Appendix VI:
Examples of risk indicators

The following is an illustrative list. It is not exhaustive but is intended to stimulate thoughts in relation to risk indicators.

- lack of oversight and inadequate attention on risk management matters by the board;
- high turnover of senior management and staff;
- autocratic management;
- untimely reporting and responses to audit committee inquiries;
- exposure to rapid technological changes;
- industry “softness” or downturns;
- interest rate and currency exposures;
- overly complex company structures or transactions;
- late surprises/high frequency of accounting adjustments;
- ongoing or prior investigations by regulators or others;
- bad news not escalated to the top;
- deteriorating employee morale;
- excessive or inappropriate performance-based compensation;
- lack of succession planning;
- inexperienced management;
- lack of management oversight;
- over-ambitious growth goals;
- unusually rapid growth;
- inappropriate focus on the importance of maintaining trends and achieving forecasts;
- unusual results or trends;
- lack of transparency in the business model and purposes of transactions;
- results appearing unrealistically high given the industry and economic conditions;
- key ratios deteriorating or differing greatly compared to its peers;
- regular deferral of capital expenditure
- inadequate explanations for budget variances; and
- significant projects having a strategic objective or high market profile such as acquisitions or information technology system implementation.