



Smart decisions. Lasting value.



Crowe RS Advisory

Risk Management Advisory Services

Crowe Serbia – Risk Management Advisory Services

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Strategic approach to Risk Management

The risk management process is an elementary measure for improvement of corporate governance, subject to scrutiny by potential creditors and investors when deciding on possible investments. As an integral part of corporate governance, **risk management process should be a central part of any company's strategy**. A strategic approach to risk management ensures a structured response to unwanted events that can have a significant impact on the company's objectives.

However, frequent instabilities caused by economic, geopolitical, natural and other factors tend to push strategy into the background at the cost of solving burning issues. Turning from the strategic path also results in overlooking the risks that affect the sustainability of companies' operations and profits.

How Risk Management contributes to informed decision-making?

Crowe team views risk management as a **choice of options to achieve strategic objectives rather than reacting to emerging changes**. Such a view requires the definition of strategic objectives, their further breakdown into individual objectives, as well as the monitoring of their achievement. A detailed analysis of objective achievements provides the best available data to management that is crucial in their decision-making process. Therefore, informed decision making is all about using adequate data (i.e. KPIs) to choose between options with an aim to implement the most effective risk measures.

Aligned with the best practices and international standards, Crowe advisors can help you review your objectives based on business environment in which you operate. This step represents the foundation for setting up a risk management system and is necessary prior to defining policies, procedures and practical activities for risk identification, analysis and monitoring. Our ambition is to be your long-term advisors and business associates in creating an environment that recognizes the importance of risk management for the sustainability and well-being of the regional market.

Benefits of establishing strategic Risk Management

In addition to a strategic approach to risk management, it is vital that management provides full support to implementation of a structured risk management process. Such commitment is a precondition for any company that aims to achieve a sustainable competitive advantage in the market. For this reason, the **risk management system is applicable to all companies, regardless of size, stage of development or ownership structure.**

Small and medium-sized enterprises

Small and medium-sized enterprises ("SMEs") often lack the resources to quickly respond to internal and external threats, leading to potentially large losses and even their market presence. Therefore, their structural features may result in greater vulnerability to risk. Performance and financial results is largely dependent on the ability of the owner and/or management to anticipate and prepare for change. Consequently, the risk management process can be a key tool for each SME, as it enables quantification and mitigation of risks in order to control the circumstances and outcomes of risk events.

Risk management also improves the ability of SMEs to create value over time. SMEs should be motivated to establish a risk management process by the necessity to protect their products and services, and to create advantage over the competition. These necessities are foundation for market success, but their achievement consist of risks when making decisions and implementing business activities.

Large enterprises and corporations

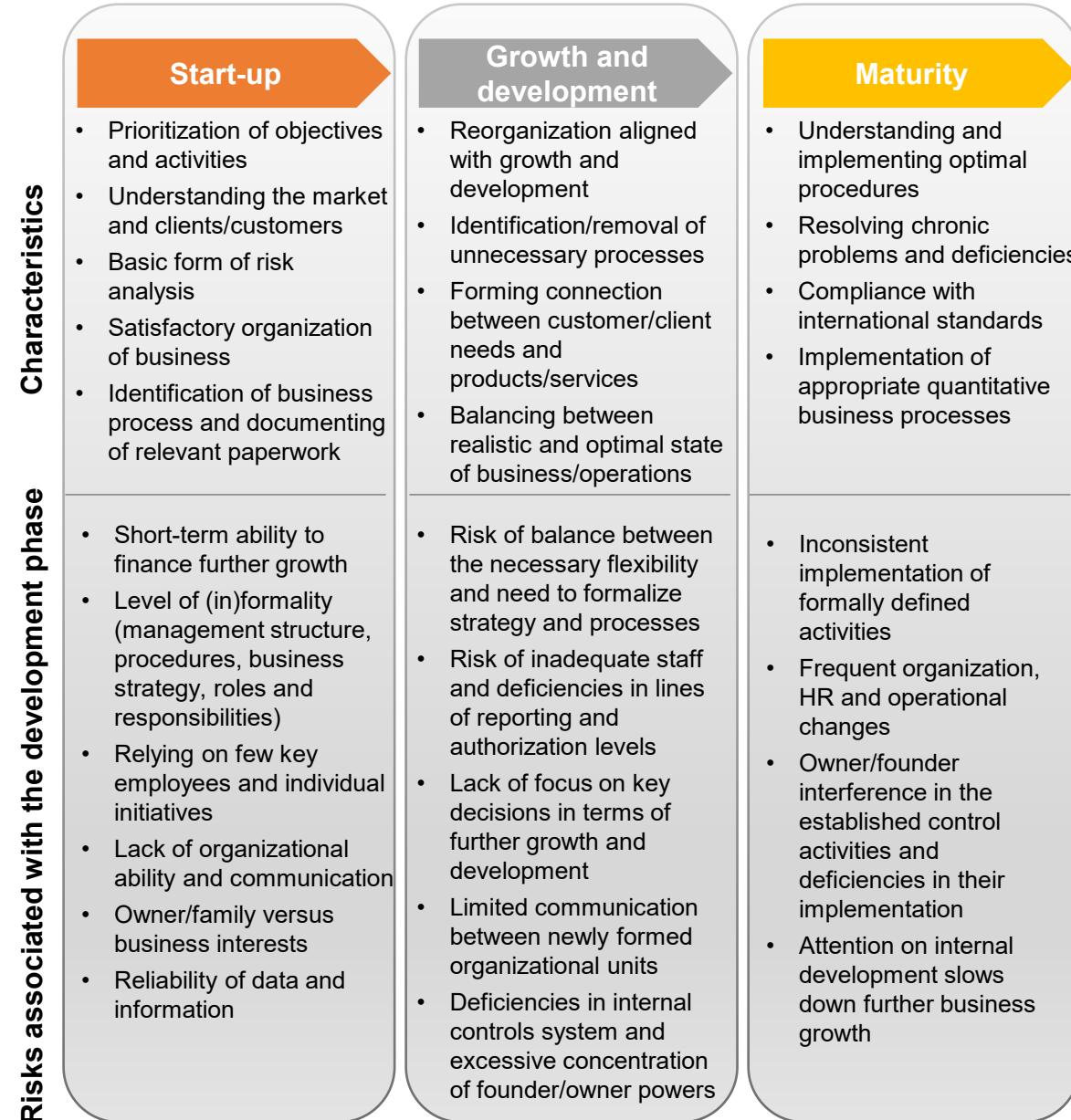
Large companies often experience numerous changes resulting from the reorganization, products/services development and recruitment. Their control environment and business processes remain at approximately the same level as before these changes occurred. Consequently, large companies are in ever growing need for specific expertise in order to optimize business processes, improve internal controls system, resolve chronic deficiencies and harmonize with relevant international standards and regulatory requirements.

Comparison of qualitative indicators based on company size		
Category	Small and medium enterprises	Large enterprises and corporations
Management	<ul style="list-style-type: none"> Entrepreneurship Division of work based on personal characteristics and abilities 	<ul style="list-style-type: none"> Professional management Division of work based on skills, expertise and qualifications
Employees/Staff	<ul style="list-style-type: none"> Less university-educated More general and comprehensive knowledge 	<ul style="list-style-type: none"> University-educated Specialized knowledge
Organization	<ul style="list-style-type: none"> Reliance on personal contacts 	<ul style="list-style-type: none"> Formalized communication
Sales	<ul style="list-style-type: none"> Uncertain market position 	<ul style="list-style-type: none"> Strong market position
Relationship with clients/customers	<ul style="list-style-type: none"> Unstable and short-term 	<ul style="list-style-type: none"> Based on long-term contracts
Production/Manufacture	<ul style="list-style-type: none"> Dependent on the labour market 	<ul style="list-style-type: none"> Dependent on the capital market
Research and development	<ul style="list-style-type: none"> Intuitive approach to accessing and monitoring market 	<ul style="list-style-type: none"> Established within the company
Financial ability	<ul style="list-style-type: none"> Individual and family funds, self-financing 	<ul style="list-style-type: none"> Diversified ownership structure, access to different capital markets

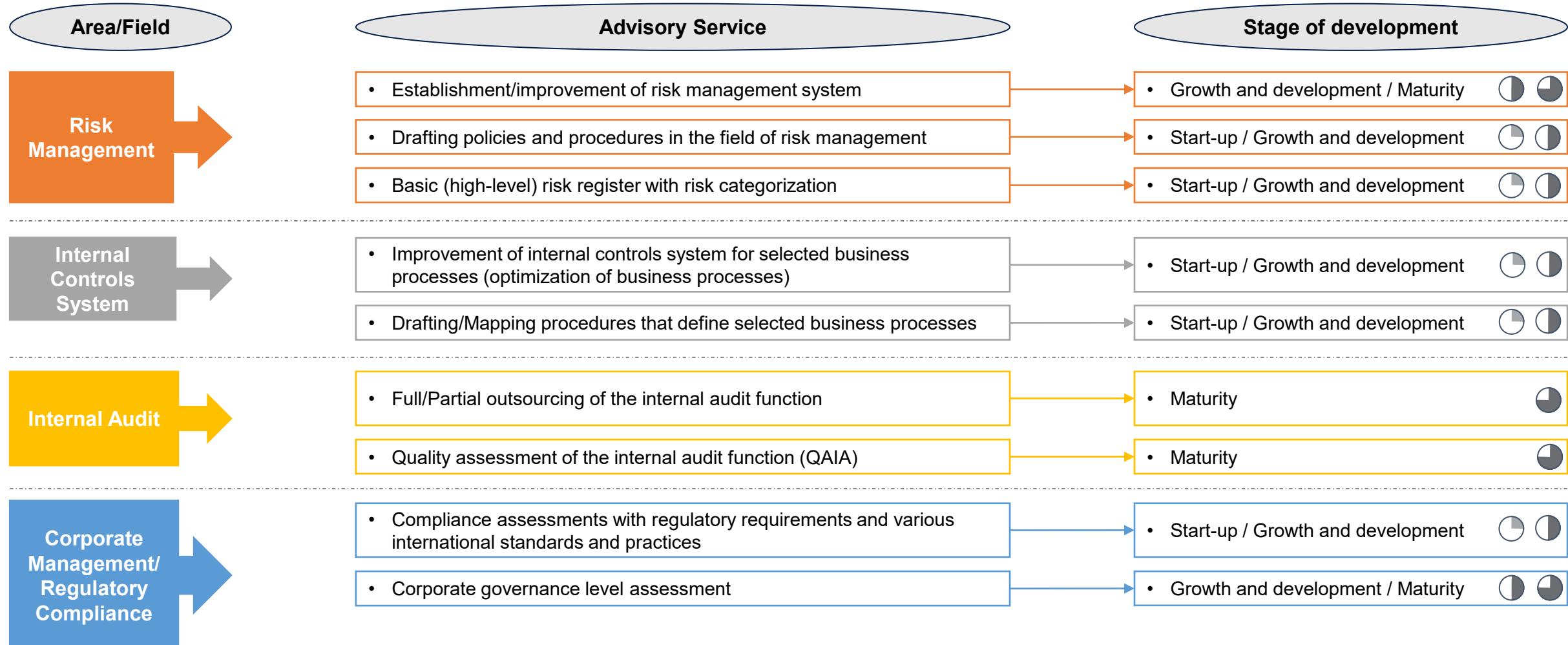
Risk Management based on company's development stage

The risk management system is not a process that is uniformly implemented in all the companies. The common perception that risk management can be mirrored from other counterparts contributes to the perception that risk management creates additional costs and occupies resources without visible benefits for the company. Instead, **companies should focus on adapting risk management system to the existing needs and resources**. One way to do this is to align risk management with the development stage of the company:

- **Start-up** – Management of the company is at an informal level, while limited resources and attention are directed exclusively on product/service development. The owner/founder makes all decisions, while roles and responsibilities of other employees are loosely defined;
- **Growth and development** – Company focuses on sales after product or service is successfully developed. At the same time, the number of employees and the complexity of daily activities are growing. However, this growth is based on owner/founder's vision and is not enabled by planning and development strategy;
- **Maturity** – Sales slow down as the company experiences numerous changes resulting from reorganization, product/service development, and recruitment. The control environment and business processes remain at approximately the same level as before these changes. The need for hiring professional management and employees with specific expertise, as well as need for improved internal controls system, is increasing.



Risk Management Advisory Services



Benefits from Risk Management Advisory Services

Risk Management	Internal Controls System
<p>Establishment/improvement of risk management system</p> <ul style="list-style-type: none"> Higher probability of achieving strategic and operational objectives, while minimizing threats to their achievement; Favourable conditions for raising new capital and easier access to capital markets; Added value for all stakeholders, including owners, employees, clients/customers and regulators; Efficient allocation of capital and resources; Efficiency in planning, decision-making and operational management processes; Continuity in production, service delivery and trading on the market through company promotion and better reputation. 	<p>Improvement of internal controls system for selected business processes (optimization of business processes)</p> <ul style="list-style-type: none"> Development of an internal controls system adapted to the client's technological and other processes (entry controls, access controls, automatic/manual controls); Identification of "bottlenecks" in existing control activities in order to limit risks that affect the achievement of client's objectives; Improvement of control activities in key business processes with an aim to clearly establish roles and responsibilities; Insurance of property and other resources against losses caused by unwanted events; Identification of core functions necessary for further growth.
<p>Drafting policies and procedures in the field of risk management</p> <ul style="list-style-type: none"> Clear and measurable strategic and operational objectives; Formal division of roles and responsibilities in the risk management process; Uniform understanding of risk concept, company objectives, business environment as a source of risk events and of activities/measures that prevent, avoid or reduce risk to a reasonable extent; Prerequisite for implementation of risk management process. 	<p>Drafting/Mapping procedures that define selected business processes</p> <ul style="list-style-type: none"> Implementation of control environment within defined processes that provide foundation for performing internal controls in the company; Formal approval of processes implemented in practice by formally defining : <ul style="list-style-type: none"> organizational structure, key business processes, means by which operational and strategic decisions are made, internal controls that establish roles and responsibilities, and that aim to safeguard assets and capital; Formally defined and mapped procedures are communicated to employees and applied throughout the company; Prerequisite for strict monitoring of formally adopted processes.
<p>Basic (high-level) risk register with risk categorization</p> <ul style="list-style-type: none"> High-level view on company's risk profile and identification of potential sources of losses from individual risks; Gradual transition to long-term and strategic planning. 	

Benefits from Risk Management Advisory Services

Internal Audit

Full/Partial outsourcing of the internal audit function

- Decreased workload for available human resources;
- Independent third-party approach to the assessment of the most significant business processes in accordance with the International Standards of the Professional Practices of Internal Auditing issued by the Institute of Internal Auditors;
- Proactive attention to risks;
- Qualitative/Quantitative approach to the implementation of internal audit, and thus to the risk management process.

Eksterna procena funkcije interne revizije

- Compliance with the International Standards of the Professional Practices of Internal Auditing, particularly with the Standard 1312;
- Enables continual progression of the internal audit function and adds value to the organization by identifying opportunities for IA process improvement and offering recommendations to improve its efficiency, thus raising credibility of the IA function;
- Improving reputation as QAIA service provides evidence to potential investments that risk management and efficiency of internal controls are subject to internal auditors' attention.

Corporate Governance / Regulatory Compliance

Compliance assessments with regulatory requirements and various international standards and practices

- Compliance verification with the legal provisions and obligations relevant to the company's operations;
- Compliance verification with the minimum requirements of local and/or international standards dictated by the industry in which the company operates (i.e. environmental, social and governance - ESG requirements).

Corporate governance level assessment

- Direct benefits of efficient corporate governance are more favourable conditions for raising new capital, better reputation, better performance and easier access to capital markets,
- Identifying potential room to improve planning, reporting and measuring achieved results, while achieving business transparency at the same time,
- Definition of rules that internal organization should abide, i.e. selection of directors and board members, owner/management supervision.



Forensic services

Crowe team can assist you in protecting your reputation by taking a proactive approach and providing advisory services in the areas of fraud, anti-money laundering (AML) and corruption.

Fraud, corruption and bribery prevention

- Risk assessment of fraudulent and corruptive actions;
- Assessment of existing practice related to fraud, corruption and bribery prevention program;
- Improvement of fraud, corruption and bribery prevention program;
- Forensic audit of fraud, corruption and bribery;
- Employee trainings in the field of fraud, corruption and bribery prevention.

Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF)

- Review, analysis and assessment of existing policies, procedures and activities designed to prevent money laundering and finance terrorism;
- AML and CTF risk assessments;
- Design and implementation of AML and CTF measures (i.e. clients' due diligence)
- Design of a function that performs AML function and clients' due diligence;
- Design of a client management process;
- Training of AML and CTF staff/employees.

Financial analysis and business information

- Gathering independent financial and other information about individuals and legal entities in order to assess their integrity and related corruption risk, as well as to assess the risk of third parties with whom the client/vendor does business;
- Background research (business background, business activities, beneficial ownership, type of connection with third parties, - based on a review of publicly available information and special databases available to the Crowe network.



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