Foreword

How much risk is a company involved in and how does it manage these risks? These questions have probably been raised more often over the last couple of years than any other business-related question. Risk management is high on the agenda of legislators, governments, supervisors, consultants and, not least of all, companies, not only in the financial sector, but also in many other businesses as well. The stakeholders and shareholders also have huge expectations regarding the proper disclosure of risk management. It poses other risks of which the appropriate balance between (1) the necessary disclosure of risks and (2) the appropriate confidentiality of some business activities is the most important one. It raises important questions such as which types of transparency, standardization and attestation rules can reduce the risk of misappropriation of corporate funds, misstatement of financial reports and can also mitigate the engagement in too-risky strategies. The processes and procedures that are developed both at the regulatory level as well as at the corporate level should take into account standardization of the internal control and risk management systems. Moreover the disclosure of these elements could overemphasize the actual risk and crowd out the agility of organizations and the entrepreneurial spirit needed for the continuity of the organizations and companies. Procedures to standardize the disclosure of internal control and risk management systems are in place. A recent interesting example of this development is the 'High Level Principles for Risk Management' of the Committee of European Banking Supervisors of February 2010. Further, transparency, standardization and attestation rules need to be approached in an integrated way: disclosure of information has not always led to increased transparency and requires content standardization for which appropriated control mechanisms, that is, attestation rules are necessary.

In different disciplines risks and risk management systems are approached in a uni-dimensional way. However, companies are confronted with risks at many different levels and in many layers inside and outside the business: strategic or generic risks, operational risks, financial risks and legal risks and risk management systems that must be able to cope with all these different kinds of threats. It requires a more holistic approach. This book provides the initial impetus for a more interdisciplinary approach. The authors give a comprehensive overview of historical and current provisions relating to internal control and risk management in Europe and the US. Next, the interconnected consequences of the necessity of risk management (the risk management landscape) are addressed. It shows that a comprehensive approach (accounting, business law, financial law and tax law) needs to be further improved. In different fields of practice and in particular, in accounting, an expectation gap is visible: users of services expect that the services are always reliable and cannot contain any errors, while information systems and control frameworks increase the reliability and reduce the probability of fraud and failure, but it remains impossible to provide 'hard' control guarantees. The answer to the gap lies, *inter alia*, in the requirement to deliver the best audit quality possible. The public expects auditors to detect all fraudulent behavior and auditors do not accept responsibility for this level of fraud detection. Risk management is an integrative part of the general framework to increase the likelihood of reliable procedures, operations and (financial) information, including tax management. The latter requires the fulfillment of all formal tax duties and the appropriate record of the amounts of taxes payable in commercial accounts.

Many of the aforementioned topics are addressed in this book. It will serve the discussion to further develop the integrative academic analysis of risks and risk management systems. The last chapter provides the authors' valuable insights about how to proceed. Reading between the lines, it is clear that they support a more principle-based approach of both accounting standards and the accompanying risk-management approach. Based on an analysis of the pros and cons of both the rule-based and the principle-based approach, the book shows that the latter makes it more feasible that sound business practices can be combined with the strategic goals of the company and the relationship between entrepreneurial risk taking and sound risk governance management is in equilibrium. It will also necessitate a balanced supervision framework that both prevents excessive risk taking *ex ante* and addresses risk failures *ex post*. Enjoy reading!

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