## Power in Silos and Culture:

- Institutionalization of ERM
- RMCs

**A call for  
Stakeholder Action**

## Reconciling Roles:

- Lines of Defense

## ERM Awareness:

- Staff and ERM Value

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# Next Steps for Stakeholders

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# Develop a Shared Vision of the Role of Enterprise Risk Management

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# Wrap-up

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# ERM is a KSF of the organization, and deserves its own champion at the highest level of management

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ERM should be viewed as a **commitment to continuous improvement**

It is critical for the public agencies to have the **necessary leadership to steer it**

Chief Risk Officer (CRO): who should be **insulated from and independent** of agency or departmental operations

Through ERM, **Counter Skepticism** by demonstrating fact-based and measurable value

Understand the perspective and concerns of each organizational unit to avoid cultural resistance to an enterprise-wide approach

ERM return on investment (ROI) **must be properly defined**

# Demonstrate your Commitment as Stakeholders

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## Stakeholder Action

- Aligning ERM
- Identifying Risk
- Assessing Risks
- Responding to Risk
- Monitoring Risks
- Communicating and Reporting

thank  
you



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