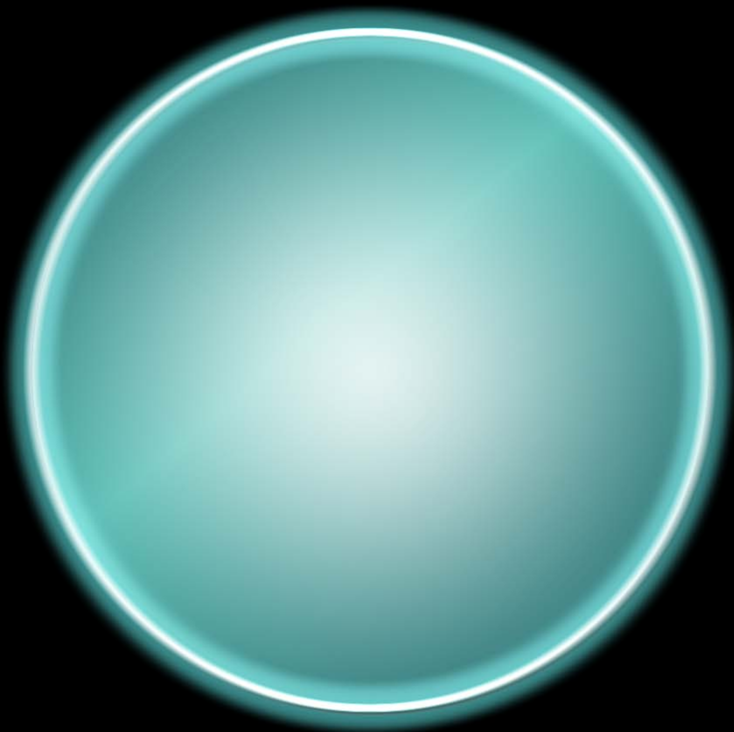
Deloitte.



Risk: Audits & Assessments

Protecting family wealth

Family office priorities can vary widely, but one objective common to all is protecting the family's safety, privacy, reputation and, of course, wealth. The family office is in a better position than any individual family member, adviser, or service provider to monitor and manage such risks for the family.

A family office's approach to risk management depends on many factors, including the size of the office, the experience of its personnel, and the office's degree of sophistication. Regardless of the family office's make up, a sound risk management framework with effective internal controls is essential.

In fact, some family offices are beginning to reframe how they think about risk management. Instead of viewing it as an expense, they consider it as an investment for the future of the family's reputation and well-being, as well as preservation of the family's assets. Family offices with strong risk management frameworks are often better prepared than those without to withstand market disruptions, cyberattacks, internal fraud, and other relevant threats.

The sooner a family office introduces internal controls, the better equipped it will be to manage risk and discourage inconsistency and unreliability in its management of the family's affairs. Because risks evolve over time, particularly as personnel and systems change, it is an effective practice to conduct a formal risk assessment periodically to confirm that controls are focused appropriately.

> Internal controls can help guard against specific risks and promote a variety of family office objectives. A sound internal control structure not only builds the family's confidence in overall operations but also improves the accuracy of financial information used to manage wealth and make important decisions.

Deloitte's family office Audits & Assessments risk services

Deloitte offers a portfolio of risk management services to help family offices:

- Understand and prioritize process and operational risks for family members, the family office, and the entities it serves;
- Design and implement solutions to manage these risks; and,
- Assist with ongoing management and improvement of the programs over time

Process assessments evaluate the current state and provide recommendations on internal controls and other procedures, focusing on the design and operation of the process.

Internal controls assessment
This assessment can help an established family office evaluate its need for internal controls and ascertain the proper level of transparency and oversight. It helps family offices and family members understand the current design of the family office's key processes and procedures (often involving cash movements) while also assessing the design of controls for each process to identify potential risk-mitigation improvements.
An effective practice is to conduct a risk assessment periodically, as risks evolve along with both the family's operations and the business environment.

Investment oversight assessment
This is an exercise to understand the family office's governance and oversight framework for its investment portfolio based on the underlying strategy and investments held. It also provides observations and recommendations.

Audit of financial statements
The auditor performs an annual audit of financial statements that the family office prepares for one or more entities, such as a foundation, a trust, or the family office itself. Such may be especially relevant when the financial statements serve as an important resource for decision-making or reporting results.

Transactions testing
This testing helps assess how designed internal controls are actually operating and whether supporting documentation exists for transactions that have occurred. It involves the selection of transactions (disbursements and receipts for investments, expenses, and other items), assesses whether each transaction was approved/authorized in accordance with policies, determines whether the dollar amount of the transaction matches expectations, and assesses other pertinent items as requested.

As a family office matures and grows and as family interests expand — perhaps into new investment areas or to new generations — objectives and operations can change, and so can the risks inherent in those operations. No matter where they fall today on the spectrum of sophistication, more family offices are implementing risk management programs and embedding more rigorous controls.

Why Deloitte?

It's business, and it's personal.
Deloitte has discreetly served high net worth individuals, families, and their enterprises for more than 100 years. As a trusted adviser to many of the world's most affluent families, family offices, and private trust companies, we offer significant experience and integrated service capabilities. You gain access to our global network of resources and a world-class level of knowledge and experience tailored to the unique and personal circumstances of your family office and the family it serves.

Resources at the ready.
Deloitte can field a world-class team to guide you to a clear path forward. We have a global team of 1,800 professionals across the Deloitte Touche Tohmatsu Limited network of member firms who focus solely on the specialized needs of the ultra-affluent, including families with multigenerational wealth, entrepreneurs, family offices, and fiduciaries. Our professionals provide advice and extensive experience across a wide range of specialties – from tax technical to cyber risk management – and have access to a network around the globe, including in emerging markets.

Contacts

Rajan Chari
Partner
Deloitte & Touche LLP
rchari@deloitte.com

Julia Cloud
Tax Partner
Deloitte Tax LLP
jucloud@deloitte.com

John Silverman
Tax Principal
Deloitte Tax LLP
josilverman@deloitte.com

Take action today!
Request a meeting

Visit us at www.deloitte.com/us/familyoffice