



perspective
GAINED

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Risk Management **+ STEPS YOU CAN TAKE TODAY**

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ENTERPRISE RISK MANAGEMENT (ERM)

Committee of Sponsoring Organizations (COSO) – key terms from definition

- On-going process
- Effected by key stakeholders
- Strategic effort
- Identification of potential events
- Reasonable assurance
- Achievement of objectives

The goal is to optimize risk cost effectively.



LEARNING OBJECTIVES

- Understand the importance of undertaking risk management activities
- Knowledge of the steps in the risk management process
- Identify steps you can take to start applying risk management best practices at your organization



AGENDA

- Background on ERM
- Benefits of risk management
- Implementation steps



WHAT IS RISK?

The possibility of an event occurring that may have either a positive or negative impact on the achievement of your company's objectives.

- Can mean: harm, loss, danger, threat, and hazard
- Can also mean: chance, uncertainty, and opportunity



BENEFITS OF RISK MANAGEMENT

- Achievement of objectives
- Informed decision making
- Shared vision of priorities
- Expands accountability and transparency
- Adds value and confidence

2018 AICPA ERM SURVEY

Results

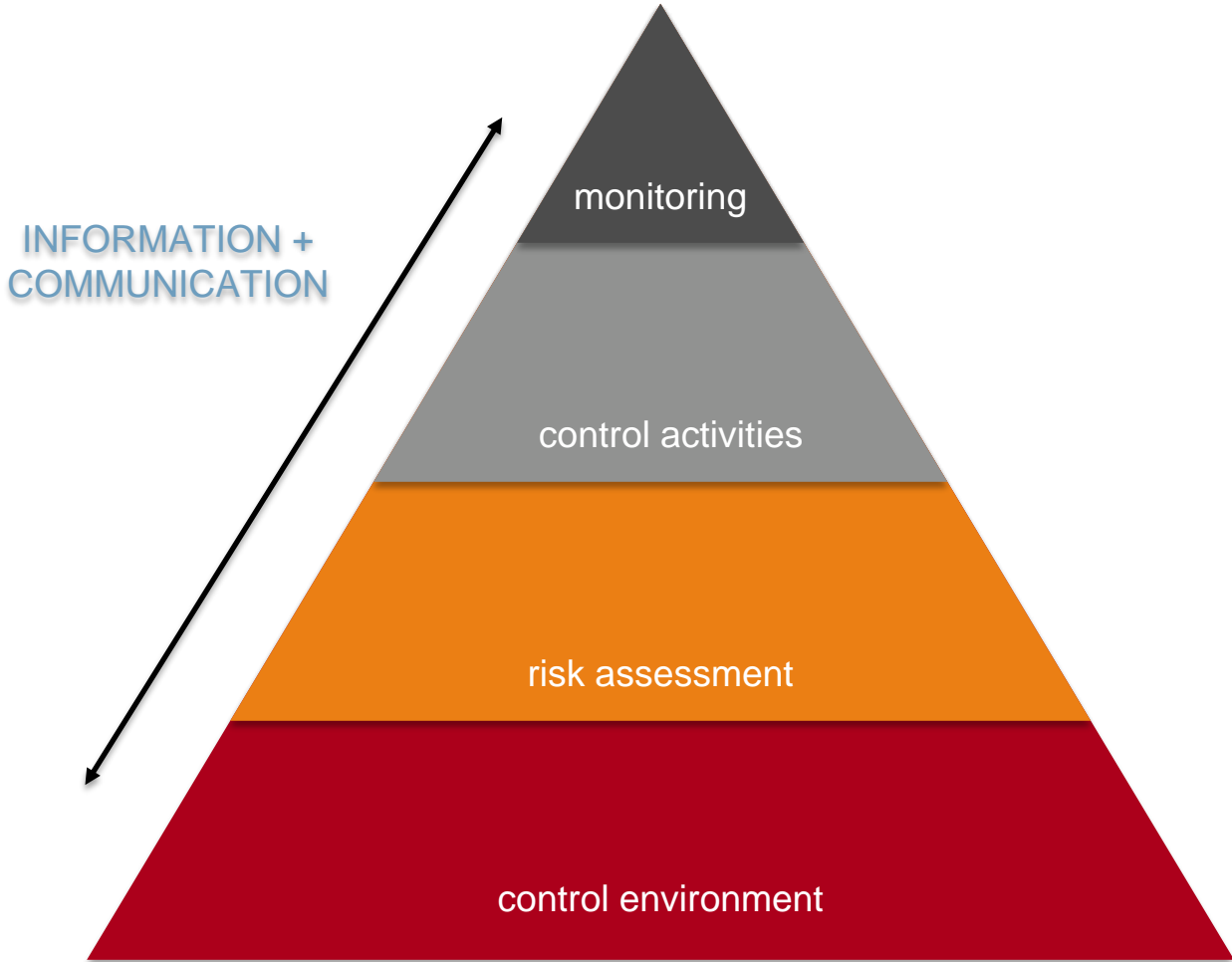
- 60% of respondents believe the volume and complexity of risks have increased significantly in the last five years
- 68% are experiencing their board of directors asking for increased senior executive involvement in risk oversight
- 62% of respondents indicate they feel pressure from outside parties to provide increased risk management information
- 53% of respondents indicate their organizations are risk averse or strongly risk averse
- 31% of respondents have an ERM program in place

2018 AICPA ERM SURVEY

Barriers

- Competing priorities – 47%
- Insufficient resources – 44%
- Lack of perceived value – 39%
- Perceived as overhead – 30%
- Lack of executive leadership – 29%
- Legal or regulatory barriers – 6%

COSO FRAMEWORK FOR ERM





CONTROL ENVIRONMENT

- Tone at the top
- Culture, values of the organization



RISK ASSESSMENT




- The process to identify and analyze risks to the achievement of business objectives
- Forms a basis for determining how risks should be managed



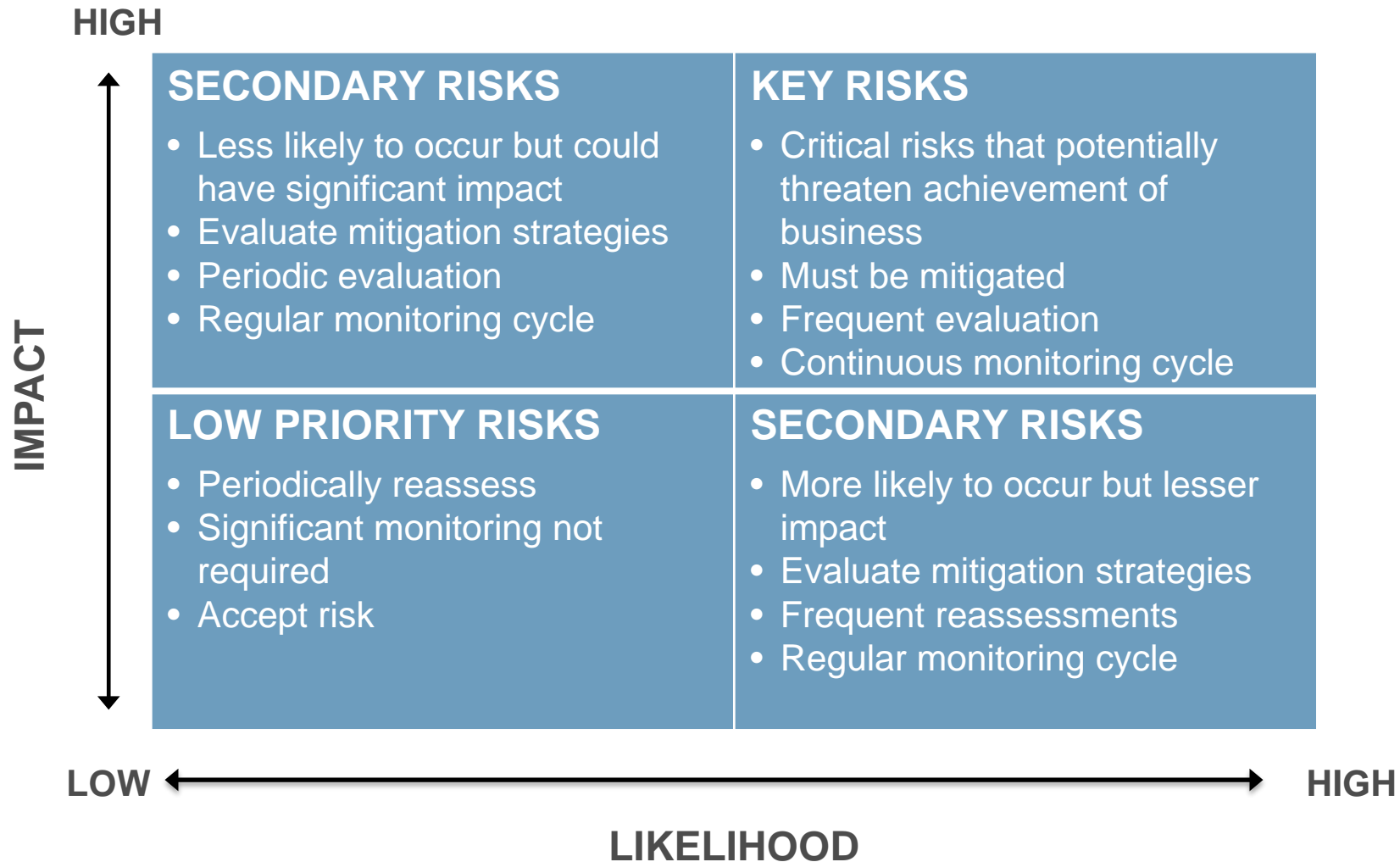
HOW TO CONDUCT A RISK ASSESSMENT

- Collaborative process
- Identify and inventory all risks - internal and external
- Determine likelihood and impact of an occurrence
- Have consistent scoring - qualitative or quantitative

RISK SCORING

RISK	LIKELIHOOD TO OCCUR	IMPACT OF RISK			OVERALL RISK RATING
		Financial	Security	Operational	
 Low	Low likelihood: 1	Low impact: 1	Low impact: 1	Low impact: 1	Low overall risk: 4 - 5
 Medium	Medium likelihood: 2	Medium Impact: 2	Medium Impact: 2	Medium Impact: 2	Medium overall risk: 6 - 8
 High	High Likelihood: 3	High Impact: 3	High Impact: 3	High Impact: 3	High overall risk: 9 - 12

RISK EVALUATION CRITERIA



RESPONSE

Determining how your company will respond to the risks identified

- Avoid – Decide not to proceed with the project or activity
- Retain – Accept loss when it occurs
- Reduce – Reduce probability or impact
- Transfer – Move or spread the risk to other parties
- Enhance/Exploit– Use potential occurrence to benefit

CONTROL ACTIVITY IMPLEMENTATION

Policies, procedures, and systems that you will implement to mitigate the risks you choose to address

- Control activities
- Sponsorship and support
- Risk management objectives
- Performance measurements and tracking
- Culture
- Policies and procedures

MEASURING AND MONITORING

Ongoing evaluations to ensure your controls are functioning as designed, and taking corrective action to enhance control activities as needed

- A Risk Management Committee to perform on-going reviews and alignments for the organization's operation strategies
- Assign risk monitoring responsibilities to senior resources
- Key risk indicators to be addressed at Board Meetings
- Follow up regarding breakdowns in internal control
- Annual process

INFORMATION AND COMMUNICATION

The practices you'll implement to help ensure that the right information is communicated to the right people, at the right time

- Management reporting structure
- New hire orientation
- Periodic education updates throughout the organization on all levels
- Newsletters, email briefs
- An environment of employee buy-in and continual process and control improvement

THE MATURITY CONTINUUM

Where are you now?

REACTIVE:

- Minor management support
- No common language regarding risk
- No formal process
- Risk areas not addressed

DEVELOPING:

- Some management support
- Leadership assigned
- Ad hoc risk assessments
- Key risks defined in common language

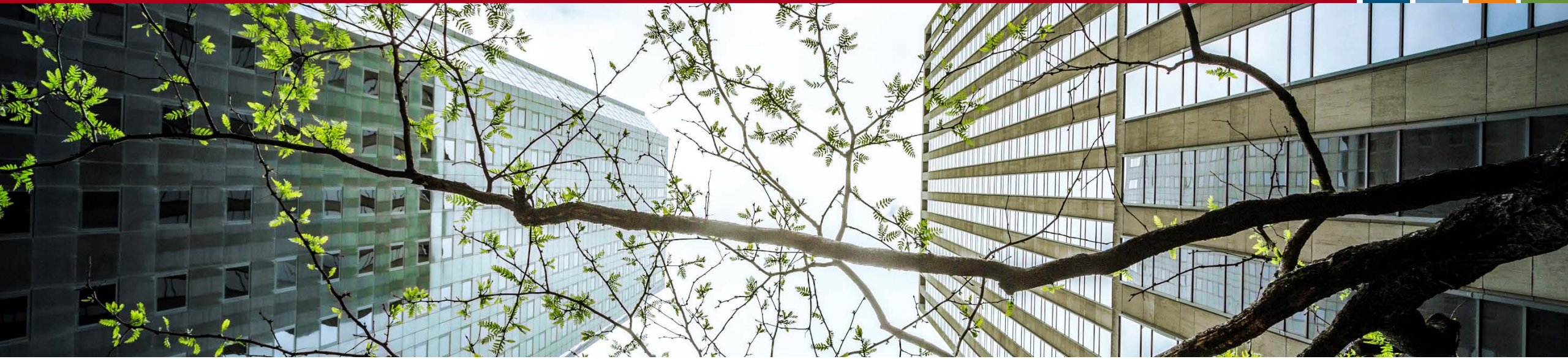
ADVANCED:

- Proactive management
- Risk analysis shared
- Common language regarding risk
- Timely risk review



STEPS YOU CAN TAKE TODAY

- Integrate ERM with strategic planning
- Department head lunch to brainstorm risks
- Start talking about risk to promote culture
- Schedule a risk assessment
- Conduct a risk assessment on your next project
- Have one department pilot the process
- Identify your risk appetite as an organization
- Ask for resources from leadership



QUESTIONS & DISCUSSION

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