



# A Case of Risk Management Control and Its Study in Non-Financial Risks

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**Abstract:** The objective of the research work was to establish the context of non-financial risks in the company Brad of Wales, and it is recommended that they be managed as soon as possible, considering the low level of maturity of this international company. The applied paradigm was qualitative, the research method was descriptive, and the research tools were case studies. It was able to be carried out due to the adversities suffered in the company studied due to the pandemic and that generated risks that must be managed, adding to this new risks such as climate change, sustainability and social responsibility of the entity. Among the most important findings of this work, it was detected through an internal control survey with a focus on risks; a low level of maturity, explained by low risk assessment. In addition, the compliance risk showed a high level of criticality because basic risk management standards for any organization are not being considered by the regional corporate governance. And, therefore, a great opportunity was evidenced, not only at the local level, but also at the corporate level, for the application of the best practices around corporate risk management.

**Keywords:** Risk Control, Risk Management, Corporate Governance, Non-Financial Risks, Environmental Risk

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## 1. Introduction

Nowadays, in times of pandemic, companies have had to surf different adversities from the delay in the supply chain, problems with their suppliers, increase in the prices of their raw materials, the health of their employees, labor shortages, customers dissatisfied due to delays in receiving their orders. All this generates important risks that every company must manage in order to survive.

Technological progress and the pandemic have revealed risks that were not previously considered but are now present, such as: climate change, environmental sustainability, and corporate social responsibility.

The management of non-financial risks in this highly globalized world has recently begun to be noticed, where the role of corporate governance is essential in contributing to a socially and environmentally responsible society.

Given the above arguments, this paper proposes to

improve the management of non-financial risks according to the company context, recommending a risk policy, together with the preparation of an annual risk management plan, where roles and responsibilities will be defined, and also procedures, and also a risk matrix will be suggested.

This applied research work will review in a first point the analysis and study of the problem, its causes, symptoms, specific and general objectives of the study, justification of the study and the methodology and/or tool to be used for the basis of the investigation.

In a second section is the frame of reference, where the different regulations and frames of reference for the understanding of the research work will be studied.

In the last chapter, the following will be analyzed: The investigation of the variables, dimensions, indicators and the research questions. In addition to the recommendations and conclusions that emerge from the Brad Company of Wales case study.

## 2. Problem Statement

### 2.1. Preliminary Background

#### 2.1.1. Company Background

Brad Company of Wales Limited is one of the subsidiaries of the international holding company OCBRASAN which began its activities in 2007 under the name of TEC Limited, constituted by TEC CCL with 99.9% and 0.1% to Ricardo Muñoz and with its initial name of TEC Limited.

With corporate purpose of: Import, export, purchase, sale, lease and transfer to any title of all types of mining goods and substances, whether manufactured or not.

Due to the social crisis and subsequent pandemic, in addition to bad sales strategies, these were reduced, but in 2020 and despite the fact that the health contingency caused by COVID-19 remained in force, they managed to increase compared to the previous year.

#### 2.1.2. Symptoms That Are Perceived

The EBDG company does not have a formal non-financial risk management model, “despite being a transnational conglomerate subject to internal auditing, according to De la Torre Lascano [5]”.

“Risk management is essential throughout the entity to

achieve strategic objectives, considering that technology according to Andalusian Institute of Technology [2]”, and globalization bring risks that were not considered before, unlike today.

“It has been shown that there is a failure in corporate governance since the administration is responsible for compliance with internal controls according to Capdeferro [4]”, taking into account that the transparency and protection of the assets of the interested parties have been affected, in the same way the corporate conduct and how this influences in third parties and their vision towards the company.

#### 2.1.3. Causes

The company does not have a risk management which takes charge of corporate risks according to, this is explained because there is no management in this regard and the focus of the work is financial accounting.

Being a limited company, it is not regulated under the company regulations and this makes it vulnerable to failure, considering that its Financial Statements are not for public use and this affects transparency, trust and the reduction of expenses.

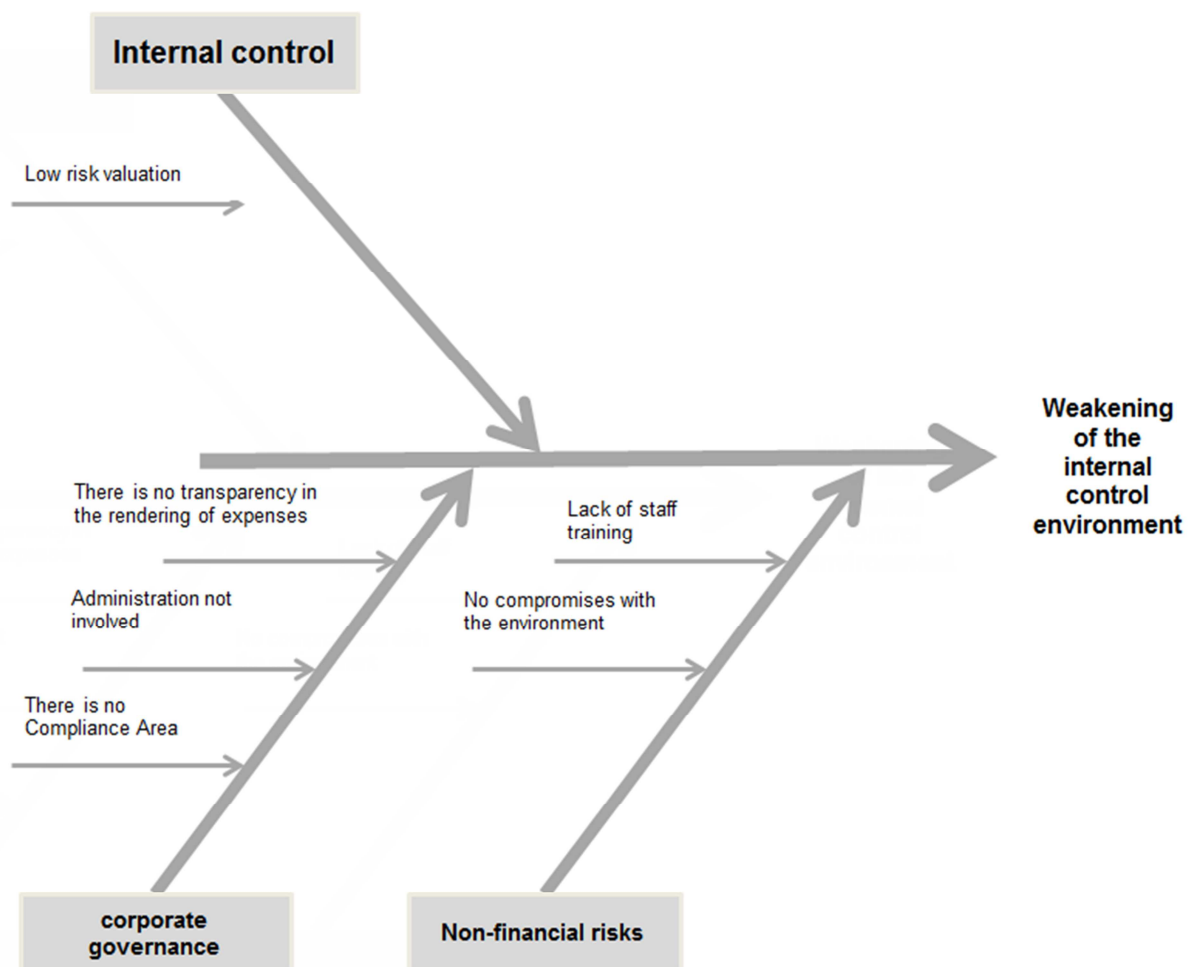


Figure 1. Cause-Effect Ishikawa model.

#### 2.1.4. Forecast

The inexistence of a risk management model has led to the global risks of the environment materializing with a high impact on the company, explained because the company has not implemented a Risk Management.

The review of environmental, social and governance risks will define the relevance of the risks to be assessed and how they behave.

#### 2.1.5. Control to Forecast

“Forecast control consists of improving risk management, according to the context of the company, allowing non-financial risks to be identified, according to Valencia [14]”. This will be carried out by proposing a risk policy, defining roles and responsibilities, also proposing a procedure for annual risk management planning and creating a procedure for preparing and/or updating a risk matrix.

#### 2.2. Problem Formulation

Today in such a globalized world, more attention is being paid to non-financial risks and how these have impacted the economic results of the company.

Non-financial risks can have a negative impact. As an example, Volkswagen, which suffered an impact on its reputation as a company.

What are the most critical non-financial risks at the Welsh Brad mining company that need to be managed as soon as possible?

“The question posed is related to the context of the risks since the most relevant risks that must be addressed are in its three environmental, social and corporate governance areas, according to Rosso [11]”.

#### 2.3. Systematization

Currently, “companies seek corporate sustainability, according to Von [15]”, to achieve this, they evaluate non-financial risks and corporate governments, how their non-management can impact their companies, both represent transparency, reliability for their internal and external environment.

### 3. Research Objective

#### 3.1. General Objective

Establish the context of non-financial risks in the company Brad of Wales that must be managed as soon as possible.

#### 3.2. Specific Objectives

- 1) Identify strategic objectives that impact business risks.
- 2) Analyze the most relevant environmental, social, and corporate governance risks that affect the company Brad of Wales.
- 3) Establish responsibility and roles for risk management.

### 4. Rationale for the Study

#### 4.1. Practical Justification

The Tools of the Profession of an Auditor are its competences in accounting financial matters, transparency, integrity and objectivity to show and/or verify the weaknesses and errors that an organization may have, for this, it uses auditing techniques, accounting standards, tax and labor for the preparation of his report. On this occasion, the review of the control environment is based on COSO 2013, in order to analyze the management of non-financial risks in the company.

#### 4.2. Theoretical Justification

It is the use of techniques and procedures that can help the company to improve its internal control environment, COSO, technical documents of the Institute of Internal Auditors, adding the implication of the theory of stakeholders, the new guidelines on ESG risks (environmental, social, and corporate governance) and their respective limitations, system theory.

#### 4.3. Ethical Justification

*The Code of Ethics of the Institute of Internal Audit* It will be used as a reference since it indicates two clear points, the profession and the rules of conduct that must be followed, such as: integrity, objectivity, competence, and confidentiality regarding the information received.

This helps to keep in mind how the behavior of people can affect in such a way that they impact the management of companies, be it a negative or positive impact.

### 5. Methodological Aspects

#### 5.1. Paradigm

Qualitative. It seeks to analyze risk behavior in all its aspects and, being qualitative, studies the qualities, attributes of each element, that is, person (company employees) or thing (departments).

#### 5.2. Research Method

Descriptive. The problem to study is risk management and how it can impact the internal and external environment of the company by not being detected and controlled.

#### 5.3. Research Tools

Case study. The non-existence of risk management and how this affects both the company as the behavior of people, make the case study descriptive of primary sources, having as an objective the administration and management of non-financial risks to which the entity is exposed if the activity carried out is considered. Although EBDG belongs to a conglomerate where its financial statements are audited

annually, weaknesses in control and the non-existence of non-financial risk management have been identified for these reasons. risks ranging from how to detect, analyze, monitor, and mitigate its impact on the results of the company.

## 6. Research Basis

Research question: What are the relevant non-financial risks affecting the company Brad of Wales?

Due to the deficiencies in the internal control present in EBDG, they cause that its risks are not assigned on time and the impact of the risks can affect the correct functioning of the company. There is also no clear person in charge of the area, there is no segregation of functions and there are no procedures for the correct rendering of expenses.

Globalization has brought changes that have generated technological innovation and allowed people to connect from anywhere on the planet, at the same time causing social changes, and said impact in the world of work has been noted.

Brad of Wales must promptly manage the most critical non-financial risks that have affected his corporate governance that have catastrophic effects if they are not managed and administered, such as operational risk, ethics, compliance and others that affect good corporate governance.

Based on the risks and how they must be managed to reduce their impact and occurrence, the question raised is justified.

## 7. Framework

In order to understand the problem to be investigated, a study has been carried out on the key research topics, the techniques and processes that exist and provide a possible solution to improve risk management.

Risk management is to improve the impact of risks that may affect the correct functioning of the company, for this the causes that may be causing it are reviewed, "analyzed and investigated and how to treat them to keep them controlled based on Robles et al [10]".

Theoretical foundations of risk management It is the discipline that studies the nature of behavior, which composes it and is called risk management.

What is meant by risks? Unpredictable event or situation that entails a loss at a moment, negatively impacting the entity.

Risk management objectives. It seeks to minimize losses due to mismanagement of risks, through the study and analysis of risks.

Process management. "Processes according to Pardo [9]", must be analyzed, recognized and identified, to measure customer needs, and indicators are established for the operation and improvement of internal and external customer satisfaction.

### 7.1. Risk Classification Risks Are Classified as

Technical: They are liabilities, since the impact is

insignificant, while in assets the impact is significant, and may affect the operation of the entity.

By their origin: They are physical, since they are inherent to the activity of the company.

Economic valuation: Financial, are those that are valued in monetary and non-financial terms.

In addition to those mentioned are the risks from environmental to health.

The factors that influence risk management are 2:

Risk appetite: It is defined as the risk that they are willing to accept as an organization without affecting the interest groups.

In order to counteract it, the following considerations must be taken:

- 1) To line up strategies.
- 2) Customize for each entity.
- 3) Align with the expectations of stakeholders.
- 4) Communicate internally.
- 5) Check continuously.
- 6) Adapt the cost-benefit analysis.
- 7) Adequately measure decision making.
- 8) Align risk capacity and culture.

The development of risk appetite allows to improve the risk assessment process.

The accepted risk: It is the level that you are willing to tolerate the existence of a risk or uncertainty.

The accepted risk complies with 8 parameters:

- 1) Risk accepted.
- 2) Preparation and assumption of risks.
- 3) Performance.
- 4) Earnings based on confidence.
- 5) Information privacy laws.
- 6) Goals parallels and specific.
- 7) Product quality and added value.
- 8) Project of greater or lesser success (qualitative or quantitative indicator).

Risk identification. To identify the risks, an analysis is carried out and the key operations and activities are determined according to the objectives of the organization.

The risk management process must be adapted to the organization, and it is made up of 5 steps according to the ISO 31000 standard:

- 1) Establishment of the context: It is where the objectives are established, those responsible for the process, the methodology and criteria to recognize the necessary studies. In short, there are two contexts, these are:
- 2) External context: This can be social, cultural, political environment, economic and financial environment, relations with interest groups.
- 3) Internal context: Refers to the organizational structure, policies, objectives, strategies, capacity and knowledge of human resources.
- 4) Risk assessment: Its identification, its sources, its areas of impact are recognized and its unfavorable causes and consequences are determined.
- 5) Risk analysis: The details and various degrees that it may have are analyzed through a qualitative or

quantitative analysis as well as the combination of both.

- 6) Treatment of risks:
- 7) Avoid risk. This means not starting with the change or project that was going to be carried out, thus avoiding that risk.
- 8) Remove the source of the risk. This is to avoid the consequences of risk.
- 9) Change the probability and mitigate it.
- 10) Change the consequences.
- 11) Share the risk.
- 12) Communication and consultation: It is the part involved in the whole process.
- 13) Monitoring and review. It is important since it includes several aspects of risk management to guarantee efficient and effective controls, it analyzes the changes that are taking place throughout a process where the changes associated with both internal and external factors are recognized, to determine and prioritize the treatment of risks, as well as identifying new risks.

That could arise.

Economic valuation of risk management: It will be analyzed from the economic point of view, depending on the context of the analysis. The effectiveness will be reviewed, "to corroborate the operation by measuring it according to the cost of managing it with the benefit obtained from risk management, according to Tamayo et al. [12]".

Risk map and risk matrix: Its objective is the survival of the company, where it shows the image of the threats that can affect an organization, such as the impact caused, or the occurrence of events.

Plan the risk management process. To risk management planning and see the costs-benefits that are obtained from risk management are:

- 1) Planning. The resources available to the company are reviewed and must be considered.
- 2) Incidence of management on planning.
- 3) Field to cover.
- 4) Estimated time or term.
- 5) Knowledge of the company.
- 6) Analysis of possible proposals.
- 7) Studies of internal and external factors.
- 8) Plan activity.
- 9) Elaboration of plan implementation and elaboration.
- 10) Budget or business plan: The planning of resources should be considered since it must have its orientation in coordinating the departments or functional areas, it must be measured in money and/or volume, control income and expenses to make a correct use of resources.

Risk management process: "It is the identification of the context where the risk to be managed is analyzed, assessed and responded to, according to Lavell [6]". The threads at this point are:

- 1) Set context.
- 2) Identify the risk.
- 3) Estimate the risk.
- 4) Assess the risk.

- 5) Control risk.
- 6) Review performance.
- 7) Keep communication.

Risk culture. It is a roadmap for improvement, where the following issues should be considered:

- 1) Culture awareness: There must be a risk management vocabulary, responsibilities should be clarified and risk training conducted.
- 2) Cultural refinement: Risk management lessons must be integrated into all areas of the organization, thus refining risk performance measures.
- 3) Corporate governance and social responsibility: Corporate governance and social responsibility go hand in hand as both have the same purpose and that is to generate long-term value in the internal and external environments of the company, "since this shows that they are socially responsible in economic, social and environmental terms, based on Lizcano [7]".
- 4) Conceptual analysis and definitions: In order to understand the concepts we must define them.
- 5) Corporate governance: It is the relationship between the shareholders, the administration and the board of directors of the company where the task of each one of them is defined, and the structure is established to obtain the objectives of the organization.
- 6) Social Responsibility: Creates long-term value where it involves both internal and external stakeholders in an efficient and equal way, respecting the environment and physical.
- 7) Corporate governance models.
  - a) Corporate governance principles: These are prepared to achieve economic objectives related to reliability, creating value in an equitable manner.
  - b) Consolidation of the base for an effective corporate governance framework: These are basically the laws or regulations, which foster trust. The responsibilities of the board of directors: The different responsibilities are:
    - i). Guarantee that the corporate strategy is fulfilled.
    - ii). Improve the reliability of investors and stakeholders in the business.
    - iii). Establish strategies to mitigate risks.
    - iv). Minimize losses due to bad practices.
    - v). Raise awareness of the responsibility of good management.
    - vi). Improve the supervision of operations, demonstrating the performance of the company.

## 7.2. Conceptual Framework

The terms that will be used throughout the investigation are defined and are intertwined with the main theme of this paper, the terms defined at this point are the most relevant to understand the analysis of the case. These are:

- 1) Risk appetite: It is the amount of risk at a global level that the company is willing to accept in its search for value. This can be established in relation to the organization as a whole, for different risk groups or at

an individual risk level.

- 2) Risk Classification: The categorization of the level of severity of risk according to predefined valuation criteria (for example; Extreme, High, Moderate and Low).
- 3) Risk Control: The part of the Risk Management Process that involves the implementation of policies, standards, procedures, and physical changes to eliminate or minimize perceived risks.
- 4) Risk Description: Detailed identification of the situation or fact that could affect the achievement of the operational objectives of a stage, sub-process or process.
- 5) Risk Officer: The manager or executive who reports to senior management the organization's risk exposure and alternative management actions needed to alleviate them.
- 6) Risk Factors: Measurable or observable manifestations or characteristics of a process that indicate the presence of risk or tend to increase exposure.
- 7) Corporate Risk Management – Integrated Framework: Also called COSO II, it was defined by the aforementioned Committee to help organizations manage risks. It defines risk and enterprise risk management and provides basic definitions, concepts, objective categories, components, and principles of a comprehensive framework for enterprise risk management. Its objective is to provide guidance to organizations to determine how to improve said management, providing the context and facilitating its application in the real world. The framework has also been designed to provide a basis for use by organizations in the task of determine if their enterprise risk management is effective and, if not, what they need to make it effective.
- 8) Corporate governance: It is a structured process used to direct and manage the business with objectives of increasing and sustaining its value.
- 9) GRC: Corporate Governance, Risk and Compliance: It is understanding the requirements of business partners in terms of performance and compliance, and aligning the organization to achieve its objective, considering risk appetite and risk tolerance levels.
- 10) Risk: Contingency or proximity of something happening that will have an impact on the objectives. The possibility of an event occurring that has an impact on the achievement of objectives. Risk is measured in terms of impact and probability.
- 11) Non-financial risks: It is a risk that, like financial risk, also impacts the business in a qualitative way, since it has a lot to do with the behavior of the environment itself, the digital age has brought changes cultural, social, economic, technological, political, among others that have led to an impact on companies.

### 7.3. Regulatory Framework

Strategic management control agreement with COSO 2017.

See the administration of risk management, thanks to its alignment, adding to this its relationship with the government and culture, they manage to form the basis of all the components where decision-making and supervision responsibility on the part of the entity. Which is reflected in its five principles: Ability, independence, suitability of business management, organization bias and establish operational structures.

Establish an organization structure and reporting lines relating it with: Powers and responsibilities, enterprise risk.

Management, define the desired culture, at this point the organization defines how it wants its organization to reflect its values.

“ISO 9001 Quality Management Systems. It addresses risk-based thinking to achieve effective management, according to Alzate [1]”, to this we add that the scope of the research is to establish the context of the most relevant risks and with this, it is finally possible to manage risks in a better way.

Benefits generated by working with SGC: Continuous improvement, friendly service, transparency, achievement of objectives, recognition, integration, acquisition according to needs, improvements in quality levels, cost reduction, better communication, competitive advantage.

The ISO 31000 for risk management It is focused on risk management by delivering criteria and standards so that they can be efficiently managed before events and processes.

Purpose and application. It is used in all types of risk, to meet its objectives and is based on Australian and New Zealand standards. This indicates that the standards mentioned above are contained in the ISO 31000 standards, allowing objectives to be set to meet the organization. Its composition contains: Manages risks; which is based on a structure, introduce the context, identify risks, analyze risks, test risks, treat risks, monitor and control at the same time and finally communicate and consult.

The advantages of implementing ISO 31000: The companies that implement it will obtain: Improved efficiency, better governance, confidence, improvements in performance and sustainability, improvements in quality, cost reduction and the disappearance of unexpected incidents.

The benefits obtained with the implementation of ISO 31000 are: Increase in the probability of achieving objectives, promotion of proactive management, awareness of the need to identify and treat risks, improvements in the identification of opportunities and threats, help to carry out legal and regulatory requirements, improvement in financial reports, greater confidence of the interested parties, establishing a reliable base for decision-making and planning, improvement of controls assigning resources for risk treatment, increasing its effectiveness and operational efficiency, improvement of loss and incident handling capacity as well as organizational learning and an increase in the quality of organizational resilience.

The technical document No. 70 Implementation, maintenance and updating of the risk management process. It is a technical document that serves as a guide for the

implementation of risk management applied to government entities and that can also be applied in the private sector and follows the guidelines of the ISO 31000 risk management standards.

“Being a risk management implementation guide for government entities, according to Valenzuela [13]”, it can also be used and implemented in private sector companies since its main objective is risk management and that this has a lesser impact on the results of the organization. It can be applied in a private company because the technical document no. 70 is a guide which provides the steps to follow from how to identify to how to monitor and maintain control, involving all areas for its correct administration and management. Due to the few technical standards, but not non-existent. We will also take this document as good practice in the analyzed company.

#### 7.4. Contextual Framework

It is a company that provides back office services that in the beginning was found inserted in a Canadian holding, based on the company Brad of Wales. The sources of information are primary and are compiled by the graduate.

Brad of Gales Limited is a subsidiary of the Hatun Llkay Group, which has been operating its offices in Chile since 2007, undergoing changes and transfer of administration throughout its entire period of existence.

Its main line of business is the purchase and sale of mining machinery, where it supplies all the large mining companies in Chile and all of South America.

It is strategically located in Santiago de Chile, from where control of the other regions is taken, the matrix recognizes as a single region which is called SAM.

Brad of Wales, in Santiago, is a sales office where its main clients are large mining companies in South America.

Its main supplier is the different foundries that Brad of Wales owns around the world, where there are two business units:

- 1) Processing minerals, sells all the internal part of the mills and crushing equipment.
- 2) Unit mobile plant sells the external part, supplies mining companies, railways.

Brad of Wales in the mobile plant unit has an external warehouse where he maintains the necessary inventory for his sales, his inventory is of high turnover.

Currently, the mineral processing unit has been awarded sales that will be recently delivered next year, the sale is

direct to the client and it does not have warehouses.

The managers of both divisions are located in Chile from where they plan their sales and from where they receive instructions and guidelines from the matrix.

There are also two Engineers for a total of one for each division, who also report directly to their respective areas at the headquarters.

The finance area reports directly to the controller of the Americas, which is located in Toronto, Canada.

Cases of bad practices that have arisen in South America and other subsidiaries of Minera de Gales around the world have raised many vulnerability alerts in areas that the company had not expected to arise.

This fact has led to the research topic, to analyze the context of the company and how to manage non-financial risks and how these can negatively affect its corporate governance and mitigate its possible impact on the organization.

The research seeks to establish the level of risk tolerance, mitigate them by establishing risk policies, establishing roles and responsibilities, thereby developing a procedure for annual risk management planning, for this a risk matrix will be developed to establish which are the most relevant.

## 8. Presentation and Analysis of the Information

This point is carried out through the development and analysis of a table of research questions, where the internal control and non-financial risks of the company are evaluated.

Understanding the percentage in the maturity of internal control will indicate if these are efficient and their level of preparation and attention in this regard.

The occurrence impact indicators will be reviewed and the research question will be resolved through a SWOT analysis, trends of the most relevant risks and internal control evaluation to identify the most relevant non-financial risks.

Local and international mining where it is a supplier of the mining area as the main item, which provides products and advice to mining companies.

There are market risks that EBDG has found a way to control and mitigate. But there are other risks that had not been considered and that these times have come to light, such as non-financial risks that often, if not controlled and mitigated, can seriously affect the company.

### 8.1. Risk Analysis Future Trends

*Table 1. Risk trends in your environment.*

Pillars	Trendace	Description
Environment-such	Climate change	The lack of responsibility and harsh laws for governments and companies to avoid environmental pollution.
	Resources natural	The scarcity of natural resources.
Governance	Compliance	I don't know fulfil the Procedure oh and good practices of the organization.
	Digitization and security of data	The protection of data, given the use of technology for him work to distance.

## 8.2. SWOT Analysis

Table 2. SWOT analysis.

Variables	Aspects of Brad Company of Wales Limited	Aspects of Komatsu
Strengths	Is present in all the world with points of strategic sales.	Manufacturing with low costs.
Opportunities	Innovation in new projects to impact minor extent the environment.	It covers various market segments.
Weaknesses	No has diversification since it only supplies mining, power generation, defence and railway transit.	It does not have a wide network of sales and service.
Threats	No hayo investment in the region for improve the deadlines of deliveries.	Reduction market front of competence.

Evaluation of internal control Brad of Wales. “The maturity model system applied to the internal control system, aims to measure the degree of maturity of internal control for the achievement of its objectives as an organization, based on the model measurement scale reference maturity of the institutional internal control system, according to Moreno [8]”.

Maturity ranges: Incipient (0-20), Novice (21-40), Proficient (41-60), Right-handed (61-80), and Expert (81-100).

The result, product of the opinion and/or judgment of the experts, indicates that the degree of maturity of the internal control is Rookie with a 38% percentage, which indicates that there is only commitment from the managerial part in matters of internal control, which is missing internalized to the entire company and not just senior management.

- 1) Control environment (60%): Indicates a degree of maturity Competent, but with low commitment to internal control.
- 2) Risk assessment (20%): Shows a degree of Incipient maturity indicating a low risk assessment, there is no risk culture, there is no adequate information and communication for risk assessment.
- 3) Control activities (40%): It is Competent, this indicates that there is no adequate direction to control and monitor the organization, high attention must be paid to the characteristics that the activities must have.

Control activities such as its application.

- 1) Information Systems (35%): Its grade is Rookie, appropriate communication and controls are still weak in opportunity to manage risks.
- 2) Follow-ups of the internal control maturity system (35%): It is Rookie indicating that its control system is deficient and can have a negative impact on the organization.

It measures the level of maturity of the internal control system, where the higher the value, the higher its level of approval. This is measured on a scale from 0% to 100%,

which is given by five degrees of maturity, which indicates the level of maturity of internal control that can be at an incipient level (weak internal control) or competent (optimal internal control with good practices), for this a questionnaire was carried out based on the COSO 2013 framework.

In this case, non-financial risks or ESG risks will be analyzed and identified. Broken down as environmental, social and corporate risks, since they cover a large part of what is the internal control of a company.

For the preparation of the risk matrix and criteria for prioritizing risks and treating them according to the level of priority.

To identify the prioritization criteria, the COSO ERM prioritization table will be adapted to a three by three table, to define the degree of risk where the impact and occurrence will be used. Where the level of impact and level of occurrence are detailed.

- 1) Prioritization impact: It is the level at which it can affect the company.
- 2) Low Impact: It is the damage caused to the organization is less (1 to 5 million).
- 3) Medium Impact: The damage caused to the organization is significant, such as damage to the company's reputation, impact on budgets and damage in meeting objectives (5 to 10 million).
- 4) High Impact: It is a highly detrimental risk for the company, it can even seriously affect the achievement of the objectives (more than 10 million).
- 5) Occurrence or probability of risk: It defines an event as the possibility of something happening.
- 6) Low Occurrence: It is the probability that it will occur on one occasion with a lower percentage.
- 7) Medium Impact: Its occurrence is more than two to four times in a medium percentage.
- 8) High Impact: Its occurrence is more frequent and its percentage is higher than average.
- 9) Risk severity level: It is the result of the combination of the impact and occurrence of the risk.

Table 3. Prioritization matrix.

Class	Risk	Description of the risk	Probability	Impact	Risk Severity
Half environmental	Natural resources	Shortage of resources the resources like the waters.	Half	Bass: No affects internal control and its financial impact is less than 5 millions.	Acceptable risk.
Social	Change you in the legislation.	The changes of legislation or agreements establish you for the trends policies of the region.	I gave.	Half: Can effect on true extent the controls of the company, it can cause a loss economic to from 5 to 10 millions.	Risk Tolerable



## 9. Recommendations

It is recommended to implement a risk policy where the identification of the most important risks that affect the entity is carried out, the next step would be to make a risk matrix and, hand in hand, prepare an annual risk management planning procedure.

To manage the risks, a responsibility to who is going to manage the risks where the assigned professional must contain the necessary skills to fulfill the assigned role and responsibility.

Creation of a risk culture at all levels of the company through communication in meetings and/or talks, and also being incorporated into the company portal.

Creation of an organizational culture where the objectives of the company are the same for all its members from the lowest level to the highest.

A risk register will be made and classified according to their level of impact.

Preparation of a risk matrix where the most relevant risks will be analyzed.

Resources will be allocated to non-financial risk management.

Policy, which will allow, observe and recognize the risks that will affect the achievement of the objectives. To achieve this objective, the tools and systems must be found so that the risks that are recognized and evaluated and measured to keep them at the margin, and are evaluated as acceptable risks and the following will be established:

- 1) A methodology based on COSO ERM and ISO 31000 will be used, which together, establish risk management in accordance with the situation of the company.
- 2) Establish the margin of acceptable risks for the organization.
- 3) Define risks and types of risks.
- 4) Keep a record of risks.
- 5) Establish roles and responsibilities for risk management.
- 6) Have the approval of the methodology to be used to mitigate the risks.
- 7) Identify the risks and make a matrix for their correct evaluation.
- 8) Constantly monitor risk management.
- 9) Periodically report the status of risks, with their corresponding description.
- 10) Review the validity of the policy and note changes made to the policy when it is updated.

Those responsible for enforcing and following the guidelines to be applied to the procedures to administer and manage risks at an acceptable level, is the company's administration.

The principles to be applied in all areas and levels of the

company established are the following: Definitions of roles and giving the definition of risk.

Risk is the occurrence of any event whose impact can be positive and negative.

Giving a range of error to the established objective of the company.

For this reason, the aim is to analyze the risk and keep it at an acceptable level so that it does not affect the objective of the entity.

Types of risks:

Inherent Risk: It is that risk of the business, which is there due to the fact that the activity of the company is formed.

Control risk: It is the probability of a loss occurring after having applied the internal control measures.

Residual Risk: It is the one that remains after applying all the controls to mitigate the level of impact.

This model will be based on the application of the ISO 31000 standard and the COSO ERM framework, which indicates a series of guidelines for risk control and management.

The management and control of risks is the responsibility of the administration or management of the company, which to manage them must be based on the following terms:

- 1) The risk must be accepted by the management or administration, which oversee maintaining the risks at a level that do not affect the organization.
- 2) That it is the management who should make the decisions on how it should be managed.
- 3) The objectives of the company are met identification of risks.

This process will be carried out by trained people with knowledge of the business, who will analyze.

It will identify and establish the process to mitigate the risks and thus give priority to the most relevant ones, making a record of the risks contained in a risk matrix.

The processes for managing risks are:

- 1) Identify them.
- 2) Evaluate them.
- 3) Manage them.
- 4) Monitor them.
- 5) Register them.

For this reason, the registry of risks consists of making an inventory of all the relevant events and their respective description and status in order to understand the level of consequence in the future.

The identified risks will be classified and a combination of impact will be assigned to them, giving a risk classification, which criteria will be used as follows:

- 1) Environmental.
- 2) Social.
- 3) Economic.
- 4) Legal.

Table 4. Risk quantification matrix.

Quantification matrix		Impact / Consequence If there is more than one type of loss, use the highest consequence	
Guy of loss	1 bass	2 medium	3 high
Environment -entity	Environmental damage is minor.	Serious environmental damage period of solution to the environmental problem from 3 to 6 years.	Severe environmental damage, damage. No can be reversed and irremediable.
Social	Losses generated by human capital causing - or losses of 1-5 millions of pesos.	Significant breach lawsuits of regulations, regulations, suppliers, workers causing or losses of 5 to 10 million.	Use of capital human prohibited by law, violation of labour and legal regulations of the country where it operates the organization, demands for topics labour and/or slavery, chain of supplies with hand construction site. No qualified, causing losses of more than 10 million pesos.
Economic	Economic losses are less than 5 million pesos.	Economic losses are from 5 to 10 million pesos.	Economic losses are more than 10 million pesos.
Legal	Legal issues of little importance.	Important legal issue such as noncompliance of labour, tax, social security regulations, infractions, fines, possibility of lawsuits / penalties, judgments, and prosecutors.	Penalties, cancellation of operating permits as a legal person.

Risk management roles and responsibilities. A map should be established with those responsible for risk management and their roles.

Risk monitoring. Management is responsible for this process, for this there must be constant communication between management and directors.

Approval and/or modification. The approval must be made by management or the shareholders' meeting, and any modification must be registered in the board meeting held.

Validity and disclosure. The duration and disclosure time for the entire company must be indicated, through physical documents and/or through corporate portals.

Procedure for the annual management of risk management. For an acceptable management it is important to carry out a follow-up, evaluation, and monitoring of risks, for this an annual risk management planning procedure will be carried out, based on CAIGG Technical Document No. 63, which provides an application methodology for the company Brad de Gales Limited.

Goals. Define and identify risks through procedures, define the roles and responsibilities to assign resources for risk management through the construction of the risk matrix.

Scope. Given the analysis of the context of the company, "the risks will be identified through CAIGG Technical Document No. 63 [3]", which gives us the methodology on how to develop the annual risk procedure.

Description of the procedures. It will be based on 8 steps provided by CAIGG Technical Document No. 63:

Step 1: IDENTIFY THE UNIVERSE OF RISK SUPERVISION. To identify the universe of the review, everything related to the administration of the company is identified and to understand the process that exists in the company, for this purpose Table 5 of the evaluation of the internal control maturity system will be used.

Passed 2: IDENTIFY CONTEXTSGLOBAL CRITICS. The risks in the economic, environmental and social context that may affect the achievement of the objectives will be analyzed, identifying the most critical risks of the company, where it is developed, in the analysis of the internal and external context, managing the risks. The identified risks must be managed in:

- 1) Economic risks: These are events that occur due to return on investment, due to economic changes in the sector where the company operates.
- 2) Environmental risks and contaminations: These are the risks that can affect the achievement of the objectives.
- 3) Social risks: It is the risk or event that a person can suffer, given by the lack of education.

In its internal context, the mission, vision of the organization, what are its strategic objectives, operational objectives will be reviewed.

In its external context: the market where it operates, labor and tax legislation, environmental, social and political impacts of the countries where it has a market where it offers its products and/or services.

The risks found are classified as: acceptable risk, tolerable risk and high risk.

Step 3: IDENTIFY THE SOURCES OF INFORMATION. The information sources are identified through the risk matrix, since it is a reliable source where the impact and occurrence of risks are analyzed.

STEP 4: FORMULATE AN ASSURANCE MAP THAT INCLUDES THE SECOND LINE OF DEFENSE. "The assurance map provides us with relevant information when the audit is carried out, since it provides those responsible for each area, function, area level, level of occurrence and impact, thus achieving greater security, according to Zevallos [16]".

STEP 5: RANKING AND PRIORITIZATION OF SUBJECTS.

The most important risks are given to us by the risk matrix and it is due to the level of impact and occurrence, assigning a level of risk.

STEP 6: FORMULATION OF THE ANNUAL RISK MANAGEMENT SUPERVISION PLAN. The risk management supervision plan must be planned each year, to do so, it must:

- 1) Objective of risk supervision.
- 2) Methodology to use in the annual risk management plan.
- 3) Identification of critical or global risks in accordance with the prioritization matrix.
- 4) Estimated resources, must include financial and human

resources for risk management planning.

- 5) Roles and responsibilities.
- 6) Risk map.
- 7) Minutes and reports.
- 8) Follow-up work, once the processes have been planned and the risks identified, it must be registered in the risk register for its.

Monitoring and control. General schedule of the risk supervision plan.

PASSED7: COMMUNICATION AND APPROVAL. The Internal Auditor must notify the Board of Directors so that

the supervision plan of risks are communicated and approved.

STEP 8: CONTROL AND PROGRESS OF THE RESULT. It is evaluated and controlled by the head of risk management, it also defines the management indicators.

Risk map. A risk map was made with the importance of non-financial risks according to the context of the company.

Brad of Gales Limited.

Risk severity prioritization. It will show us the combination of the impact and the occurrence of risks, classifying them according to their level of risk.

*Table 5. Severity of risk.*

Classification of risk	Definition
Acceptable risk	The damage caused to the internal control and governance of the ESG is insignificant, causing an economic loss between 1 to 5 million.
Tolerable risk	The damage caused to internal control and corporate governance is minor with a duration of 6 months to a year, causing economic loss of 5 to 10 million.
High risk.	The events that have occurred are harmful, causing economic losses from 10 million onwards, affecting internal controls and good governance.

Risk map. The objective is to establish the most relevant risks, to manage them and mitigate their impact on the organization.

*Table 6. Matrix of non-financial risks.*

Type of risk	Name of the risk	Description risk option Test bilidad		Impacts	Risk severity
Social	Disaster yes medium environment them due to failures humans.	Failures Happened ace for lack of capacitation, no rest I'm from person to the.	Low	High	Risk either. You acceptable.
	Crisis sanitary due to contagion yes and health of employ you.	Due to the transfer you to their places of job, can chance ar contagious you.	Half	Medi either	Risk or tall.
	Scarce resource hand working by the fear of the contagion y es of the new outbreak of the pandemic to.		Half	High	High risk
Economic	Digital divide in the companies.	Business so it does not have state-of-the-art technology to operate remotely.	Half	High	High risk
	Rise of the prices of the Chain of suppliers.	Due to the canting gum World he the prices they have shoot do already what to have restrictions still in some countries, makes transfer freights more expensive.	High	High	Risk or tall
Environmental	Renegotiation of agreement yes set gone agree you have due to events of the pandemic to.	It is review do some yes agree you due to.	Half	High	Risk or tall
	Shortages of the natural resources.		Low	Low	Risky or acceptable
Government	Lack of strengthened I lie in topics of cybersecurity.	Product of scarcity of rain there are restrictions in water use.	Half	Medi either	Risk either toleratesble.
	He risks geopolitics due to the changes of governance.	Failures in the protection ion of data of the business to. Change you in the agreed you sign you and stable acids.	Half	Medi either	Risk either toleratesble.
	The wars commercials between China and USA.	Do that the Importations and exportations to those countries be Restrict comings and goings raise do the costs and freight associate you.	Half	Medi either	Risk either.

## 10. Conclusion

The analysis and description of the case of the EBDG company in this investigation with a focus on non-financial risks, allowed the formulation for general and specific objectives, the definition of a forecast for the improvement in the management of non-financial risks. Through the SWOT analysis, it is understood that the company has very little investment in the region, which allows its largest competitor

to cover more of the market, not forgetting that EBDG has branches throughout all the continents, making it more competitive.

With an analysis of risk trends at the ESG level and the risk matrix, it is concluded that the issue is compliance, since it has to do with compliance with the rules and procedures of the company, considering its influence on good governance and social responsibility.

Through an evaluation in the internal control system through SCI, where it shows a deficient internal control, due

to the low risk assessment in Brad of Wales, indicating that the management of non-financial risks is not managed in a timely manner.

With this, the necessary recommendations for the company were delivered, such as a risk management policy and an annual non-financial risk management plan, indicating roles and responsibilities. The recommendations delivered are based on the evidence found, product of the analysis, study and investigation and application of a questionnaire to evaluate the internal control of the company.

In relation to the strategic objectives, these cannot be identified, since EBDG adheres to its parent company's guidelines.

Referring to environmental, social, and corporate governance risks, it is established that the most relevant are natural resources, changes in legislation and compliance, despite the fact that some are classified as acceptable risks. Compliance had the highest risk, it is considered that if they are not treated on time they can affect their internal control and impact the financial statements, leading them to have high economic losses, as well as the reputation of the company due to bad practices in the organization.

An internal control survey was answered with a focus on risks, based on knowledge of the business. Which opened an opportunity for improvement to be practiced in future research in said investigative tools and techniques.

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