KPMG

Dynamic risk management

The future of finance

CFO agenda for elevating finance

KPMG believes CFOs and their teams are natural leaders in today's digitally enabled, dynamic environment. Leading finance organisations are investing in new capabilities that can allow them to elevate from their traditional roles to strategic advisers across the enterprise. KPMG's strategy for future-ready finance includes five distinct, but complementary pillars focused on unlocking business value. Download this report to learn more.

> **"We say risk management is dynamic now because it's operating continuously and can deliver insights in real time. It can be both an early warning system and a predictive operation."**
>
> **Kevin Smout,**
> Partner, Risk Strategy & Technology,
> KPMG Australia

In the recent report, CFO agenda for elevating finance, KPMG professionals discussed how dynamic risk management in finance is invariably a matter of trust. By supporting trust with stakeholders inside and outside the enterprise, CFOs and finance teams can turn risk into an opportunity to enhance value, foster innovation, improve performance, and help manage change for the organisation.

From this point of view, we'll outline how dynamic risk management can improve the accuracy, speed, and value of operations within the finance function

Automate where it matters most

Effective risk management in finance begins with leveraging enterprise data along with external signals to gain real-time insights into risk factors. Automation harnesses customer data and signals, to help finance better predict risk and determine appropriate actions while continuing to monitor and assess risk factors across the enterprise. As economic and geopolitical volatility becomes the norm, and the past is no longer an indicator of things to come, seemingly disparate events can become inextricably linked.

For decades, organisations have used a two-dimensional approach to predict risk, grading individual risks according to their likelihood and severity. But this method isn't capable of foreseeing and preventing crises that arise from complex chain reactions and tipping points

Finance can accelerate digital automation to proactively mitigate risk and improve accuracy, speed, trust, and the customer experience.

Digital technologies and applications can deliver solid benefits in three key areas:

Data ingestion and management:

- anomaly detection tools that proactively manage risks before an event occurs
- machine learning that helps to reduce accidents, limit fraud, and accelerate reaction time
- blockchain technology designed to ensure data integrity and prevent fraud.

Business processes:

- Robotic Process Automation (RPA) designed to reduce manual execution and eliminate repetitive, rules-based processes
- cognitive technology that makes risk identification, decision-making, and mitigation faster and more accurate
- technology that can free up finance professionals for higher-level analysis and proactive functions.

Policies and controls:

- automated controls that can improve risk reaction time and enhance compliance
- cyber security designed to improve protection of customer and enterprise data in virtual environments
- Dynamic Risk Assessment (DRA) investigates the structure of an entire risk system to understand the connections between risks and the speed risk impacts could occur, to support better decision-making across opportunities or risk mitigation.

Case in point

KPMG helped an online payment processing company improve data trust by using anomaly-detection capabilities.

Challenge: The client needed a better way to monitor the quality of KPIs and detect fraud. Data inconsistencies were degrading the overall trust in KPIs. This lack of trust resulted in silos of information maintained separately by individual departments, with minimal data integration across the enterprise.

How we helped: KPMG professionals developed an online data quality monitoring tool using a time-series modeling technique. The model learns patterns of each individual data feed and forecasts the expected behavior on a daily basis. The model also handles yearly, monthly, and weekly seasonality in the data and learns to predict multiple nonlinear behaviors.

The model monitors the business metrics in real time and notifies data owners when the behavior of any data feed significantly deviates from normal.

Benefits to the client: With support from KPMG professionals, the client can now quickly detect anomalies in key business metrics and assign owners responsible for ensuring data quality. This helps provide better insights in supporting day-to-day decision making.

Most importantly, the monitoring tool enhances overall trust in the data flowing through the organisation's departments. Any analysis and decisions made from the data can be used with confidence by downstream departments

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