The RiskEcho

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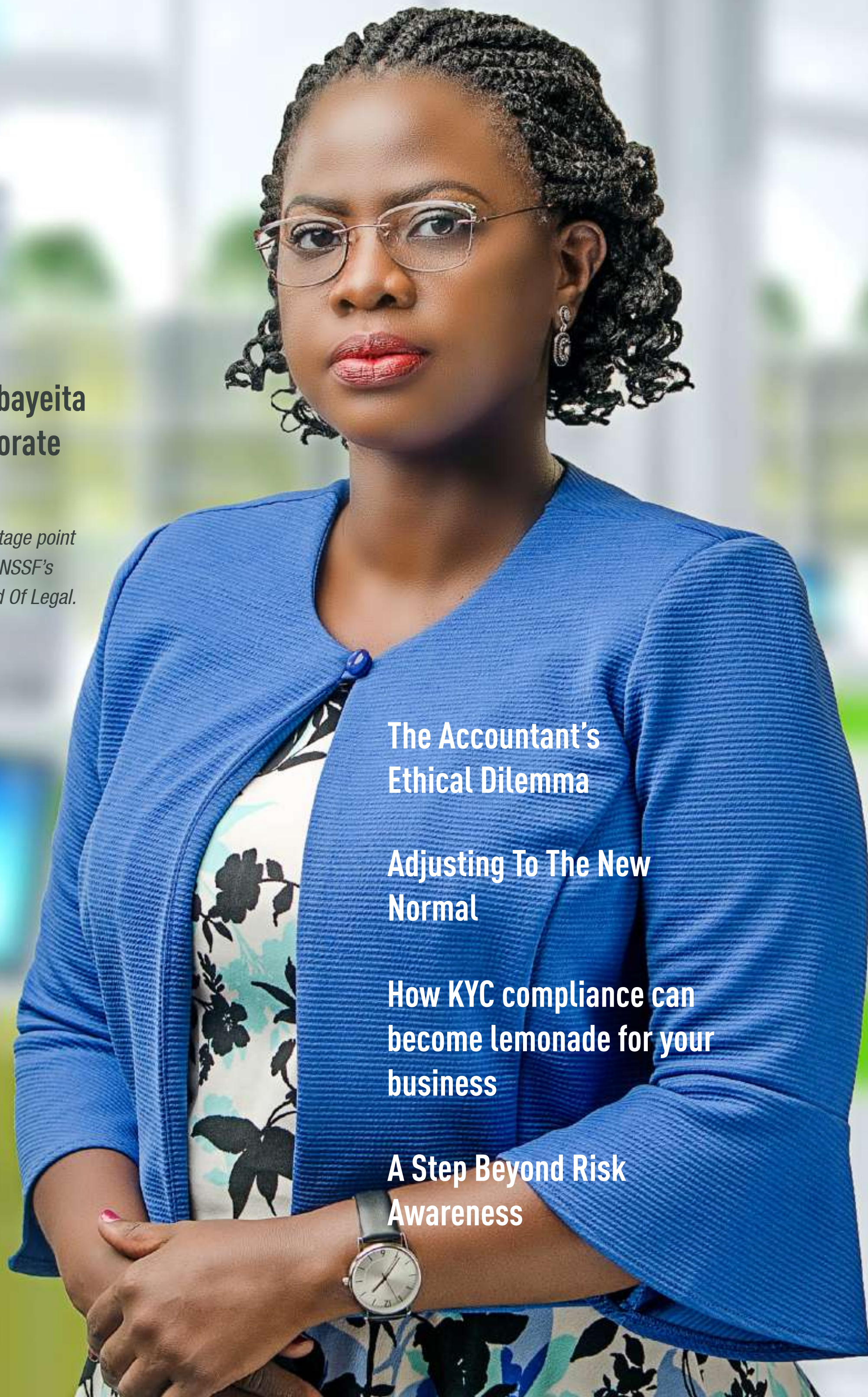
An Insightful Risk Management Publication by the NSSF



Interview: Agnes Tibayeita Isharaza talks Corporate Governance

Our Interviewer gets a new vantage point on Corporate Governance from NSSF's Corporation Secretary and Head Of Legal.

The Accountant's Ethical Dilemma

Adjusting To The New Normal

How KYC compliance can become lemonade for your business

A Step Beyond Risk Awareness

Welcome

I take this opportunity to extend greetings to all our esteemed readers of ***The Risk Echo*** magazine. I thank the almighty God (Allah) for having kept us alive to date. I extend my sympathies to those who have lost their dear ones– may the Lord console you!

I am delighted to bring you our third issue of ***The Risk Echo*** magazine. I would like to sincerely thank those who have made possible the publication of this magazine. Special thanks go to Mr. Richard Byarugaba, Managing Director, National Social Security Fund (NSSF), who is the sponsor of the magazine. All the authors who have written the exciting and insightful articles, the editorial team, all my colleagues at the NSSF, thank you very much.

There is no better time than now, in these unprecedented times, to talk about risk, risk management, business continuity and disaster recovery plan. COVID–19 remains the greatest threat to human life; as at 8th June, 2021, at 22:47 hours (Uganda), nearly 174.7 million people had been infected, and about 3.7 million had died globally, since the outbreak of the disease in Wuhan, Hubei province in China, towards the end of 2019.

Although various vaccines such Moderna (USA), Astra Zeneca (UK), Sinovac (China), Pfizer (USA), etc, have been invented and approved by the World Health Organization, COVID–19 still poses the greatest health and economic threat world–wide. The emergence of various variants of the virus, which are more deadly, exacerbates the threat.

It is therefore, important that we don't relent on the preventive measures such as social distancing, wearing masks, sanitization, among others.

That said, on a more pleasant note as usual, I bring you various articles covering a wide range of issues, from cyber security, Know–Your–Customer (KYC), risk management, risk consciousness, etc, but most importantly an exclusive interview with Agnes Tibayeita Isharaza, the Corporation Secretary at the NSSF, speaking about corporate governance.

She reiterates the need to embrace good corporate governance, and asserts that, "Just like a ship needs a radar to navigate the seas, all entities need to embrace the principles of corporate governance to be able to successfully navigate their various areas of operation".

Agnes is a seasoned corporate lawyer, with a passion for corporate governance, gained over a period of about 20 years. She has vast experience in development finance, leasing, commercial banking and capital markets sectors.

She is an Advocate of the High Court of Uganda and a member of the East African Law Society and the Uganda Law Society, where she is the Convener of the Labor law and Retirement Benefits cluster.

I hope you will find this issue of The Risk Echo magazine exciting and insightful.

Edward Senyonjo
Head of Risk,
National Social Security Fund

MBA, FCCA, CPA, BCOM

> **"There is no better time than now, in these unprecedented times, to talk about risk, risk management, business continuity and disaster recovery planning."**

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> I subscribe to the belief that everything in my life, good or seemingly bad, happens according to God's will. This awareness keeps me focused and gives me the courage to move on especially when the going gets tough.

Agnes Tibayeita Isharaza, NSSF Corporation Secretary

An Interview with NSSF Corporation Secretary

Agnes Tibayeita Isharaza on Corporate Governance

Good corporate governance is one of the pillars of a high performance, transparent and accountable organization. In an interview with ***The Risk Echo***, Agnes Tibayeita Isharaza, the Corporation Secretary at the National Social Security Fund (NSSF), gives us a deeper insight into corporate governance.

Q To begin with, who is Agnes Tibayeita Isharaza?

I am a seasoned corporate lawyer, with a passion for corporate governance, with experience drawn from both sides of the spectrum; as a Company Secretary and also as a Director.

My professional experience spans about 20 years in development finance, leasing, mortgage, commercial banking, capital markets and now the pension sector.

I am an Advocate of the High Court of Uganda and all courts subordinate thereto. I am a member of the Uganda Law Society and East Africa Law Society.

On a personal note, I am a wife, mother and Christian. Like most Christians, I subscribe to the belief that everything in my life, good or seemingly bad, happens according to God's will. This awareness keeps me focused and gives me the courage to move on, especially when the going gets tough.

Q How would you define corporate governance?

To put it very simply, corporate governance is how an entity chooses to govern (direct or manage) itself or how it is set up to be governed (directed or managed) with a view to being transparent, predictable and accountable to its stakeholders in the conduct of its affairs.

The first part (an entity choosing to govern itself), connotes an element of choice or discretion and this is true, especially for private entities.

The second part (how an entity is set up to be governed), would apply mainly to public/statutory entities, for example the National Social Security Fund, which is set up by law, the NSSF Act. For the Fund to be said to be practicing good corporate governance, its management and operations must first and foremost, be in line with the provisions of its parent Act, amongst other related laws.

Q As a Corporation secretary, you play an integral role between the Board and Executive Management. What are the key challenges you face and how do you address them?

From my experience, the key challenges between the Board and Executive Management that a Corporation Secretary has to deal with, can very broadly be categorized into two: i) lack of clarity of mandates and (ii) poor or ineffective communication. Most of the other challenges somehow fall in between.

i) Lack of clarity of mandates

Each of the Board and Management have specific mandates.

The Board's principal mandate is to approve the entity's strategy and overall direction as well as supervise Management, while Management's mandate (led by the Chief Executive Officer) is to formulate strategy and implement it once it is approved by the Board. Management also oversees the day–to–day operations of the entity.

Strategy formulation includes consideration of issues like why the particular strategy is being chosen (Purpose), who will implement the strategy (People), how the strategy will be implemented (Processes and Systems) etc.

The answers to these questions result in the organization structure, policies, procedures, processes, technologies. The Board approves the general framework which Management then works with.

Problems usually arise when it is not clear between the Board and Management where the lines are drawn regarding their respective mandates sometimes, resulting in assumption of roles meant for the other.

There are several possible solutions to this challenge including:

Comprehensive induction of board members ensures that new board members understand their role from the onset.

Continuous refresher training, especially in corporate governance principles.

Benchmarking against reputable institutions, preferably in a similar sector and/or with a similar profile.

Timely and consistent reporting from Management to the Board. Absence of information or delay to avail information usually breeds suspicion about Management's intentions. No board member likes to feel like they are being used as rubber stamps.

Timely implementation of board resolutions by Management and consistent reporting on the status of implementation of the same. Boards don't like it when Management does not follow through on resolutions within agreed timelines.

> **" Most of the challenges facing Boards and Management arise from an environment where there is a culture of mistrust or a "non–listening" culture."**

Putting in place a feedback mechanism where concerns can be raised and solutions determined in a timely manner. Routine board evaluations are good for this purpose.

Management should also be sensitized on the different roles of the Board and Management. I recommend joint sensitization sessions. These also help with team building.

ii) Ineffective Communication:

Effective communication is key to the success of any relationship, including that between a Board and Management.

Most of the challenges facing Boards and Management arise from an environment where there is a culture of mistrust or a "non–listening" culture. One of the reasons for this is the Board assuming (rightly or wrongly) that Management is being insubordinate and so takes a stance of receiving or handling any request from Management with suspicion, even if well–intentioned.

The perception of insubordination is sometimes a result of Management's failure to communicate with the Board in a manner that makes it easy for the Board to appreciate the intricacies of a business. This is more so for highly specialized/technical business.

Management has to make a deliberate effort to address this issue by availing timely information in a manner that can easily be understood even by the least technical of the directors.

The Board also has to make the effort to obtain the basic skills required to enable it to understand the business they superintend.

The solutions listed above also apply to dealing with the challenge of ineffective communication, and most other challenges between Boards and Management.

In conclusion on this matter, like the adage goes, "it takes two to tango", it is also true that both the Board and Management have a role to play in ensuring good and productive relationships between themselves for the effective governance of the entities they serve.

This question embodies one of, if not the most common dilemmas of a corporate lawyer in a business oriented entity, more

Q You double as a Corporation secretary and Head of Legal. Often times, legal frameworks are perceived as an "impediment" to business innovations. How do you strike a balance between ensuring compliance and enabling business innovations?

so one that operates in a highly regulated environment.

On one hand, I acknowledge the reality that the business needs to keep innovating in order to remain relevant and keep up with competition, but on the other hand, it is also my responsibility to ensure legal compliance to avoid the backlash that comes with non–compliance – penalties (fines, imprisonment of principal officers, etc.), loss of public trust and confidence, brand damage and reputational loss, amongst others.

Taking the above into consideration, one of my key solutions is sensitization, sensitization, sensitization. It is very important that the business is fully aware of the legal environment they operate in, specifically the limitations therein. This legal awareness serves as a campus to guide innovation.

Secondly, it is very important, critical in fact, that the entity maintains good working relations with its key stakeholders, specifically those that are important for compliance purposes, since these are the ones that will be pulling out the whip when the lines are crossed, figuratively speaking. In my opinion, high on the list is the Regulator, where applicable. Having the Regulator on one's side is key for any innovative venture, because inevitably innovative ideas generally tend to be outside the prevailing legal mandate.

For example, one of Bank of Uganda's strategic initiatives is to strengthen financial inclusion.

The introduction of mobile money in Uganda was definitely a catalyst of financial inclusion and yet this development happened outside the ambit of the Financial Institutions Act, 2004 or any other existing law at the time. The cooperation between the Central Bank and supervised financial institutions on one hand, and the concerned telecommunication companies, and their regulator on the other hand, eventually enabled very significant inroads to be made towards realization of the objective of financial inclusion as a result of the mobile money invention. Regulatory guidelines were subsequently issued to guide mobile money banking operations. This is one case we are all familiar with that typifies the common theory that law follows innovation.

Similarly, given the limitations in the current NSSF Act viz a–vis the needs of our members, it is important for the Fund to intentionally engage its key stakeholders (the policy makers, supervising Ministry(ies), the Regulator, etc.), with a view to getting their buy–in and support for the development and promotion of appropriate products.

We have very recently seen this stakeholder engagement and input play a pivotal role, leading to the NSSF Amendment Bill, 2019, now awaiting presidential assent.

Thirdly, entities usually routinely assess the risks affecting their business and design mitigation measure to the same. This assessment usually results in the determination of the entity's risk appetite statements/ frameworks. From a purely business perspective, I recommend that, where there is very strong justification for an innovation, a business entity should be ready to invoke its risk appetite and take a business call within the set risk parameter, taking into consideration the applicable legal restrictions. Of course, this means the entity must be ready to face the related consequences, should the risk materialize. It is this boldness that has sometimes accelerated changes in the law (refer to the mobile money analogy above).

So, balancing compliance and business innovations is a real and ever present challenge, but it is possible within certain parameters that are unique to each entity.

Q As a custodian of sensitive board information, you must be concerned about the confidentiality of that information. What are the possible areas of unauthorized disclosure of sensitive board information, and how can the holes be plugged?

This is one of the areas that gives anyone in my position sleepless nights – the fact that we are the designated custodians of sensitive board information. Such information usually includes board minutes and resolutions, management reports to Board and management minutes, various contracts, etc. It is assumed that because the Board Secretary is the official custodian of such information, they have sole custody/ access to the said information. This is not always the case.

The reality is that this confidential information stems from and is therefore accessible to various sources in the chain of its handling and communication.

This could be by way of initiating/preparing the subject reports, disseminating the said reports to the intended recipients, the recipients of the information for whatever purpose (whether for consideration in a meeting, audit purposes, regulatory review) etc. The fact is, the possibility of unauthorized disclosure of sensitize information increases with every person who accesses it for whatever purpose.

The Corporation Secretary therefore finds him/herself in the unfortunate position of ensuring custody of sensitive information, which he/she may not have complete control over.

The above notwithstanding, the Corporation Secretary is indeed mandated to ensure confidentiality of designated sensitive information and manage access to it.

There are several measures for ensuring the security of such information:

Ensure secure storage of the subject information (both hard copies and soft copies). Hardcopies should be kept under lock and key in secure premises with limited access. Soft copies must be stored in secure locations with suitable network security, firewalls and appropriate access controls.

Emphasize the use of secure passwords and adequate encryptions for e–documents and work gadgets like laptops, smartphones to minimize the risk of cyber–attack.

Use of specialized software to further guarantee the safety and limit access to the information. For example, there are several Board software that can be used including Diligent Board Books, Board books, etc.

Constantly review the set security controls (physical access controls, firewalls. etc) for early detection and resolution of security breaches.

When all is said and done, the real solution lies in ensuring there is adequate awareness and sensitization amongst ALL people who access the subject information.

Everyone must have the same appreciation of the required confidentiality, failing of which could compromise the safety and integrity of the information, by knowingly or unknowingly making it accessible to unauthorized, sometimes ill–intentioned people.

On a separate though related note, confidentiality of an entity's sensitive information is also largely a factor of a sense of common purpose and trust among the concerned stakeholders. An environment of mistrust is a fertile breeding ground for opportunists to infiltrate. Unity of purpose is therefore, key in ensuring confidentiality and also in determining appropriate responses to any unfortunate compromises as may sometimes happen. .

" There is nothing wrong with a company run by friends and relatives if such individuals are fully mindful of the objectives and goals of their business"

Q For most companies, the Board determines its remuneration through its remuneration committee. Do you see a conflict of interest here, and how do you think it can be addressed?

Yes, and No. Yes, because there is a conflict of interest to the extent that the directors on the Remuneration Committee are part and parcel of the Board for which they determine their remuneration. They are direct beneficiaries of their recommendations.

No, because the conflict does not necessarily have to materialize if the Committee exercises its mandate objectively.

This objectivity can be exercised or demonstrated in various ways.

For example, the Committee can use benchmark studies to determine the going rates for Boards of comparable entities.

The Committee also needs to consider the financial performance of the entity (where applicable), any legal restrictions/guidelines on determination of rates, if they exist, other benefits and perks that come with being a board member (e.g., training opportunities), etc.

Q Serving on multiple boards compromises the effectiveness of a board member. Do you think there should be a limitation on the number of boards an individual director can serve, and what should be the ideal number?

In my opinion, this question requires one to carefully consider the duties of a director which include determining the strategic direction of the entity supervising management, etc.

Directors are agents of the company, usually appointed by shareholders to oversee the affairs of the company. This obligation requires that one equips themselves with the appropriate knowledge and skills about the business and spends adequate time to ensure that they effectively perform their duties. This is a huge responsibility.

Directors must prepare for board meetings which includes reviewing management reports, which come with various levels of technical complexity. They must be ready to make contributions in meetings and make well considered decisions. Directors are required to attend board meetings and other board activities like key company activities, trainings, etc.

Depending on the size of the business and its underlying risks, it has been suggested by some governance experts that an average of 2 to 3 boards is the ideal number to enable one to perform optimally given the time and effort required.

To me, this number is merely indicative. Some directors have more time to dedicate to boards than their peers, others are more charismatic, dedicated, passionate and self–driven and therefore able to handle more boards than others. All these factors, and others, will determine how many boards one can serve.

From my experience, the litmus test is when a director begins to feel and or actually show that they are burdened/pressured/ rushed and sometimes impatient with their director responsibilities. These are red flags that they probably have too much on their plate and need to reconsider their priorities.

The answer to this question is therefore within one's discretion as a director and calls for a high level of honesty with oneself. A director should be able to determine many boards they can effectively handle without compromising the quality of service and dedication required to effectively deliver their mandate to each single board.

Q One of the key principles of corporate governance is independence of directors, to ensure objectivity. How can small companies embrace corporate governance given the fact that they tend to appoint relatives and trusted friends as directors?

There is nothing wrong with a company run by friends and relatives if such individuals are fully mindful of the objectives and goals of their business and do not let personal relations or interests interfere with business decisions.

Many of the large sized business operations we have in Uganda have their roots and foundation in small family businesses.

To reiterate, corporate governance is about how companies govern themselves. This involves the systems, policies and processes put in place to guide the company's operations.

Small companies, whether family–run or not, are capable of, and are advised to put in place systems, policies and processes to guide their operations. Such interventions could be as simple as ensuring that minutes of business meetings are recorded. Or it could be ensuring that there are routine records of the business' income and expenditure, etc.

A determined and focused group of relatives and friends can religiously follow these governance principles and reap the benefits of an effectively run entity which include public/market trust, good reputation, credit worthiness, etc.

Where the skills to set up the required governance systems are not in place, these can be hired in the short/medium term. As the company grows in size, the appropriate skills can be brought on board or indeed those relatives and friends can deliberately upskill.

It is also recommended that the company appoints a board of directors, even from within the circle of family and friends. As the business grows, it can co–opt independent, suitably skilled people to join its board. Ideally, these helps bring diversity of thought and skill to the business.

Q There is a growing debate of ensuring diversity in terms of skills, gender, race, religion, etc., for board appointments, vis a –vis the need to appoint the most qualified persons. What do you think should be done to ensure diversity without compromising the need to appoint the most qualified persons, regardless of gender, race, religion, etc?

The debate as stated has been misrepresented. It is not true that the proponents for diversification to address gender, race, etc. issues are doing so with disregard to qualification. No.

The gist of the debate is that special attention should be given to ensuring equity in as far as it is obvious that the cited categories are obviously disadvantaged. For example, it is an indisputable fact that there are fewer ladies in the higher echelons of management and leadership generally, and this gap needs to be urgently addressed.

This does not mean that the proponents of this argument expect that any lady out there should be picked and placed in leadership positions just because they are a lady!

The gist of the argument is for the affected entities to make a deliberate effort to address the issue through some kind of affirmative action, where necessary, e.g., putting in place quotas like reserving a third of the leadership positions for ladies. There are so many interventions that could be considered by institutions depending on their own unique circumstances. This said, it follows that the ladies who take up these places are expected to be suitably qualified as per the specific job requirements. This is true for all the other categories of diversity that may be flagged for attention e.g., race, religion, etc.

In short, issues of diversity, and related shortcomings are real and need to be acknowledged and addressed. However, in addressing these issues, there should be no compromise on qualifications for identified/available roles. The target groups must earn their places on merit. Thankfully, there is no shortage of suitably qualified people under most, if not all the categories of cited areas of diversity, certainly not women!

> " The benefits are many. The key one for me is stakeholder confidence, both internal and external. "

Q Your last word on corporate governance?

Just like a ship needs a radar to navigate the seas, all entities need to embrace the principles of corporate governance to be able to successfully navigate their various areas of operation. The benefits are many. The key one for me is stakeholder confidence, both internal and external.

Internally, the cohesion arising out of a clear and organized way of running the entity makes it easier to rally stakeholders (Board or its equivalent, Management and Staff) towards a common goal. This inevitably leads to growth, profitability and brand appreciation.

External stakeholders like customers, investors, financiers, the general public, Government, etc, interact with the entity at different levels but they would all generally be interested in a well–run, transparent and accountable entity.

But, just like almost everything else, the buy–in, commitment and goodwill of an entity's stakeholders, especially the internal ones (Board, Management and Staff), is a key factor in determining the good governance of an entity.

Otherwise, like Abraham Lincoln said: "No man is good enough to govern another man without the other's consent."

Ian Mugisha
Risk Management Officer – ERM,
Uganda National Roads Authority.

Risk Management: Back To The Basics

In the early morning of 11th September, 2001, as I was enjoying the last moments of my sleep in my dormitory at Sir Apollo Kaggwa primary school, I was awakened by yelling coming from the direction of the school's entertainment center, where we always watched football, although the screaming sounded different from what one would hear when Arsenal won or lost the game. I rushed to the entertainment center, and it immediately dawned on me that the screaming was by a young girl reacting to what was being broadcast on CNN, thousands of miles across land and sea– the bombing of the World Trade center in New York!

"ISO 31000 defines risk as the effect of uncertainty on an objective, whether positive or negative."

That fateful day, which came to be known as "9/11", left thousands dead and about 14,000 business affected; some never saw the light of day again. Business owner, Donna Childs, meanwhile, was one of the few who had an effective business continuity plan. When the terrorist attacks happened, she immediately activated her backup plans that included communication and access to computer files that had been backed up off–site. "We were just unusually well–prepared," said Childs, who has since authored several books, including "Prepare for the Worst, Plan for the Best" (Wiley, 2009) (https://www.businessnewsdaily.com)

Risk management systems have been put to a test in such times, but what can one do to ensure their processes are adequate in mitigating major threats of unprecedented magnitude like the one above? A good starting point would be to clearly understand what risk really is.

But what is a Risk?

Some authors have indicated that the word 'risk' is derived from either the Arabic word rizq or the Latin word risicum (Kedar, 1969, pp. 255–9). In Arabic rizq is related to chance outcomes in general with either positive or negative implications (Kedar, 1970), which relates with the notion of "positive or negative outcome on an objective" in the ISO definition. ISO 31000 defines risk as the effect of uncertainty on an objective, whether positive or negative.

The challenge for any business is to identify and effectively manage the potential effect, especially the negative effect, on the objectives. In order to do that, you need a structured and systematic process, which ensures that all foreseeable risks are identified and mitigated; and this brings me to the risk management process.

A young boy once asked me what risk management is. My answer was, "it is wearing a seat belt when you are going to visit grandma or going to school", it is never about how long the journey is; it is the mere fact that you are in a vehicle and you cannot guarantee your safety in the event of an accident. Today, the world is going through another major disaster that has seen lives, business and economies affected with long term implications, the COVID–19 pandemic.

Therefore, risk management is the process of identifying potential risks in advance, assessing their impact on objectives of an entity, treating the risks so as to minimize their impact, and continuously monitoring and reviewing controls, to ensure the treatment measures are effective, as described below.

1. Identify the risk

This is deliberate action of figuring out potential risks that are likely to disrupt the business, noting the opportunities too. Considering that with new opportunities comes new risks! Risks identified are documented with sufficient detail in a risk register.

2. Assess the risk

Assessment of risks involves estimating the likelihood or probability of occurrence of the risk and its impact or consequence on the objective, whether financial or non–financial. The assessment leads to a determination of whether the risk is low, medium or high.

RISK RATING MATRIX

IMPACT	Low	Medium	Medium
High	Medium	High	High
Medium	Low	Medium	High
Low	Low	Low	Medium

LIKELIHOOD

Risk assessment helps to determine the level of risk, which enables prioritization and allocation of resources to mitigate the risks. Ideally, resources for mitigation of risk should be allocated based on the severity of the risk.

3. Treat the risk

Risk treatment is basically a risk response strategy, and this includes (i) risk acceptance (ii) risk transfer (iii) risk reduction and (iv) risk avoidance.

i. Risk acceptance is where no action is taken to address the risk because either the risk is low, thus it makes no economic sense deploying resources against it or the risk is high but the organization has no capacity whatsoever, (within or without) the organization to mitigate the risk.

ii. Risk transfer involves outsourcing the management of the risk to another party, but remaining accountable for the risk.

iii. Risk reduction. This is where the entity puts in place measures to either minimize the likelihood of materialization of the risk and/or the impact of the risk

iv. Risk avoidance is where the entity decides not to undertake a certain activity that give rise to the risks

4. Control and review the risk

It's at this step that you use your project risk register to monitor, control and review risks. Evaluate the risks to ensure that initiatives are put in place to either minimize the likelihood of occurrences or the impact.

5. Awareness

The process of managing risks starts and ends with being aware of the risk. Every organization needs to develop a comprehensive program for creating risk awareness in the organization. Awareness does not only help employees to understand the risks facing the organization but also what they should do to mitigate the risks.

In conclusion, in order to effectively manage risk, especially for large entities, with various processes, systems and people, there is need for a structured and robust process for identifying, assessing, treating, monitoring and reporting of risks, as well as a comprehensive program for creating awareness of risks and risk management.

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The IRM is the leading professional body for Enterprise Risk Management (ERM). We help build excellence in risk management to improve the way organisations work.

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The International Certificate in ERM is the industry-standard qualification for anyone looking for a solid foundation in the theory and practice of effective risk management. The certificate explores elements of the risk management process and explains how organisational culture and appetite for risk may affect the implementation of such processes.

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What our students say

Sachin Singh IRMCert
Business Continuity Manager, Abu Dhabi Motorsports Management
"The qualification validates my understanding of risk management. The certificate exposed me to a methodological structure on analysis and treating risk. It has also helped to improved my own standing in the industry as a risk management expert, being able to use risk status reporting to the board as a result of what I have learnt."

Cynthia Nakowa
Risk Officer, Equity Bank, Uganda
"With the IRM's International Certificate in ERM, you will be given risk management knowledge right from the basic principles, various risk management standards and essentially having an extensive understanding of ERM. It will definitely grant you the first step to eventually becoming a Chief Risk Officer in any organisation."

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Jesse Okutre
Investment Risk Analyst,
National Social Security Fund

MBA, BECON, CRA, CERM

Reputation Risk - the greatest risk of all. Is it your priority?

Reputation is built by consistently doing the right thing at the right time, that meets or exceeds stakeholder expectations. The contrary creates a reputation risk to the entity. It is important to note that reputation risk is a resultant risk, emanating from the materialization of other risks, such as operational risk, cyber risk, compliance risk, among others.

It takes a long time to build a good reputation, but to ruin it, it takes just a couple of seconds! Regardless of the many good things you have done in the past, people will forget about those good things you have done and amplify the bad incident, once something significant goes wrong. In this era of social media, news, both genuine and fake, spreads like wildfire.

The benefits of having a good reputation need no emphasis, but suffice to mention the competitive advantage that a company enjoys because of its good reputation. This results in solid customer loyalty, employee engagement, and commitment to the organization.

Interestingly, in most cases, the issues that lead to reputation damage do not happen suddenly. Instead, they are usually subtle, and the tendency to ignore or dismiss them is high.

For example, in 2018, Uber technologies faced reputational damage that was least expected at the time.

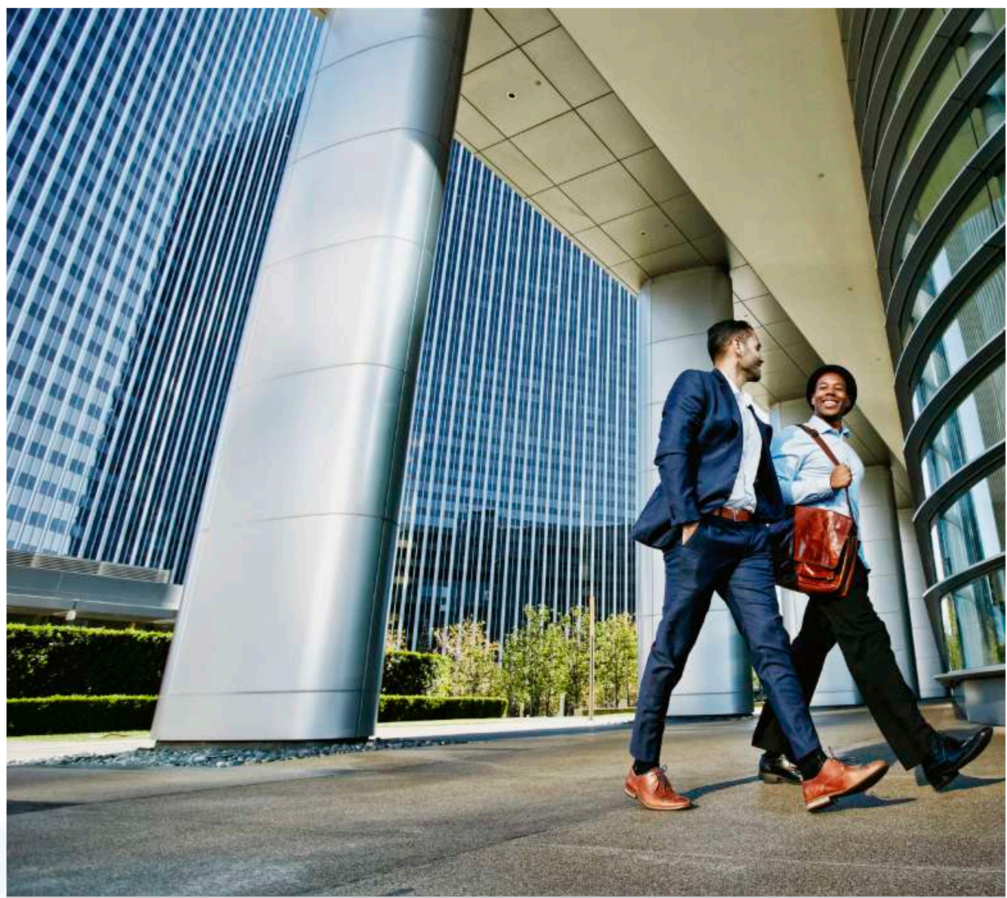
It all started when one female employee wrote on her Facebook page claiming a series of sexual harassments.

This post went viral, resulting in 56 more employees opening up about the same claim.

The incident culminated in several top managers resigning, including the CEO. In addition, Uber paid damages to the female employee amounting to US$ 1.9 million and US$ 20 million to others that came forward. However, Uber's problems were far from over. Customers started uninstalling the app and turned to Lyft, which is Uber's competitor.

I would like to believe that this information could have been handled in the grapevine within Uber before the employee went public, but was ignored or dismissed.

Besides Uber, there are several other organizations that have faced serious reputation damage, a case in point is Facebook.



Facebook's reputation hit its lowest in 2018 when it emerged that it had failed to protect the private and personal data of over 87 million users on its platform *(https://www.jdsupra.com/legalnews/reputational–damage–3–worst–cases–11–90321/)*.

As the investigation into Facebook's policies and procedures went on, the company had to close Facebook and Instagram accounts linked to a Russian propaganda group. These pages reportedly reached over 10 million users. As a result, the company experienced an enormous stock market drop in history – $120 billion, with a $17 billion loss for Zuckerberg, the CEO of Facebook.

Locally, Crane Bank serves as a good example.

Prior to its predicament, the bank was regarded as the best performing bank for several consecutive years, and it was the largest locally–owned bank in the country. By December 2015, Crane bank had an asset value of UGX 1.8 trillion and 750,000 customers.

Two years down the road, the bank was taken over by DFCU bank. Although Crane Bank had internal challenges, such as a significant increase in the non–performing loans and a weak credit policy, the situation escalated when information made rounds on social media, claiming that an insider from the Bank of Uganda was advising customers to withdraw their money from the bank before it was too late.

A few days later, pictures made rounds on social media claiming that customers were withdrawing their savings, worsening the situation. By October 2016, the bank was facing capital adequacy issues and was placed under receivership by the Bank of Uganda. By January 2017, the bank was under new management. Crane bank tried to fire–fight the information on social media, but the damage had already occurred.

However, there are also sudden incidents that can affect the reputation of an organization. For instance, in 1993, a syringe was found in a can of Diet PepsiCo in Washington state *[https://profiledefenders.com/blog/5–companies–who–had–their–reputation–damaged–and–bounced–back/]*.

Both PepsiCo and the Food and Drug Administration (FDA) dismissed the reports. After all, nobody had been hurt. However, when more cases started to emerge (nearly 50) across the country, the media took interest, and customers became scared. This incidence severely affected the company's reputation.

Building a solid reputation also involves protecting it from hostile actions of competitors, saboteurs, natural calamities, or internal organizational failures. Therefore, organizations need to put in place mechanisms that proactively identify potential areas of reputation risk and address them before the crises emerge. However, no mechanism can guarantee that no incident or crisis will ever happen; crises are likely to occur from time to time. What makes a difference is how you respond to them.

An appropriate response to a crisis may mitigate the negative impact on the reputation and turn the crisis into an opportunity.

For example, Apple refused to unlock the iPhone smartphone used by Syed Farooq, the perpetrator of the San Bernardino terror attacks in 2015, after the Federal judge's orders. Although everybody in the US was against Apple because of the refusal to help the Government, after a tussle with the FBI and other authorities, the storm was calm when Apple issued a statement indicating that unlocking the iPhone would open the encryption–cracking software to vulnerability and potential hackings. Being a lead tech company globally, Apple refused to set a precedent for tech companies in dealing with Government orders. As a result, Apple managed to win over its customers because they felt safe and secure using the iPhone.

Ways To Mitigate Reputation Risk

1. ***Big Data and Analytics***

   Locally and internationally, companies are embracing technology and using data analytics to monitor risk. Information is gathered and interpreted to identify the threats to the reputation of the organization. This information is availed to management to develop solutions and be ready to mitigate the risks.

2. ***Risk management integrated into business strategy and planning***

   Strategy planning, formulation, implementation, and review, should involve risk analysis, assessment, and control. Performance measures should be linked to risk metrics.

3. ***Understanding stakeholders***

   Stakeholder analysis and management of their expectations is increasingly becoming crucial when it comes to managing reputational risk.

   With the ever–changing stakeholder expectations, organizations need to invest in research to understand the stakeholders' changing needs and address them as much as possible.

4. ***Ethics, integrity and compliance.***

   A strong reputation starts with zero tolerance for unethical governance behaviors. It starts with top management, where integrity and ethical behavior of the leaders greatly influence the ethical culture of the organization. In addition, there should be a strong culture of adherence to the organizational policies, procedures, and escalation processes (whistleblower policies), that help weed out unethical behaviors in the organization.

5. ***Communication and response plans***

   The organization should have a dedicated communication team that responds to damaging content in the media (both social media and traditional media). For example, it can be through social influencers sharing the organizational response to harmful content and/or having a team that responds to bad publicity in the media in real–time.

6. ***Tone from the top***

   The Board and Senior management should set the right tone regarding ethics and integrity, and take a firm stance against unethical behavior. The board and senior management should lead by example, not only in words, but also in action. The Board should also ensure adequate policies, procedures, guidelines, systems, and processes are in place to ensure effective and efficient service delivery.

In conclusion, it is imperative to note that every organization is exposed to reputation risk; incidents are likely to happen from time to time that can significantly damage the organization's reputation, or at worst, lead to the collapse of the organization. If you can proactively identify and diffuse a potential crisis, well and good. But once the crisis happens, how you respond will determine whether the impact is escalated or minimized.

Cyprian Mwesigwa
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The Accountant's Ethical Dilemma

Accountants, auditors and other assurance practitioners ought and are expected to exhibit high levels of ethical conduct in the exercise of their duties. Moreover, the profession requires them to abide by certain fundamental principles including integrity, objectivity, professional competence, professional due care and confidentiality.

Assurance professionals are expected to stablish a standard of behavior that reflects the profession's recognition of its public interest responsibility.

Governments, non–governmental institutions, private investors and entrepreneurs have often unreservedly entrusted their resources with these professionals, with the faith that they will safeguard the former's interests.

Notwithstanding all the above, accountants, auditors and other assurance providers, both in Uganda and internationally, have, on a number of occasions, fallen short of expectations. These problems cut across government, non–government and private establishments.

In most cases, management and/or investors connive with the accountants or auditors to misrepresent financial information in order to mislead the users of the financial statements at the former's benefits. Management can instruct an accountant to use creative accounting practices like 'window dressing' to boost revenues at the year end.

Some of the most common unethical practices financial professionals have committed include the following:

i. Manipulation of numbers – This constitutes one of the most common unethical directives. Senior executives direct an accountant to manipulate the books of accounts in order to distort a company's overall financial performance, to show a more favorable picture of the company's performance.

This kind of directive can particularly put an accountant into a difficult decision–dilemma; the accountant either risks losing the job or goes along with the unethical request.

Obviously, the right course of action would be to act ethically, even when that means losing the job or a lucrative business opportunity.

ii. ***Turning a blind eye*** – The other common unethical practice often faced by auditors is to be compelled to simply turn a blind eye to unethical or illegal business or accounting practices, and issue a clean audit report.

Again, this kind of situation may place the accountant into a difficult zero–sum game situation.

However, considering the fact that integrity and honesty are some of the core pillars of the accounting profession, generally accountants and assurance officers should know the right course of action to take in such difficult and challenging situations, and must follow through on the ethical path.

Let's now look at some of the most prominent cases across the globe, where assurance practitioners have betrayed that trust when confronted with ethical conflicts.

i. ***Enron Corporation***

One of the most prominent cases involved a US energy giant, Enron, where accountants used unethical accounting practices by hiding billions of dollars in debt, while simultaneously inflating the corporation's earnings. The practice resulted into one of the world's biggest accounting scandals in recorded memory, where shareholders lost up to $74 billion and the eventual collapse of the company's share price from $90.75 to $0.26 at bankruptcy.

Jeffrey Skilling, the CEO of Enron, hid the financial losses of the trading business and other operations of the company using mark–to–market accounting. This technique measures the value of a security based on its current market value instead of its book value. This can work well when trading securities, but it can be disastrous for actual businesses.

The most disturbing thing in this scenario is the fact that, Arthur Andersen LLP, one of the five largest accounting firms in the United States at the time, and with a reputation for high standards and quality risk management, and partner David B. Duncan, who was in charge of Enron's accounts, knew about these creative accounting practices but continued to issue a clean audit report.

The scandal effectively led to the eventual bankruptcy of Enron and dissolution of Arthur Andersen, who hitherto, was employing over 20000 people.

ii. American International Group (AIG)–2005

In this case, the CEO Hank Greenberg was found to have engineered a massive accounting fraud involving stock manipulation. The company was also found to have requested stock brokers to inflate share prices. As a result, the regulators imposed heavy fines, amounting to about USD 1.64 billion on AIG, which almost brought the company to its knees. ***https://corporatefinanceinstitute.com/resources/knowledge/other/top–accounting–scandals/***

This situation was a case of collusion between accounting officers and management, which is a serious ethical failure on part of the former.

iii. Satyam Computer Services–2009.

The founder and chairman of Satyam Computer Services, Ramalinga Raju, working with the company accountants and auditors, was found to have falsified revenues, profits, and other balances. This is yet another popular case of breach of trust and ethical dilemmas, faced by accountants and other assurance officers. The case has since become one of the most prominent accounting scandals both in India and globally.

Consequences

Some of the consequences of these unethical accounting/business practices are;

- Government/regulator fines
- Removal of the accountant or auditor from the professional practice register.
- Every action has a price, including collapse, imprisonment, career ruin, and loss of public trust.
- Unethical behavior could have very serious consequences for the organization, staff, and other stakeholders. In case of an individual, it results into loss of a job and reputation, while organizations can lose their credibility, and productivity can decline.

What can be done to improve the situation?

i. When it comes to accountants, they must be ready to resist any temptation, which may come in the form of employers or a client in the case of those practicing audit assurance, insisting that they engage in unethical practices, including pressures from management /shareholders. Accountants should weigh the costs and benefits of the alternative courses of action.

ii. The Board must exercise some level of professional skepticism and intellectual curiosity, which requires an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence. In this way, those providing oversight will have a better understanding of the actions of those with stewardship of their investments.

iii. Senior executives and/or the boards should refrain from exerting undue influences on accountants/auditors so as to influence the financial accounting outcomes that will favor their desired objectives.

iv. Organizations should recognize that an ethical business/accounting practice is an intangible asset to the business, as it improves its reputation and public goodwill. Avoiding such practices, as much as possible, is of paramount importance for the success of the business.

Conclusion

It is almost certain that accountants will always be confronted with ethical conflicts in the course of their work, but what is important is to uphold the professional ethical principle, and always act in the best of the ultimate employer– the shareholder.

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Adolf Kaija Baguma
Operational Risk Manager,
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Risk Management in Unprecedented Times

Today, the world is faced with a lot of unprecedented uncertainties ranging from the Covid–19 pandemic; geopolitical tensions, trade protectionism, cybercrime, climate change, to economic downturn. We are in a period of 'business unusual', and as a result, risk management is increasingly becoming an integral part of the day–to–day operations of any corporate enterprise.

The current risk land scape requires organizations to re–define and stretch the scope of enterprise risk management scorecard to include aspects of risk beyond the known knowns or known unknown to unknown unknowns.

"Risk Managers and Corporate Executives bear the responsibility of building an effective enterprise risk–aware culture."

Take for example, risks that may appear very remote to the operations of the enterprise may be triggered by actions of say, a foreign country imposing trade barriers, that can potentially affect the domestic economy, thereby causing negative consequences to your business.

The aforesaid dynamics should prompt business entities to place more focus on proactive risk management rather than simply putting in place mitigations to respond to risk in a reactive way.

This is possible by adopting some or all of the following tips;

- Integrate risk–related information in strategic objective setting
- Regularly review your tolerance limits to ensure they remain relevant in the changing circumstances.
- The various levels of business should have risk owners, with clear responsibility and accountability for managing such risks.
- Risk–aware culture and rational risk management practices are embedded at all levels of business.
- Proactive identification of both current and emerging risk is done, and the risks identified are adequately mitigated.

It is not in dispute that the business operating environment is increasingly becoming more challenging and complex; whether we look at competition, politics, the ever changing regulatory regimes, technological advancements, cyber security, or other factors.

As the business climate changes, it is crystal clear that corporate organizations unable to build a robust risk management infrastructure to respond to accelerated changes, are bound to fail.

I'm inclined to believe that more often than not, a number of business leaders make major decisions without fully understanding, and later on analyzing the potential negative consequences to their organizations, and this kind of decision–making cannot continue, if businesses are to thrive in today's volatile environment. It will only be those organizations that embrace effective risk management protocols, including risk assessments of processes at inception, business continuity mechanisms, improvement of risk–aware culture and integrating risk management at all levels of decision making in the organization's eco system, that will be able to continue to exist and thrive.

I wish to conclude by saying that risk managers and corporate executives bear the responsibility of building an effective enterprise risk–aware culture, and this will be possible by breaking down barriers to communication across different functions within the organization, by sharing and implementing best practices.

Good working relationship between risk managers/advisors will play an important role in creating a robust and effective enterprise risk management (ERM).

Suffice to say, only organizations that will build and implement an effective ERM infrastructure will survive in this unpredictable era of business environment.

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"White-Collar" Entrepreneurs: What You Need to Know

There is a growing trend, where corporate employees are seeking to find alternative sources of funds to supplement their salaries, which are increasingly becoming inadequate. The inadequacy arises partly from the various deductions that are imposed on the employee salary, including Pay–As–Your–Earn (PAYE), social security contributions, Local services tax, all of which can take nearly 44% of the employee's monthly salary, in some cases. The other cause of salary inadequacy is the expensive lifestyle that many corporate employees live– living beyond their means.

Gone are the days when employees relied solely on their salaries to finance their cost of living. It is not uncommon today to find one having a side business; either in agriculture, trade, or teaching/lecturing, etc.

However, many have not been successful in running the side businesses. Part of the reason is that many lack practical skills in running a business, as well as limited time to monitor and supervise the operations of the business. Although a host of them are financially literate, they often struggle to grow their earnings.

Having side income complements one's salary and assures one of a better retirement package or the prospect of becoming one's own boss some time.

"The inadequacy arises partly from the various tax deductions that are imposed on employees and partly from the expensive lifestyle that many corporate employees live – living beyond their means."

However, the luck for "office entrepreneurs" often runs out on their first endeavors because the associated risks they face are immense. Let us now discuss why the odds are stacked against the side hustles.

1. Limited understanding of business dynamics

Although a corporate employee may be an excellent performer as far as execution of the company's (employer's) operations is concerned, including sales and marketing, he/she may have no clue about the dynamics of starting up a business.

Therefore, the temptation to "copy and paste' what others are doing is high. Thus, providing no unique solution to customers' needs. Undertaking any business venture without conducting a comprehensive analysis of external and internal environment, including analysis of customer needs, increases your chances of failure.

It is, therefore, imperative that for any business undertaking, be it small, medium, or large, the entrepreneur ought to have a deeper understanding of the risk profile of the business and mitigation.

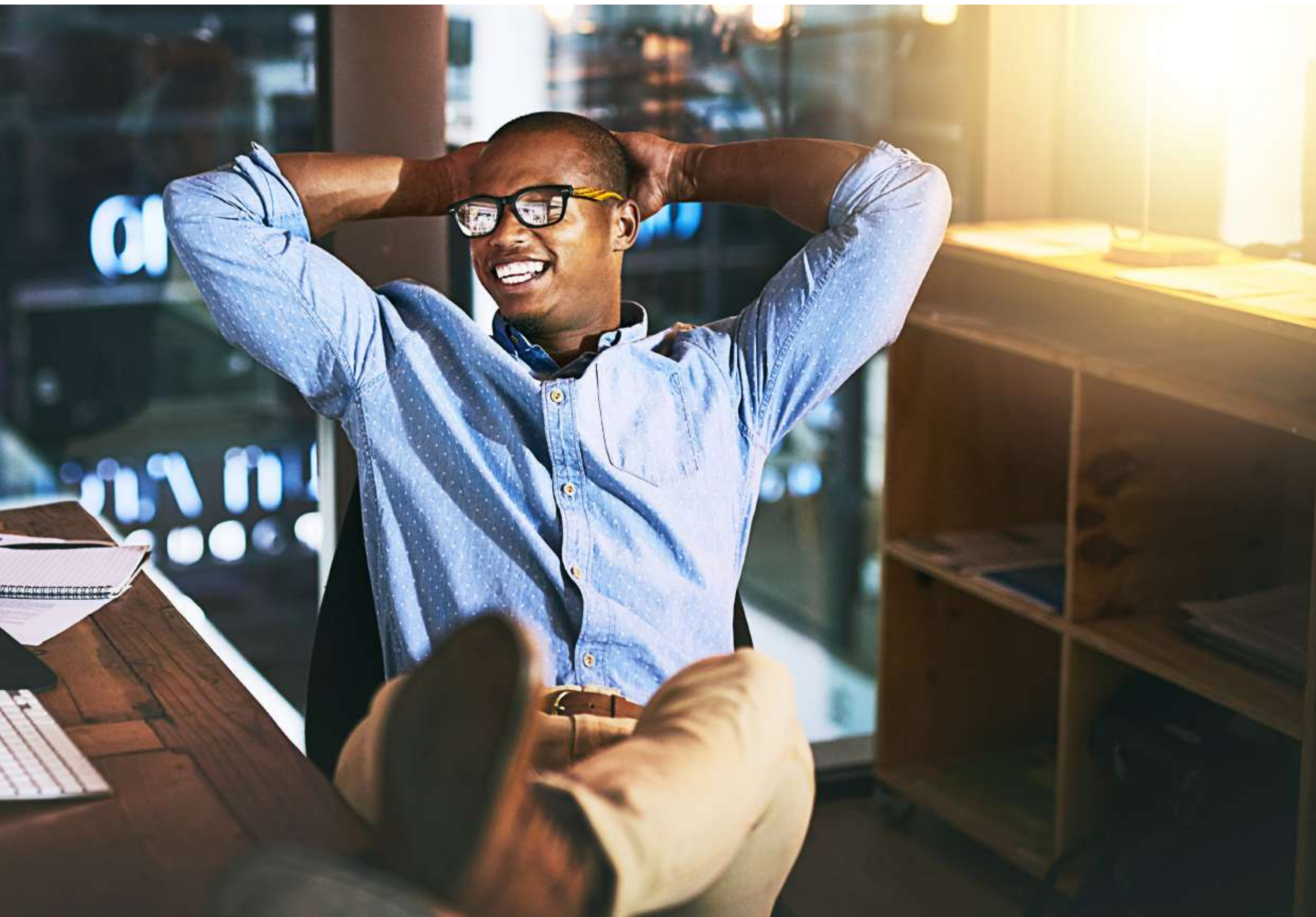
2. Limited time

Almost every day of the week, including weekends for some organizations, the corporate employee is preoccupied with how to deliver on the office targets, and has little or no time to think about his or her business, let alone monitor and supervise the business. He or she occasionally visits the business, probably on Saturday or Sunday, and spends a few hours before he or she leaves. A start–up is like a baby; it always needs its mother (owner). Think of it, even if it was a well–established business, would it run well if all managers only checked on the performance results once a month, and had no idea of what happens on a daily basis, except what the workers carefully choose to tell them? No wonder– the best advice is always "you need to get trusted and committed workers", notwithstanding the fact that these are rare. What exists are workers who can do what they need to do to achieve their goals and not the entrepreneur's. To build a successful enterprise, investors need to commit substantial amount of their time to the business.

3. Failure to communicate the vision to the care takers

"Move these bricks there, erect a 3–meter wall and paint green", the boss instructs the site manager. The site manager wonders why the wall is not 2.5 m or 4m, but the boss said 3m, and the boss cannot be wrong. The following day, the boss returns only to find the picture of the structure below–alas!

According to the boss, the wall was supposed to be flat on top, even if that meant doing slightly over 3 meters for the lower sections!



> **"The luck for "office entrepreneurs" often runs out on their first endeavors because the associated risks they face are immense."**

Conveying the picture conceived in your mind to the workers and/or associates, is not as easy as one might imagine.

It is therefore, important that ideas, instructions and/or other procedures are clearly documented and communicated in a manner that can be understood by everybody working within the establishment.

4. Failure to contextualise and apply the vast office knowledge appropriately

It is interesting to note that at the office, we do a lot of analysis and cross paths with a vast array of expertise, and yet we fail to use the same expertise to run our own businesses. I am inclined to believe that part of the problem, other factors constant, is the failure to draw a clear distinction between a start–up and a mature business, where for the latter, processes, policies and procedures have been developed and tested over time.

The way we run our offices cannot be the same way a start–up is run; like I said above, a start–up is like a baby– a baby eats baby food, it cannot eat food for the adults.

5. Conflicting loyalty

First, let us imagine the mood of an office entrepreneur who has just received a text message announcing the unfortunate death of his "Bihogo" cow, which cost him UGX 4 million (call it a full month's salary). Also try to imagine the concentration in a meeting of the lucky 'investor' whose business partner needs him to sign a last–minute bid worthy UGX 300 million! Indeed, what happens at the hustle place ends up in the office!

The side hustle can complement your job or ruin your chances of exceling at work. Recognizing the risks, requirements, and constraints of the hustle one chooses, can be the difference between the happy employee, with a flourishing business to retire to or one who loses, both at the job and at the side hustle.

We ought to often evaluate how much we are learning and improving the likelihood of success at that side hustle, to prevent them becoming the black holes that claim so much of our earnings (salary).

Conclusion

Although it is important that the corporate employee finds alternative sources of income, like establishing a business, he/she needs to undertake basic research as a minimum, to try and understand the dynamics surrounding the business venture he/she intends to undertake, before deploying his/her hard–earned resources. The other key success factor is to establish a mechanism for monitoring the business on a daily basis, even when you are not on the ground.

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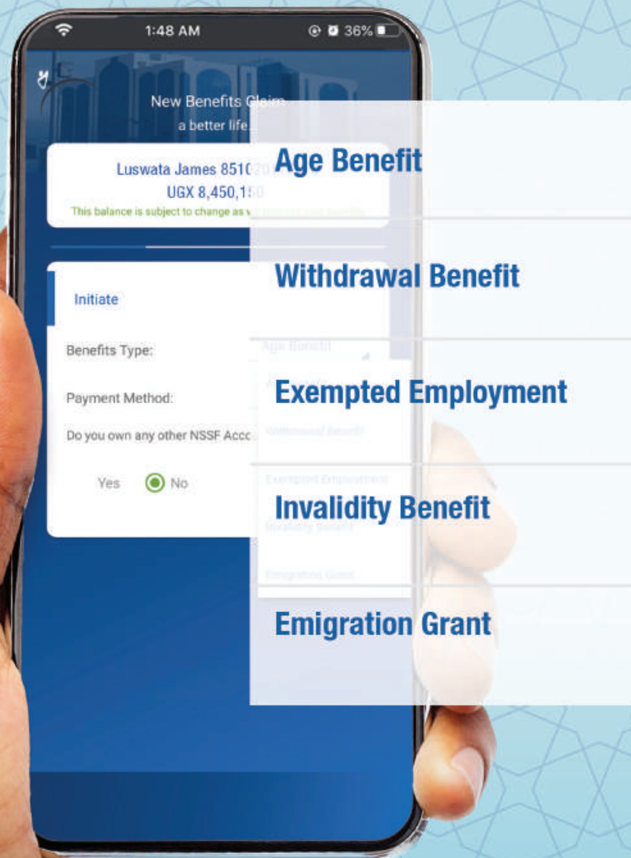

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You Can Live To Tell a Story

Many of us are worried, anxious and frankly scared about COVID 19, and rightly so, as COVID–19 seems to be the greatest threat to mankind of all ages. It has not only affected health care systems in the world, including the most advanced ones, it has led to a global recession. As at 8th June, 2021, at 10.47PM (Uganda), nearly 174.7 million people had been infected and 3.7 million people had lost lives, and about 12.8 million people were still fighting for their lives against the disease, globally.

Unfortunately, there is high level of compliancy towards COVID–19; until recently, upon the outbreak of the second wave of the virus, a number of people still believed there was no coronavirus in Uganda, that the issue of COVID–19 in Uganda is a "political gimmick"!

"In this article, I want to emphasize a few things that I believe can help us to fight back the monster."

Following the onslaught of the second wave of the virus, the government has instituted various stringent measures, including closing schools, restricting inter–district vehicle transport, closure of mosques and churches, etc; in an attempt to curb the rapid spread of the deadly virus.

Like I said earlier, COVID–19 is the biggest threat to human life, so big and widespread that there is no one who is secure in any part of the world.

However, if you are confronted with a danger of enormous magnitude, you have no choice but to fight back with whatever means you have at your disposal, however weak they may appear to be.

A story is told of a man who survived a crocodile attack by simply poking his finger into its eye! I believe if we take the right steps, we can overcome the threat and live to tell a story.

I don't intend to regurgitate the standard operating procedures (SOPs), that have been disseminated from time to time by the Ministry of Healthy and other stakeholders, what I have done in this article, is to emphasize a few things that I believe can help us to fight back the monster.

1. Protect yourself and others

Do everything in your power to stay safe and to protect everyone else around you. Simple measures like maintaining a safe distance and washing hands should not be taken for granted. They could be the difference between life and death at this time. Please don't make the mistake of assuming the virus isn't at hand. We should all act as if everyone we meet and every surface we come into contact with, is infected. That way, we shall all be more vigilant and keep ourselves safe.

2. Misinformation

You must be cautious about the information you get about the virus, especially on social media (Facebook, Twitter, WhatsApp, etc), and on the internet. A lot of the information circulating is not correct, and it is causing fear, distrust or panic.

3. Avoid self–medication

Viruses generally do not respond to antibiotics; antibiotics are aimed at bacteria. Taking antibiotics out of fear may actually be worse for you because they may kill the good bacteria in your gut that boosts your immunity. Please do not take antibiotics unless a medical professional prescribes them, and most importantly do not self–medicate on chloroquine, hydroxychloroquine or any other medication that is being portrayed as being useful against this virus. While they may have a role in some cases, a qualified medical professional should guide you on their use, if necessary.

4. Keep your immune system healthy

Although you may not have much control over what everyone else does and how the virus spreads, you do have a lot of control over the choices you make in life.

Making choices that will keep you healthy and boost your immune system will probably be the wisest thing you can do. With many experts suggesting that up to 60% of the world's population will eventually be infected with coronavirus, your best bet is ensuring that your body is best suited to fight it off, in the unfortunate event that you get infected.

The impact of COVID–19 in your body once you get infected, will depend on your body's ability to fight off the virus, which is your immunity. So, besides compliance with SOPs, you need to keep your immunity high in order to be able to effectively fight off the virus. People who have fallen victim of the deadly COVID–19 experience mild to severe and critical symptoms, depending on the level of immunity. It is no surprising that the elderly and people with underlying health/ medical conditions, (with low immunity), have registered higher death rates.

Fortunately, there are several things you can do to boost your body's immune response.

a. Stay hydrated.

All the cells in our body need adequate water to function well. The cell's cytoplasm, where most functions take place, is mostly water. Not having enough water in our system can lead to malfunction or dysfunction of cells, including those of our immune system.

You need to drink at least 2 liters of water each day. You can estimate your body's daily water requirements in liters by dividing your weight in Kg by 30. Children should also need to drink lots of water, up to six glasses a day. Remember to drink throughout the day, not all at once.

b. Avoid the following foods

Sugar, sugary drinks like soda and sugary foods like sweets, lollipops and ice cream. Sugar is a known immune suppressor. Within 30 minutes of taking sugar, your cells that fight viruses (the lymphocytes) have a reduced capacity to do their work, and this effect lasts for up to 5 hours.

Foods rich in refined carbohydrates, including foods made from refined wheat, like white bread, chapatti, cake, mandazi and biscuits. Other foods made from refined grains include, cornflakes and posho, deep–fried foods such as chips, crisps, fried chicken and other foods such as processed meat like sausages bacon, ham and frankfurters

c. Eat the following foods in abundance

- ***Garlic and Onions.*** These bulb vegetables are high in sulphur compounds that are antiviral and antibacterial.
- ***Vegetables,*** and in particular cruciferous vegetables that include, cabbage, sukuma wiki, broccoli and cauliflower.
- ***Colourful fruits*** of all types, and fruits high in vitamin C, such as guavas, mangoes, oranges and citrus fruits. Aim to have four servings a day. A serving is the size of your fist.
- ***Mushrooms.*** These are some of nature's most powerful immune–boosting foods
- ***Orange foods*** such as pumpkin, carrots, oranges, sweet potatoes
- ***Seeds*** including, chia, flax, pumpkin and sesame, and nuts including almonds and cashews, as well as whole grains like oats, millet and whole maize.
- ***Foods high in healthy fats*** like avocado. Green tea, and in particular matcha green tea that is high in detoxifying and immune boosting catechism.

The following food supplements can also help to boost your immunity:

- Vitamin C, high dose – 2 to 4 grams a day
- Zinc– 30 to 50mg a day
- Omega 3s – 1 to 2 grams a day
- Vitamin D – about 5,000 i.u
- A supplement that has curcumin and/or garlic (the active compound in turmeric)

d. Keep active

Being active helps keep your immune system strong. Aim to get at least 2 hours a week of moderate exercise. Many of us are staying at home most of the day. Surely, we should be able to find time to exercise. Even if you are working from home, use the time that you would have spent en–route to and from office to exercise.

Conclusion

Many of us have never experienced anything like COVID–19 in our lifetime. But, as the human race has done many times before, we shall overcome this virus and come out stronger. This period may be challenging but is an excellent time for all of us to focus on our health and come out healthier than ever before. Let's all unite, come together and support each other to overcome this virus.

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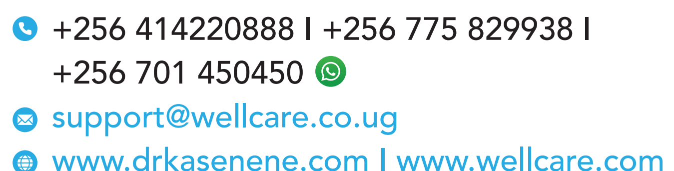

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Pitfalls in Personal Financial Journey and the Mitigations

The known known risks are identifiable, and the consequences are almost clear. An example is a violation of the laws and regulations, which will result in fines and penalties. A case in point, if you steal or murder, it is known that you will get a jail term.

The known unknown risks that are identifiable, but the consequences are unclear. An example is retirement; it is known that one has to survive on his / her reserves in retirement, but the effects of inadequate retirement plans are always hazy.

The unknown unknown risks are unidentifiable, and the consequences are not known. An example is COVID19–nobody knew that it would happen and it was hard to predict the consequences.

My focus today will be on elaborating how you can mitigate some of the significant pitfalls in your financial journey towards your retirement, which the majority know but pay little attention to. This emanates from poor retirement planning, especially at a young age.

In my financial literacy coaching experience, it has always been challenging to convince a young person of 26 years, for instance, to focus on his entire journey in life (100years), rather than on the new "Subaru "or weekly outings.

As an individual, you are an "operating unit", with earning and spending capacity. Therefore, there is need to understand the nature of earnings and expenditures. Some earnings phase out with time, like salary, and some expenditures phase out like school fees. However, in most cases, the expenditures are more volatile than earnings, especially when you are still employed and earning a salary. But when you lose a job or retire, your earnings become very unstable. You, therefore, run a risk of failure to afford a decent lifestyle, if earnings fade.

Below, I highlight some of the significant pitfalls one ought to be aware of, manage or mitigate to ensure financial stability throughout their life journey.

1. Lack of relevant information

One ought to draw one's attention to the shortfalls and hardships that can arise from lack of awareness of one's financial status, wealth–building vehicles, and what takes one's money.

The risk of lack of relevant information is subtle but has a fatal impact on one's financial journey in many ways. For example, a person who spends a large portion of their earnings on consumption rather than on savings or investments, will suffer a shock if there is a disruption in the flow of earnings.

> " Inaction is usually coupled with procrastination and the hope that the best time to take action is tomorrow when certain things have fallen in place."

Are you balancing your income allocations to savings, investments, living expenses, or most of your earnings are allocated to living expenses? Conduct a monthly analysis of your earnings allocation to expenditures, and create awareness of your savings, investments, and living expenses pots. You cannot afford to risk not knowing where your money comes from and where it goes!

2. Inaction

Sometimes we are too scared of the potential consequences of our actions, and decide not to take any action. Although this is the easiest thing to do, sometimes it leads to severe consequences.

Inaction is usually coupled with procrastination and the hope that the best time to take action is tomorrow when certain things have fallen in place. Inaction catches up with one when they run out of time to start and they realize the grave danger facing them.

At this point, many people tend to rush and make irrational decisions, so as to catch up with lost time. This pitfall similarly produces fatal results, only this time they are immediate and painful.

When it comes to retirement, you need to start planning and investing early in life; even if you make mistakes, you have adequate time to learn from the mistakes, because knowledge acquired from early exposure is critical. Knowledge and experience result from exposure and are hard to achieve when you have done nothing–start now.

3. Unhealthy competition

Competition is a great ingredient and motivator for growth. The inspiration of a colleague being successful and featuring on big stages is a great push and reminder that hard work pays.

However, it's to your detriment when you indulge in chasing and catching up with someone else's dream. It's normal to feel left out and lonely when your known associates drive luxurious cars.

However, this should not push you to run to lending institutions to upgrade or get a better model than your peers. In playing catch–up, you are at a risk of crushing and impairing your ability to have a smooth financial journey.

Focus on your dream and work hard to fulfill it because we all have different personal financial journeys based on our unique financial objectives.

4. Getting comfortable and forgetting you are in transit

Often times when we humbly apply for a job opportunity, and we are given an offer, to which we respectfully accept, we tend to forget that we are still in transit, and that it is a matter of time before we get to the next assignment, and eventually to retirement. We tend to live on the job as though it is the end of life.

We rarely build a life outside the workplace. Everything we know, relate with, own, look up to, is all around or connected to the workplace. We create comfort around the workplace, and when the time comes to separate from the workplace, alas, we get lost!

Immediately one loses a job, he or she loses a sense of direction and becomes desperate. This risk hits hard for over 95% of the working population at retirement.

The same applies to businesses; even business owners suffer as the environment changes. For example, the collapse of Greenland bank resulted in a financial catastrophe for the then owners.

Have a diversified earning stream so that if one is down, the other streams can still support your financial journey, as well as a social structure beyond work.

5. Time management

"We are young; we have time; what's the rush?". These are some of common comments from young people. As the employees, we often slide into a delusion that time is on our side. Thirty years later, we have not snapped out of it. Such trends are not only a risk but a guarantee that the risk will crystalize and explode. The anthem in the Financial literacy engagements is that, the difference between "Here" in employment and "There" in retirement is "T", which stands for time. Do not risk to think that time is abundantly available for you.

Conclusion

Life is a journey, full of challenges and moments of happiness. The challenges give us an opportunity to reflect on the path we have taken, and whereas we should enjoy the moments of happiness, we should be cognizant of the fact that, happiness, especially financial happiness, is fragile, and requires to be protected, by careful planning and prudent life style.

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Navigating the IT Security Challenges Posed by COVID-19

The emergence of COVID–19 triggered many changes to the traditional way of doing things. Companies have adopted new ways of doing business; they have acquired new technologies, such as cloud solutions, collaboration solutions, as well as AI (Artificial Intelligence) and machine learning. Many have abandoned physical meetings, and instead, online meetings are now common place, which have characterized what has become to be termed as "the New normal".

One of the most common feature of this New normal is the practice of working from home. Because offices are some of the places where many people come in contact with one another, many organizations encouraged their staff to work from home. This has created a new sense of comfort and convenience for the employees, and broken the routine of waking up and going to the office early in the morning, and leaving late in the evening. Employees now manage their own work schedule, without the watchful eyes of their supervisors.

" The security protections normally implemented in office premises, such as firewalls, etc, are not present in most remote working sites."

However, it's not all a bed of roses; on the other hand, organizations have down–sized, lives have been lost to COVID–19, revenues have gone down, the list could be endless, but this article focuses on one, which has continued to cause challenges in cyber space – that's IT security.

The pandemic has led to a merger of work, home and school; it has therefore, extended the traditional Local Area networks from the confines of offices to Metropolitan Area Networks (MAN), and the largest Wide Area Network (WAN) that could possibly exist. This means that the attack surface has expanded, leading to an increase in IT security risks.

A cybersecurity firm, KnowBe4, recorded a 600% increase in phishing websites and attacks that referenced COVID–19 in Q1 of 2020, as cyber criminals capitalized on the uncertainty created by the pandemic. Relatedly, Google detected an average of 46,000 new phishing websites every week in 2020 (see graph) below.

The use of unsecured personal devices rose by 40%, according to a Webroot study by Channel Futures. Password sharing has become business as usual; data breaches as well as privacy violations have skyrocketed, and connection to unsecure networks has become common.

All these could be linked to the abrupt shift in work environments and work methods. The security protections normally implemented in office premises, such as network access control systems, Intrusion Detection and Prevention Systems (IDPS), firewalls, etc, are not present in most of the remote working sites, thus increasing the vulnerability to cyber–attacks.

The CISO's Benchmark report 2020, revealed that 52% of respondents said that they were struggling to protect the portable devices e.g. phones, laptops, etc, used by staff working remotely, against cyber threats.

All these risks require enhanced efforts to address them. Measures such as the following can go a long way in addressing the cyber threat:

i. Implementation of multi– factor authentication (MFA) for all critical systems of the organization, to mitigate social engineering attacks that target user credentials.

ii. Development of Bring–Your–Own–Devices (BYOD), and remote working policies to provide users guidance on how to handle the data they access and use on personal devices for corporate work.

iii. Enhancement of security awareness training to remind staff on creating and maintaining strong passwords, as well as handling of susceptible phishing emails.

iv. Development and implementation of data protection policy to guide staff on how to maintain the privacy of data subjects while working from home.

v. Implementation of Mobile Device Management (MDM) solutions to enable IT teams to monitor, manage and secure mobile devices.

vi. Implementation of next generation anti–virus (NGAV) solutions that can detect and prevent fileless malware attacks. NGAV uses artificial intelligence for advanced threat prevention.

The pandemic has shown that organizations need to double their efforts towards information security in order to navigate past the security challenges escalated by the pandemic. This is the right time for organizations to consider information security a business enabler other than an afterthought.

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How KYC Compliance can become a Lemonade for your Business

The introduction of the Anti–money laundering Act 2013 in Uganda was viewed by many organizations as another cost to the business, which created an enormous task of obtaining detailed information about their customers/clients as regards to their identities, addresses, sources of income, etc, as well as monitoring and reporting suspicious transactions to the Authority.

Collecting detailed information about a customer enables the entity to have reasonable knowledge of its customers/ clients, hence, the concept KYC– Know Your Customer. KYC is the central principle of the Anti–money laundering Act.

Section 6 (2) (a) of the Anti–Money Laundering Act requires an accountable person to carry out due diligence measures before or during the course of opening an account for or establishing a business relationship with a customer.

An accountable person, according to the Act, is any person who conducts the business of investing, administering or managing funds or money on behalf of other persons.

The main objective of the law is to combat money laundering and terrorism financing, which are considered serious financial crimes. From the regulatory point of view, obtaining detailed information about the

" In this data era, one thing is clear– customer data bridges the physical and digital world. Therefore, the efficiency and effectiveness in the way the business collects, stores, analyzes and acts on its customer data, is critical for business success."

customer/client, enables the accountable person to be able to identify and locate any customer/client in the event that there is need for an investigation for suspected money laundering or terrorism financing activities.

From the accountable person's point of view, this presents two main challenges:

i) Increased cost of compliance

In order to ensure compliance with the Anti–money laundering law, the entity has got to streamline its processes, systems and people, to ensure that they capture and store all the relevant KYC information, monitor and report suspicious transactions. That may entail hiring people (Compliance officers) or training staff, procuring the relevant software, and introducing new processes (KYC and customer due diligence); these require additional funding.

ii) Privacy infringement

KYC and customer due diligence require disclosure of personal information such as source of income, particulars of customer residence, etc, which many customers/clients are reluctant to disclose. Therefore, some entities fear that if they ask for personal information they will scare away potential customers/clients.

The challenges of complying with KYC requirements notwithstanding, KYC provides multiple benefits to the business. Like the saying goes, "when life gives you lemons, make lemonade"; entities can take advantage of the benefits that come along with a robust KYC and customer due diligence regime. Such benefits include:

1. **Comprehending customer needs.**

   KYC provides the business with useful insights about customers' particulars such as name, gender, age, nature of business, level of income or purchasing power of customers, inter alia. Such information can be used by management to profile customers' needs and offer tailored solutions to the customers, hence improving their satisfaction.

2. **Minimizes losses**

   KYC enables, for instance banks, insurance companies and pension funds, to pay the right beneficiaries, which avoids losses that would otherwise arise from paying wrong people, such as refunds to right beneficiaries, litigation costs, etc.

3. **Enhancing customer Trust.**

   KYC requires verifying the basic details of the customer such as name, fingerprints, photos, address, and status of the legal entity or personal identity. Such measures can help to control identity theft, fraud and money laundering, thus protecting the reputation of the organization.

   On the other hand, non–compliance to KYC requirements can rob the business of customer trust, by causing financial loss to the business due to heavy fines. For example, in 2020, the Financial Conduct Authority (FCA) in UK fined Commerzbank GBP37.8 million for violation of the AML controls (KYC failures).

   In 2016, JP Morgan's CEO Jamie Dimon informed shareholders that the company had spent $1.6 billion on their compliance department, because they had incurred fines that were ten times in excess of the investment. Losing such huge sums of money can erode the shareholders' value and affect shareholder trust in management.

   Obviously these loses could have been avoided if the organizations had strictly complied with KYC requirements.

4. **Cornerstone for business innovation**

   For an organization's innovation efforts to add value to the business, management should have sufficient knowledge about the customers.

   For instance, with the rapid adoption of machine learning, many banks are leveraging on KYC data to conduct predictive analytics and generate different financial products for the customers.

   In this data era, one thing is clear–customer data bridges the physical and digital world. Therefore, the efficiency and effectiveness in the way the business collects, stores, analyzes and acts on its customer data, is critical for business success.

In conclusion, the choices for the accountable persons are straight forward; either embrace the KYC requirements and take advantage of benefits offered by full compliance with KYC requirements, or fail to comply and suffer the consequences.

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Investment: Why Some Fail and Others Succeed

Much as investment is the engine of growth, it can also be a source of major risks, depending on the nature of investment undertaken and how the investment process is executed.

There is no doubt that, we are all familiar with the word investment, and I strongly believe that each one of us has ever undertaken investment in one form or another. An investment is an asset or item that is purchased or created with the hope that it will generate income or appreciate at some point in the future, such as shares, property, treasury instruments, inter alia. Everybody who invests expects a return, over and above the cost of investment.

The biggest challenge, however, is that there is no guarantee that the return and/or the investment will be realized.

Whereas many companies, both locally and internationally, have undertaken very many successful investments, equally, there are many companies that have lost a fortune or at worst collapsed, due to the investment decisions that they have made, from time to time.

Therefore, much as investment is the engine of growth, it can also be a source of major risks, depending on the nature of investment undertaken and how the investment process is executed.

In this article, I will dwell more on the execution process, focusing mainly on the ability to undertake successful investment. To begin with, more often than not, many people stake and commit resources into a particular venture without carrying out adequate due diligence to identify critical factors (risks) that may significantly impact the business.

It is not surprising that in Uganda, at any one time, there are thousands (if not millions) of start–ups but a number of them do not live to celebrate their first anniversary. According to the Global Entrepreneurship Monitor (GEM), 28% of adults owned or co–owned a new business in 2015. Further, in the same year, out of 3,550,210 businesses started in Uganda, 2,924,340 (83%) did not survive beyond one year (The Guardian, Tuesday, February 16, 2016).

The main reason for their undoing is that most of them do not carry out adequate due diligence before undertaking the investments, leaving everything to luck!

I must confess that I have fallen a victim of investing resources without adequate prior due diligence. Once, a colleague of mine conceived an idea and convinced me to start a school in our local community. I was excited and quickly mobilized other friends

and resources and the project started. Although, key project success factors were looked at, they were neither justified nor probed for validity, and no detailed project analysis was conducted. After the first year of operation, the results started flushing negatives, and the advent of the Covid–19 pandemic was the last blow to the project's existence.

Another good case, in this context, is foreigners doing business in the republic of South Sudan.

Following the attainment of her independence from Khartoum on 9th July 2011, and the long history of civil wars, production in South Sudan was significantly affected, which led to a severe shortage of goods and services, creating an opportunity for the neighboring countries such as Uganda.

" In 2015, out of 3,550,210 businesses started in Uganda, 2,924,340 (83%) did not survive beyond one year"

Indeed, the Ugandan business community was quick to respond to the prospects that had been presented, and started exporting the much–needed goods and services to South Sudan.

For them, this was a golden opportunity to make money, as the new state of South Sudan was in dire need of goods and services, which were in short supply.

In the early days, businesses boomed, however, the story dramatically changed, with the emergence of a civil war within South Sudan. Armed South Sudanese militias attacked and killed several Ugandan traders and looted their merchandises on several occasions.

According to reliefweb.int, unknown number of Ugandan traders are feared to have died and thousands displaced in S. Sudan in February 2014.

The Ugandan traders underrated or never thought about the hostility they would encounter in South Sudan. An assessment of country risk could have informed anybody intending to venture into South Sudan that the country's political and security environment was still fragile.

This phenomenon of wrong investment decisions is not unique to Uganda, many companies across the globe have collapsed or made huge losses due to wrong investment decisions, and one of such companies is Long–Term Capital Management (LTCM) in the USA ***(https://www.investopedia.com/articles/mutualfund/05/hedgefundfailure.asp).***

LTCM, which was founded in 1994 by John Meriwether, and began trading with more than $1 billion of investor capital, attracting investors with a promise of an arbitrage that could take advantage of temporary changes in market behaviors, and theoretically reduce the risk level to zero, nearly collapsed.

According to James McWhinney's article, "Massive hedge fund failure", LTCM' strategy was quite successful from 1994 to 1998, but when the Russian financial markets entered a period of turmoil, LTCM made a big bet that the situation would quickly revert back to normal, and used derivatives to take large, unhedged positions in the market, betting with money that it didn't actually have available if the markets moved against it.

When Russia defaulted on its debt obligations in August 1998, LTCM was holding a significant position in Russian government bonds. James points out that, despite the loss of hundreds of millions of dollars per day, LTCM's computer models recommended that it holds its positions. This resulted in significant losses to a tune of $4 billion, which nearly brought down the company.

Of course, there are many factors that affect an investment, and they vary depending on the nature of the investment. Investing in complex assets such as derivatives, mortgage–backed securities, etc, for instance, requires sophisticated skills. That notwithstanding, what is crucial is to identify, analyze and mitigate the factors that are likely to cause negative impact to the investment.

For LTCM, their main problem was hubris. As mentioned earlier, LTCM made a big bet that the situation in Russia would quickly revert to normal, and used derivatives to take large, unhedged positions in the market.

This resulted in excessive leverage, which was not backed by sufficient liquidity.

Investment is a process, whose success is anchored on expertise and skills of the person managing it and the environment within which it operates. Usually, the expertise comes with experience and being consistent.

However, it is worth noting that success is two sided, it can come from one having luck, where an investment earns a lucrative return without clear knowledge of the key success factors.

The second view is, when returns come because of skill in selecting the business venture, identifying return drivers, and allocating resources, as well as being able to define or follow the investment norms in a consistent and logical manner.

Any type of business undertaking is a potential candidate for investment, however, the choice must be made after meticulous analyses and considerations are made, depending on the risk tolerance or appetite levels of the Investor. It is therefore, worth noting that professional skill is required if a rational investment decision is to be made, which is often lacking in the informal sector.

It has been reported that Warren Buffett, an investment guru, who is considered one of the wealthiest investors of our time, has mastered the game over time since his childhood.

He just does not get excited about any opportunity in stock that comes his way. He is consistent and follows the principles of value investing.

Drawing from the local scene, people like Bulaimu Muwanga Kibirige, alias BMK, have been able to accumulate wealth for nearly 50 years, while working in different countries.

BMK has done this by following basic investment principles and frameworks, as he notes in his biography: “My story of building a fortune in Africa.”

It could therefore, be argued that following basic principles and consistency are the cornerstones of any investment venture. Besides, we also need to desist from ‘hit–and–run’ behavior in search for quick money!

As we are reminded that the shades of trees we enjoy today, were planted by someone at some time in the past.

I conclude by saying that successful investment is a function of consistency and rational decision making, and not necessarily being an investment genius.

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Adjusting to the New Normal.

Let's face it, this past year has been an unprecedented one in many respects. While we were up and about, going on with business, while working our way into 2020, it dawned on us! Covid–19. Slowly but surely it wove its way into our lives, affecting the entire world; socially, economically, politically and technologically. Corona definitely shattered 'crucibles' of organizations, leaving many, never the same.

Well, I don't know about you, but I have certainly experienced a number of firsts, as far as the work life is concerned – thanks to the pandemic. I can't help but think that Corona may have come to test the strength of risk management programs in organizations. Its effect on organizations is no longer imminent, it is present.

We've seen to light a number of new 'things' which have been dubbed "the new normal". Some of these include: virtual meetings, working from home, wearing face mask, temperature screening at building entrances, hand sanitizing and social distancing, among others.

As organizations grapple with the new business normal, how do both employees and employers continue to deliver at the work place in the new normal? Well, this is how you can continue working normally in an abnormal situation.

1. Embrace digital tools

COVID–19 is anticipated to permanently normalize the use of digital tools. As noted by Carroll & Conboy, 2020, technology has played a pivotal role in efforts to normalize the work and life routines in the 'new normal' situation posed by the COVID–19 pandemic. It has opened doors to particularly the Internet, where people have learnt to adopt to an online environment in many ways than before.

Since many employees are most probably not going to be on the same site, at the same time, we have seen companies embrace electronic signatures in place of physical signatures on documents. I will not mention the numerous online meetings and video conferencing facilities that have emerged,

as well as our acquaintance to participants having video dropout sessions, choppy audios, freezing during video sessions while participating in meetings. Many have had to use application features such as screen share, polls, and hand raise, among others, in order to make the meetings come to life.

This, however, calls for the need to strengthen IT security to avoid any cyber threats, that could emerge from the increased use of technology.

2. Redesigning work processes

Historically, businesses have controlled costs and mitigated uncertainty during recessions, by redesigning work processes in order to eliminate waste and optimize operation. We have seen another dimension, where staff have moved from work places of physical proximity (face–to–face locations), to either virtual or hybrid (both virtual and physical) setting. This has in turn called for a re–design of work processes to effect the new 'structural' changes.

For example, without being able to directly monitor subordinates in a way an office setting allows, there needs to be a shift to a results–focused assessment, according to an article by Harvard Business School, COVID–19 and the Workplace 2020.

Additionally, the research shows that over longer spans of time, though, working remotely (virtually) may reduce the opportunities for subordinates to gain feedback from leaders. Lack of learning (feedback) opportunities is associated with lower organizational commitment that may in turn lead to higher risk of staff turnover.

3. Training

Skills are crucial for resolving some of the problems brought about or accelerated by the pandemic. With the changed nature of workplace, and life tasks, this has called for a lot of training for employees to equip them with the necessary skills needed for the redefined processes.

In order to ensure access by all learners, it is critical for companies to invest in developing and maintaining easy access to distance learning platforms and learning spaces for training activities.

However, practical skills development has suffered more, as these skills are harder to disseminate through distance learning.
Efforts to reskill and upskill workers, with a view to rebuilding and achieving full employment is an important prerequisite for the improved uptake of learning, especially in times of crisis – according to the International Labor Organization and World Bank 2021.

4. Stay calm

As the coronavirus pandemic rapidly sweeps across the world, it induces a considerable degree of fear, worry and concern in the population at large, and this includes employees as well.

While little is known about the social care workforce or the primary care workforce, a study by World Health Organization (WHO) in 2021 reported that as many as 40% of clinical staff working in intensive care, met the threshold for post–traumatic stress disorder, and 11% had severe anxiety.

The pandemic pushed companies and consumers to rapidly adopt new behaviors and work ways. This calls for a calmness and avoidance of panic on the part of the employees. The organization leadership can help by adopting the following tips, shared by WHO:

- Get the basics right: Be grounded, uncomplicated and clear in your approach.
- Integrate psychological support initiatives into the workplace COVID–19 response plan.
- Ask workers how they are doing: Be consultative and make surveys to take the pulse of how workers feel.
- Take time out to praise, encourage and reward: People appreciate being told they are valued.
- Create systems to monitor stress and burnout and provide psychological support: Good wellbeing builds from teams – encourage team members to check on each other.

Conclusion

As the saying goes, "change is a constant"; if you don't embrace change, change will change you, and this may be in a way that significantly and negatively impacts you. COVID–19 is here for a long haul, embrace the new normal, or else you lose the game.

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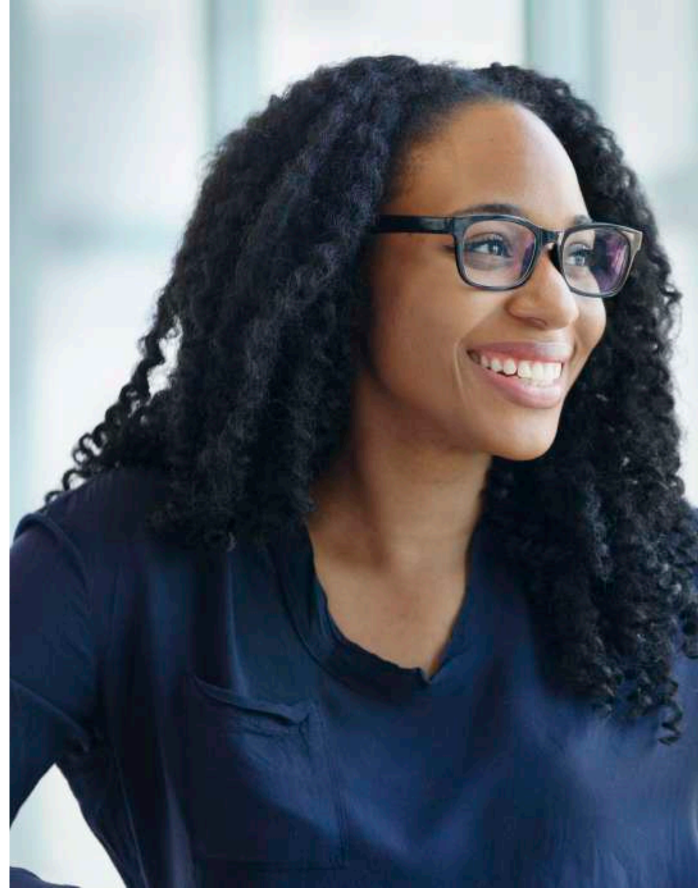

Are You Taking the Right Risk at Your Stage in Life?

Satisfaction in life arises from achieving personal goals, which is made possible through proper financial planning. Otherwise, a person is likely to continue with the rat race until death. Unfortunately, many individuals always take time breaking down long–term objectives into short–term objectives for their employers but never take a moment to do so for themselves.

Mitigating financial risks at the early stages of life builds a strong foundation for handling a number of life challenges at later stages, because the risk tolerance (acceptable risk) level reduces as one grows up. Financial risk tolerance levels vary across the life cycle, depending on the time to old age. The shorter the time, the lower the risk tolerance and vice versa. It implies that your ability to absorb risks reduces as you age.

No matter our differences, we generally follow the same growth path– childhood, adulthood, midlife, and old age; the only difference is how we handle financial risks at a particular stage.

Childhood (1 day to 18 years)

The first stage is childhood (1 day to 18 years); in most cases, society is taking up your bills, and there are limited expectations. Therefore, your financial risk is limited at this stage because the financial aspect is taken care of by another party (Parent/Guardian).

Adulthood (18 to 35years):

This stage is the beginning of independent life, and it involves the first steps to create financial independence. The foundation (education, career, or starting a business) laid at this stage is very important, because it sets the platform for the subsequent stages. You will need to be deliberate and establish yourself during this stage. Some of the major financial decisions might include starting an enterprise, establishing a home, a family or circle of friends, getting a good job, etc. It is during this stage that you acquire experience and develop the connections that turn out to be very important for the rest of your life. It's the stage to explore the world, trying out new things.

Most successful individuals at this stage focus on career and/or business development.

The financial risk tolerance levels are very high at this stage because there is enough room for trying out new things, and failure is acceptable.

Innovation at this stage is encouraged, because there is a reasonable time to retirement; which implies that you have a high chance to recover from misfortunes or yield extreme benefits from your initiatives. This stage is also the start of your saving journey; a coin saved or invested in this period earns a lot because profit/ interest is compounded in the long–run (power of compounding).

An investment portfolio of equities to exploit the upside, real estate to act as an inflation hedge, and limited fixed income for liquidity purposes, might be suitable for an individual at this stage.

Midlife (35–50 years, wealth accumulation phase)

After many years in the adulthood stage of trying to get the winning formulae in life, people in midlife often take a break from worldly responsibilities to reflect upon the deeper meaning of their lives.

Sometimes, the midlife crisis crops up at this stage when some people play a catch–up game, realizing that they have lost a lot of time.

The financial risk tolerance at this level is medium, because a person might not recover from the crystallization of significant financial risks. Some of the dangers include job or business loss, escalation of cost of living (education and upkeep for children), and failure to reserve funds for the future.

To manage the remaining life stages well, during this stage, an individual has to save and invest, hence sometimes referred to as the accumulation phase. The accumulation phase, in most cases, results in excess earnings because of fewer health issues and sizeable dividends from the proper adulthood investments.

The call is to invest wisely in this phase and create saving pots for emergencies, job loss, and retirement. Therefore, earnings at this phase are not only for spending but also for saving too– save as much as you can, and monitor your living costs.

A balanced investment portfolio of fixed income products for liquidity needs, real estate to provide an inflation hedge, and minimum equity investments to mitigate the volatility risks, might be suitable for an individual at this stage.

Senior years, or old age. (50– 80+)

i) Early senior years (50 to 80)

Individuals at this stage have raised families, established themselves in their work–life, and have become contributors to the betterment of society through volunteerism, mentorships, and other forms of philanthropy.

ii) Late Senior years (80+)

Individuals at this stage have lived a long life span and have acquired a rich repository of experiences that they can use to help guide others. Elders thus represent the source of wisdom for each of us, as we age, helping us to avoid the mistakes of the past, while reaping the benefits of life's lessons.

The financial risk tolerance at this level is low, because the chances of recovering from a loss or ability to manage a business are almost nonexistent. The major risk is outliving your assets; this means you use up all your savings and start depending on handouts for survival.

Other risks include increased medical costs, with no insurance coverage, and loneliness, as your relatives focus on their life stages.

A balanced portfolio of fixed income products for liquidity needs and real estate as an inflation hedge, will reduce the longevity risk.

In conclusion, it is vital to understand that at different stages of life, a person faces different types of risks that require different interventions. A person needs to implement relevant interventions appropriately; otherwise, it could be too late to address the consequences.

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A Step Beyond Risk Awareness

Often times, risk materializes because of lack of risk consciousness. For instance, it is common knowledge that in downtown there are many pickpockets, who are, at all times, waiting to snatch valuable items such, phones, bags, necklaces, watches, cash, etc. But it is interesting to note that despite the awareness of this vice, many people, including the author of this article, have fallen victims of pickpocketing from time to time.

I have to admit that I have been a victim of attack by pickpockets on three occasions. On the first two occasions, I was lucky to fend off the attackers.

However, on the third occasion, which happened at Kalerwe round–about last year, I wasn't lucky, and I ended up losing a new iPhone, which I had just bought a month before.

On the first occasion, I was still a student at Makerere University and I was going to attend a lecture at the University in 2003. I sat on the front passenger seat and put my hand with a watch over the open window. As the tax ascended out of the park to Luwum street, a pickpocket attempted to snatch the watch off my wrist through the window. I responded immediately and pulled the watch in the opposite direction. Fortunately, he failed to take it away.

The second incident happened around Clock Tower, when I was going back home after work in 2008. My phone rang, and as I was answering the call, oblivious of the fact that the window was open, a guy attempted to snatch the phone through the window. Again I was able to respond immediately by holding the phone firmly– he failed to take it away!

The question is, why is it that someone goes downtown, well aware that there are pickpockets, and does not do something about it, and eventually becomes a victim?

The answer lies in the fact that, much as he or she may be aware of this, he/she is not conscious of the risk.

This is the hallmark of effective risk management. At the time the pickpocket attempted to grab my watch or when another one attempted to snatch my phone, my mind was probably thinking about the lecture I was going to attend or about when I was going to reach home and rest, respectively, and not conscious of the fact that I was in a place where there were pickpockets, and that my watch or phone could be snatched.

Had I been conscious of that risk at that time, I would have either closed the window or not put my hand over the window in the first two incidents.

Many a time, we focus on creating risk awareness, and do little to create risk conscious minds. There is a difference between awareness and consciousness, much as the former is prerequisite for the latter. As revealed by the incidents I have narrated above, it takes a risk– conscious mind to be able to identify and mitigate risk. A risk conscious mind always exhibits a certain level of skepticism and does not take things for granted.

Often times, risk and the eventual loss, don't arise out of a "big bang", they emanate from minor things that many people take for granted, like leaving your valuables in car as you enter a supermarket, not locking the computer when you move away from your desk, etc. The latter can be a source of cyber–attack, as the attacker is given access to your computer.

A serious attacker needs just a few moments of access to your computer to do havoc. Over the years of my work life, I have noticed that most people in a work environment don't lock their computers when they move away from their desks. This is clearly lack of consciousness of the risk of cyber–attack or fraud.

I recall one fraud incident by a teller in one of the banks where I worked many years ago. The teller's payment limit was UGX 2M, and any amount above UGX 2M was supposed to be authorized by the supervisor.

Over time, the teller observed the supervisor move away from his desk without locking his computer. On one fateful day, she debited a suspense account with UGX5M, (UGX5M was a lot of money then), credited her account and authorized the transaction from the supervisor's terminal (because it was not locked and the supervisor had moved away).

She immediately resigned and was cleared to leave. Later, at the end of the month when reconciliation was being done, the fraud was discovered.

When it was brought to the attention of the supervisor, he had no idea of the transaction. Unfortunately, he could not successfully challenge the accusation, because his credentials were used to authorize the transaction. The supervisor was dismissed; the rest is history.

Another incident is told of two employees, whom I will refer to as A and B, who had a grudge against each other. B decided to punish A and she waited for an opportunity when A left her computer unlocked. Indeed, the opportunity arose; and B used A's credentials to send an abusive email to the managing director. Immediately A was summoned for a disciplinary hearing. However much she denied, she could not challenge the fact they were her credentials that were used to send the email, and therefore, she had to take responsibility. She was eventually dismissed!

A risk–conscious mind should have told employee A to lock her computer before moving away from her desk. For me, locking my computer is like a "reflex action"; before I get up to move away from my computer, I lock it [Ctrl+Alt+Delete+Enter]; and I do this religiously.

Interestingly, even animals are risk conscious; an impala for example, is always ready for take–off in case of danger. Its predators include lions, leopards, cheetahs, tigers, and human beings.

It can run at a speed of 80KM/hr. It is able to jump a distance greater than 10 meters into the air to escape its enemies.

An impala is normally reddish–brown in color and lives in an environment whose color is similar to its coat (for camouflage). It lives in savanna grassland, where it is able to see its enemies from a far.

In conclusion, it is important to note that although risk awareness is the starting point for managing risk, it takes a risk conscious mind to exercise skepticism and not take things for granted or by their face value. Risk consciousness enables one to take calculated risks and minimize losses or injury.

Test Your Risk Knowledge

1	21	22	23	24			2	25	26
3							4		
5			6		27		7		
8		28		9					
	10		29						30
11						12			
13				31			14	32	
		15			33	34		16	
17	35			18			36		
19			20						

Across

1. Post again,6

2. Things in a straight line,3

3. An older female authority figure,5

4. A day before an event,3

5. Among other things, in Latin, abbr.2

6. Limited liability Company, abbr.3

7. Make a careful and critical examination of, 3.

8. A computerized control system for a process or plant usually with many control loops, abbr.3

9. Less high in position or status,5

10. Make fun of or attempt to provoke (a person or animal) in a playful way,5.

11. Cut or gather a crop or harvest,4.

12. A set of numbered accounts a business uses to keep track of its financial transactions, abbr.2.

13. A person who avoids work or spends time in an aimless or lazy way,5.

14. Was or remained in a particular position or state,3.

15. Ways out of a building,5

16. The International System of Units or the modern form of the metric system, abbr.2

17. Final part of something,3

18. Flow or leak slowly through porous material or small holes,4.

19.To such a great extent,2

20. Action or activity of gliding on ice skates as a sport or pastime,7

Down

1. Rapid surprise attack on an enemy by troops, aircraft, or other armed forces,4

2. Makes known to others, 7.

11. Social customs, practices, or conventional acts,5

21.Made law,7.

22. Physical Training, abbr.2

23. Viscous liquid derived from petroleum,3.

24. Gives or hands over in exchange for currency,5.

25. Above to cover or protect,4.

26. Covered or saturated with liquid,3

27. Center of excellence, abbr.3.

28. Fastened or closed securely,6.

29. Highest point, ,4.

30. Temporarily doing the duties of another person,6.

31. Situation involving exposure to danger,4.

32. Used in comparisons to refer to the extent or degree of something,2.

33. Hot drink,3.

34. Put, lay, or stand in a specified place or position,3.

35. Rejection to a request,2.

36. Mathematical constant represented by Greek letter,2

Solution to Issue 2

	D		A		R						I	D	S					G	
	L	O	N	G	E	V	I	T	Y			E				U		R	
E	P		N		S		D					T	R	A	N	S	F	E	R
F			U		I		E	S	T	A	T	E				E		E	
F			I		D		N		R			C	Y	B	E	R		N	
E			T		U		T		U			T		A					
C			Y		A		I		S				A	C	C	E	P	T	
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V	I	S	H	I	N	G			D		S	H	I	P	S		R	E	D
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W				A			I		A			G				D	B		
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