
# Enterprise Risk Management & Information Technology

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Slalom Consulting, San Francisco

ISACA® Serving IT Governance Professionals
San Francisco Chapter

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# Agenda

- Introductions
- Session Objectives
- Overview of Enterprise Risk Management
- The Role Of IT
- How IT Auditors Add Value
- Key Summary Points
- Q&A

# Introductions

**Gary Ross, CA, CISA**

Regional Lead, Quality & Compliance Solutions, Slalom Consulting

Gary leads our Quality & Compliance Solutions team in San Francisco. He is a former KPMG Risk and Advisory Services Director and Williams Sonoma VP of Internal Audit. Gary has over 17 years of professional experience as a senior financial, operational and IT auditor.

**Scott Perry, CPA, CISA**

National Director, Quality & Compliance Solutions, Slalom Consulting

National Service Leader in Corporate Compliance, Internal Audit, IT Risk & Control, Security & Privacy, and Quality Improvement & Optimization. Oversees all methodology and delivery in this specialization area.

# Session Objectives

- Provide an overview and historical context for Enterprise Risk Management ( ERM )
- Discuss the changing risk landscape and how ERM is evolving in companies today
- IT and its emerging role in ERM
- How IT Auditors can add value in the ERM process

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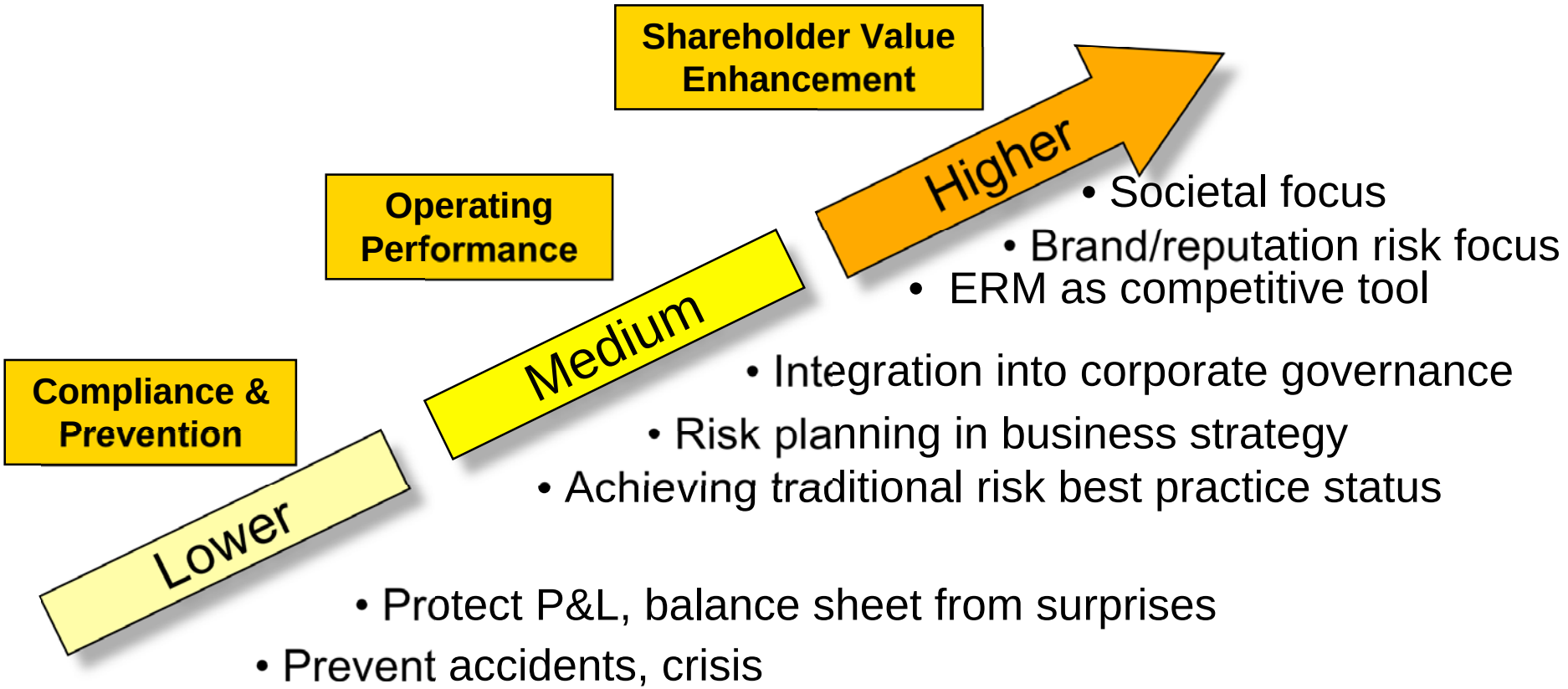
Compliance Risk
Environmental Risk
Litigation Risk
Reputation Risk
Financial Reporting Risk
Credit Risk
Inherent Risk
Control Risk
Liquidity Risk
Availability Risk
Going Concern Risk

# What kinds of Risks does your Company Face?

Health & Safety Risk
Ethics Risk
Mergers & Acquisition Risk
Capacity Risk
Supplier Risk
Personnel Risk
Systems Performance Risk
Control Risk
Capital Market Risk
Government Risk
Natural Disaster Risk
Economic Risk
Data Integrity Risk

# Overview Of ERM
# Various Levels of Risk



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There are several options that management may consider to address risks:

- Acceptance
- Avoidance
- Mitigation
- Reduction
- Sharing

# Overview OF ERM
# Risk Management Framework

**Governance**
- setting and evaluating performance against objectives
- power to authorize a business strategy and model to achieve objectives

**Risk Management**
- proactively identifying, rigorously assessing and addressing potential obstacles to achieving objectives
- identifying and addressing risks that the organization will step outside of mandated and voluntary boundaries


**Culture**
- establishing an organizational climate and individual mindsets that promote trust, integrity and accountability

**Compliance**
- proactively encouraging and requiring compliance with established policies and boundaries
- detecting noncompliance and responding accordingly

# Overview OF ERM
# Risk Management Framework

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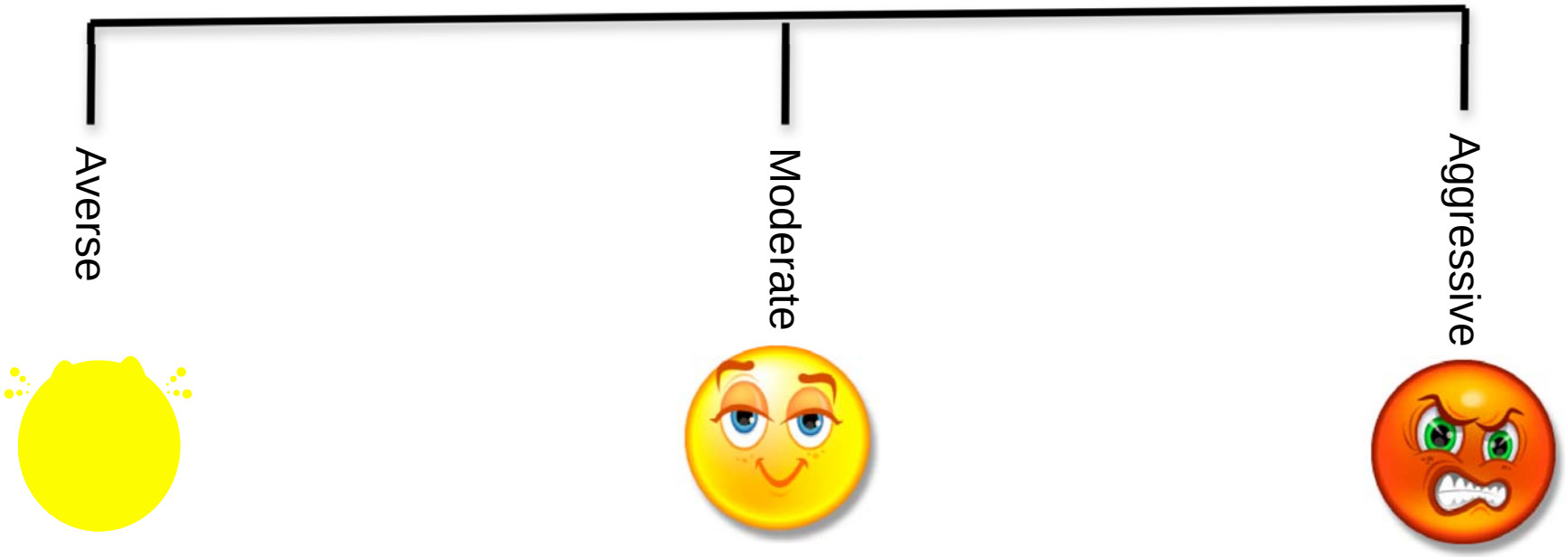
**The guidelines are organized into four areas:**

| CULTURE | ORGANIZATION / PERSONNEL | PROCESS | TECHNOLOGY |
|---|---|---|---|
| A strong culture helps to guide corporate conduct when formal structures are weak or absent. | Qualified personnel must be responsible for program oversight, strategy and operation. | A program must address several key process areas and topics to ensure they are not only effective, but also efficient and responsive. | An underlying system and technology architecture should enable the process. Organizations should seek to leverage existing investments where possible. |

Source – Open Compliance and Ethics Group

# Overview OF ERM
## Risk Appetite

Risk appetite is the degree of uncertainty a company is willing to accept to reach its goals.




What is your Company's Risk Appetite?

# Overview OF ERM
# Evolution Of Risk Management Activities

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| From | To |
|---|---|
| Limited strategic influence | Effective support of strategic and business planning |
| Risk aversion | Proactive risk management |
| Silo effects and barriers | Integrated, holistic approach |
| Inconsistent risk reporting | Concise and consolidated reporting |
| Infrequent risk assessment | Continuous risk assessment & reevaluation |
| Ambiguous ownership for certain types of risk | Risk ownership assigned in management business and evaluation plans |
| Closed communication | Open communication |
| Lack of clear definitions of roles and responsibilities | Risk management roles and responsibilities clearly defined and communicated |

# Overview OF ERM
# Benefits OF ERM

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- **Better Understanding of Risk Posture**
- **More Effective Risk Mitigation**
- **Less Business Fear**
- **Greater Corporate Support for Critical Business Ventures**
- **Improved Corporate Governance**

# Overview OF ERM
# Benefits OF ERM

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- **Investors are willing to pay a premium for effective risk management**
- **Ratings agencies are increasing their focus on risk management.**

Source – Compliance Week

# Overview OF ERM
## Model Risk Management Process

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1. **Define scope and objectives**
2. **Identify boundaries and types of risks**
3. **Perform an Enterprise Risk Assessment**
4. **Bucket and prioritize risks**
5. **Establish Risk Mitigation projects and reduction programs**
6. **Institute feedback mechanisms**
7. **Optimize and refine**

# Overview OF ERM
# Key Success Factors

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- **Get Executive management Buy-in**
- **Establish the end state**
- **Create a common taxonomy**
- **Evangelize the concept throughout the enterprise**
- **Take on only what you can achieve**
- **Get both top-down and bottom-up perspectives**
- **Get Objective Advice**

# Overview OF ERM
## Key Success Factors

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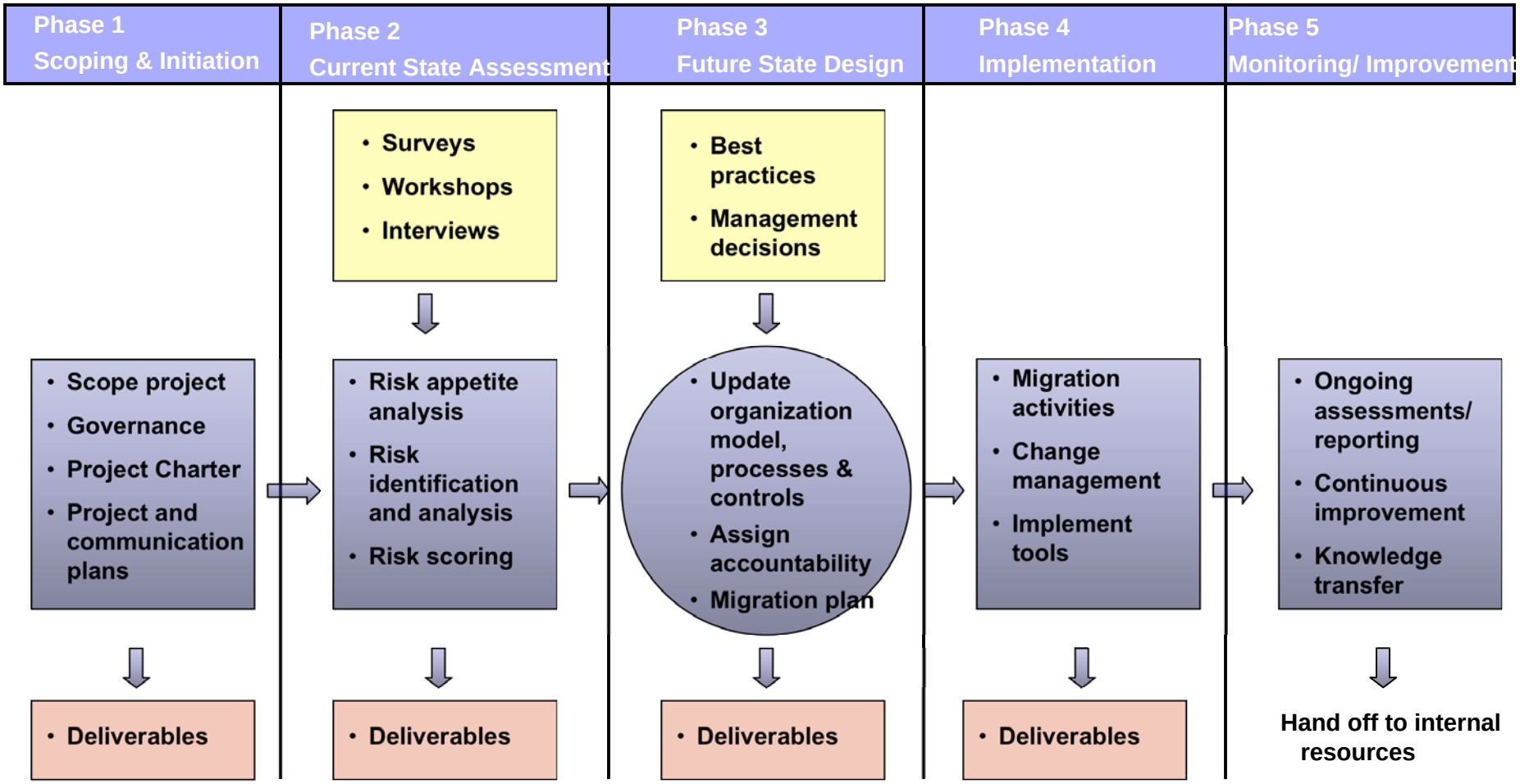
- **Management Acceptance and Ownership**
- **Treat ERM like a Mission Critical Project**
- **Coordinate ERM for other Compliance and Risk Mitigation Efforts**
- **Create a Central Repository for Risks**
- **Link To Performance Measures**

# Overview OF ERM
# An ERM Implementation Project



# The Role Of IT
# How Does IT Look At Risk ?

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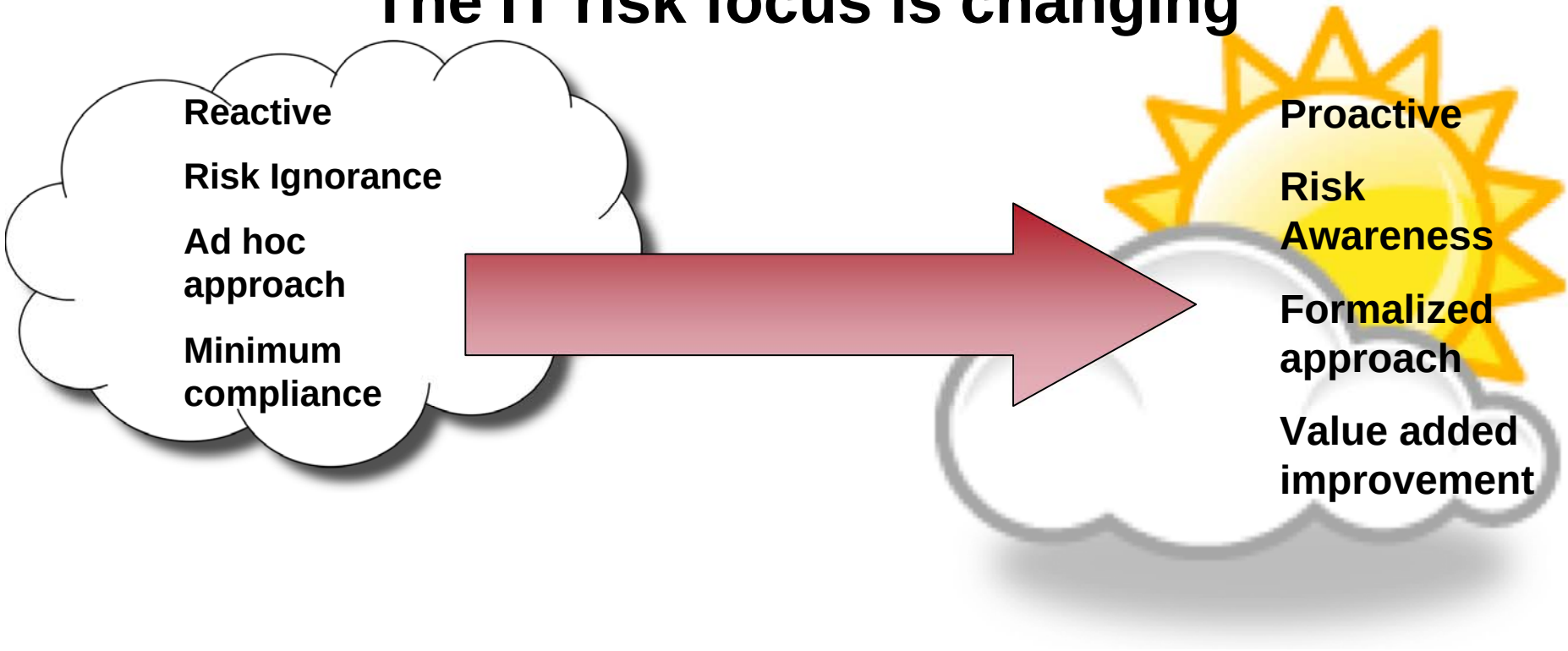
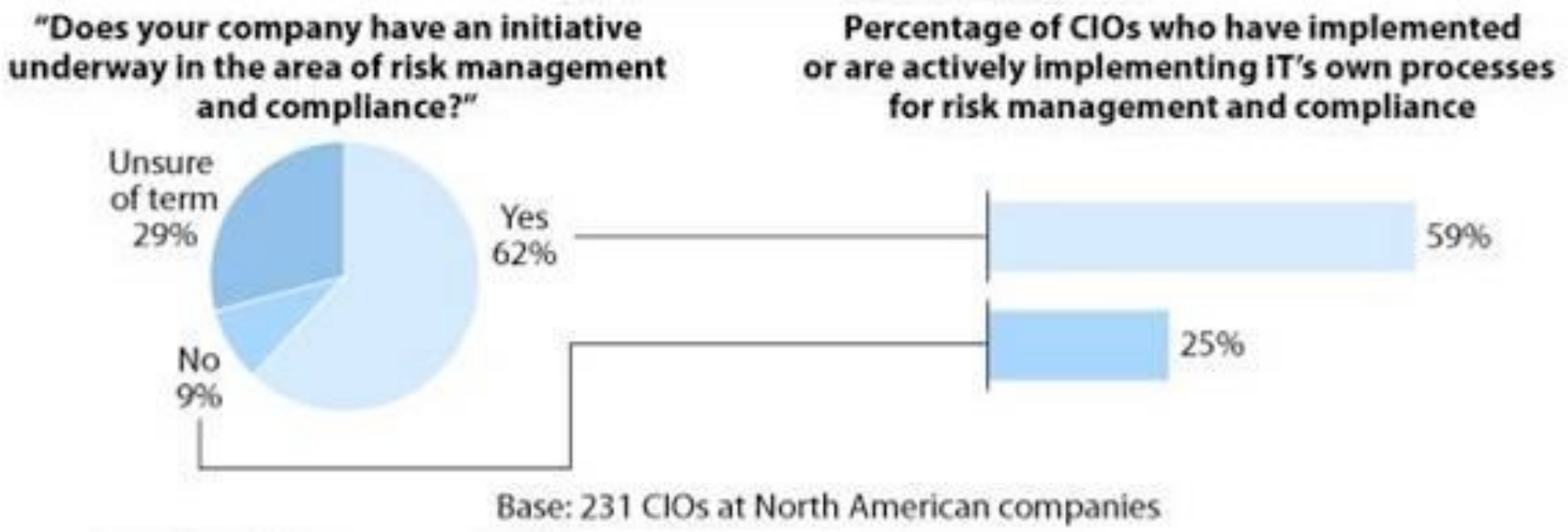
## The IT risk focus is changing



# The Role Of IT
# IT Is Getting Onboard




Source Forrester Research

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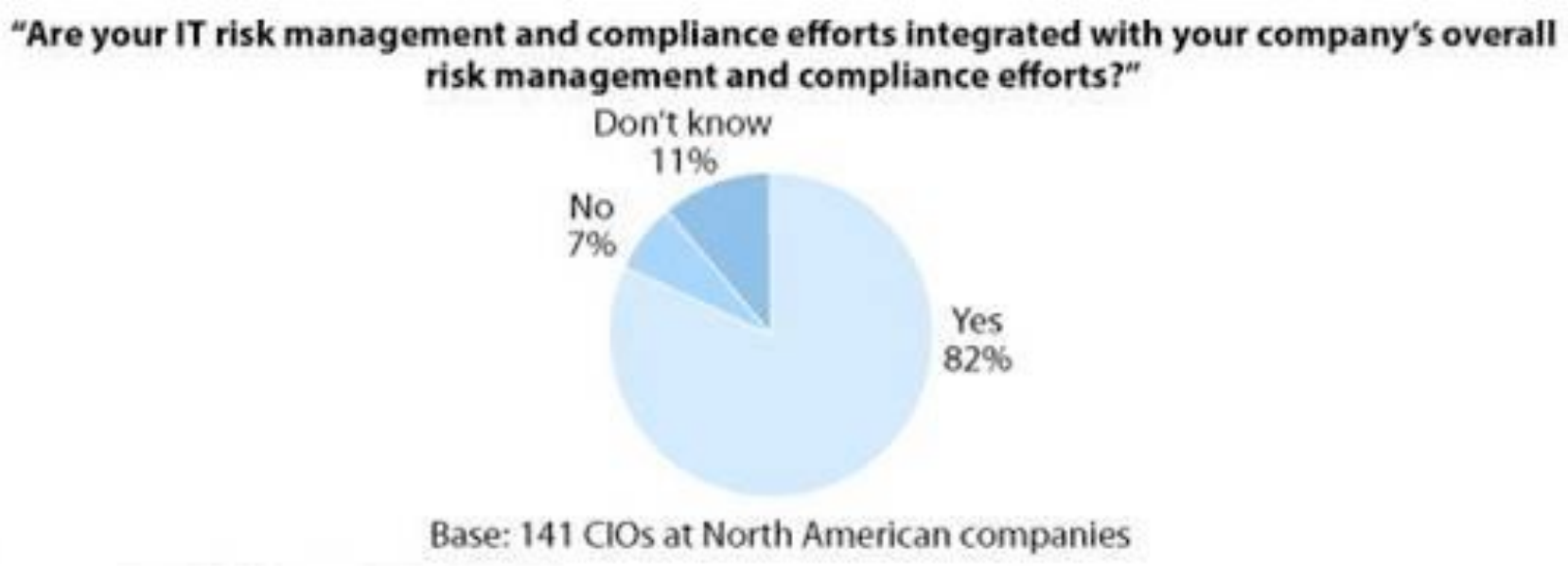


Source Forrester Research

# The Role Of IT

Yesterday – Reacting and Firefighting

Today – Some are proactively managing IT risk and compliance

Tomorrow - Risk central nervous system

# The Role Of IT
# Drivers For Change

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**There are many interdependent IT risks**

**Increased liability and regulatory oversight**

**Companies are formalizing IT risk and compliance**

**IT is a core component of operational risk**

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# Huge adoption of IT governance, security and operational frameworks

# The Role Of IT

IT is leveraging:

- Better integration
- Tools & Templates
- Incentives

# The Role Of IT

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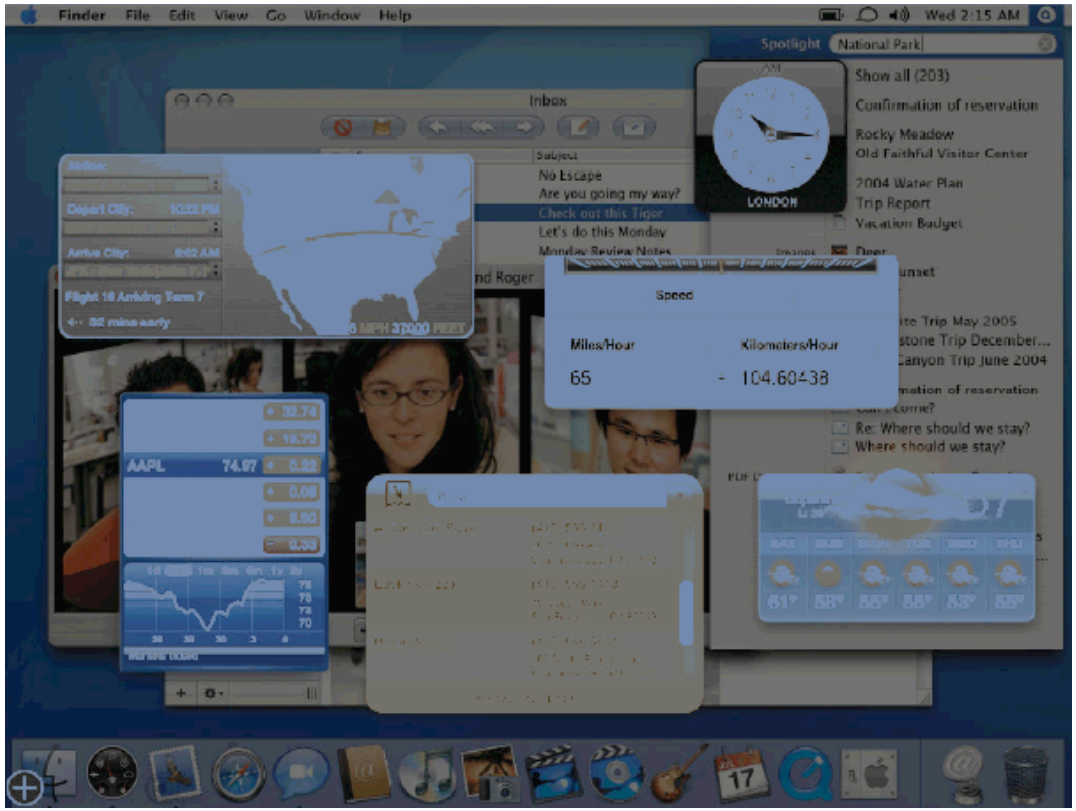
Dashboards, scorecards and metrics allow for better IT performance and risk management



# The Role Of IT
# Developing A Governance Model

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- **Give IT a prominent seat at the risk table**
- **Appoint IT risk and compliance focal points**
- **Develop an IT risk and compliance strategy**
- **Develop IT measurements and feedback mechanisms**

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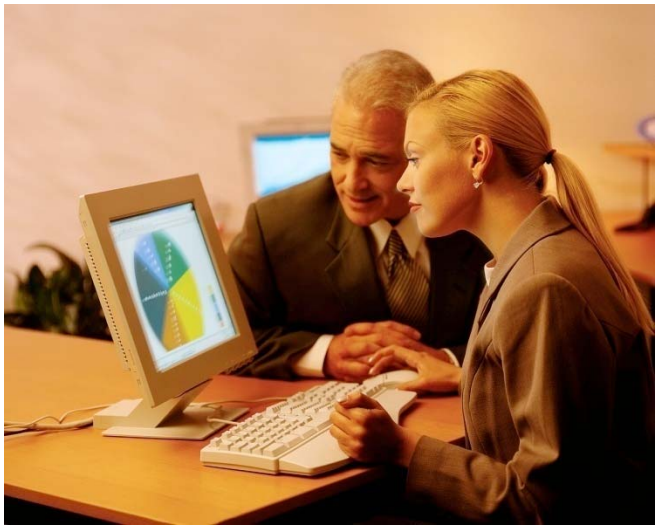
# Role Clarification Is Key

| Stakeholder | Role |
|---|---|
| Director of Audit | Designs audit plans based on risks |
| General Counsel | Translates regulatory reqs |
| CFO | Validates control strength |
| Chief Risk Officer | Creates control structures |
| Director of Procurement | Protects against vendor access |
| CIO | Manages IT risk program |

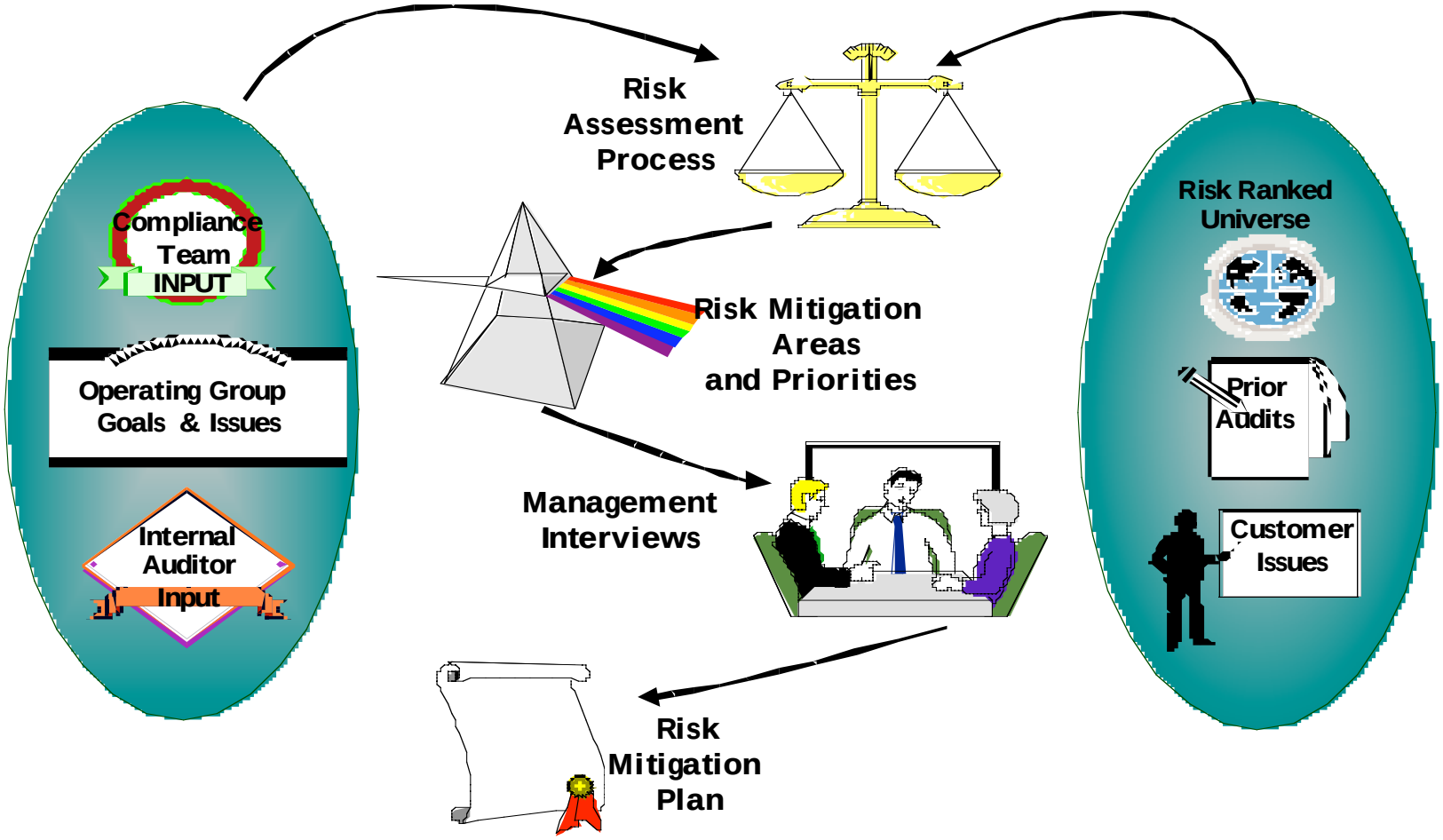
# The Role Of IT
## How Do You Approach IT Risk Assessments ?

**The same way as enterprise risk**

**IT should influence the strategic opportunities and benefits identified by the enterprise**

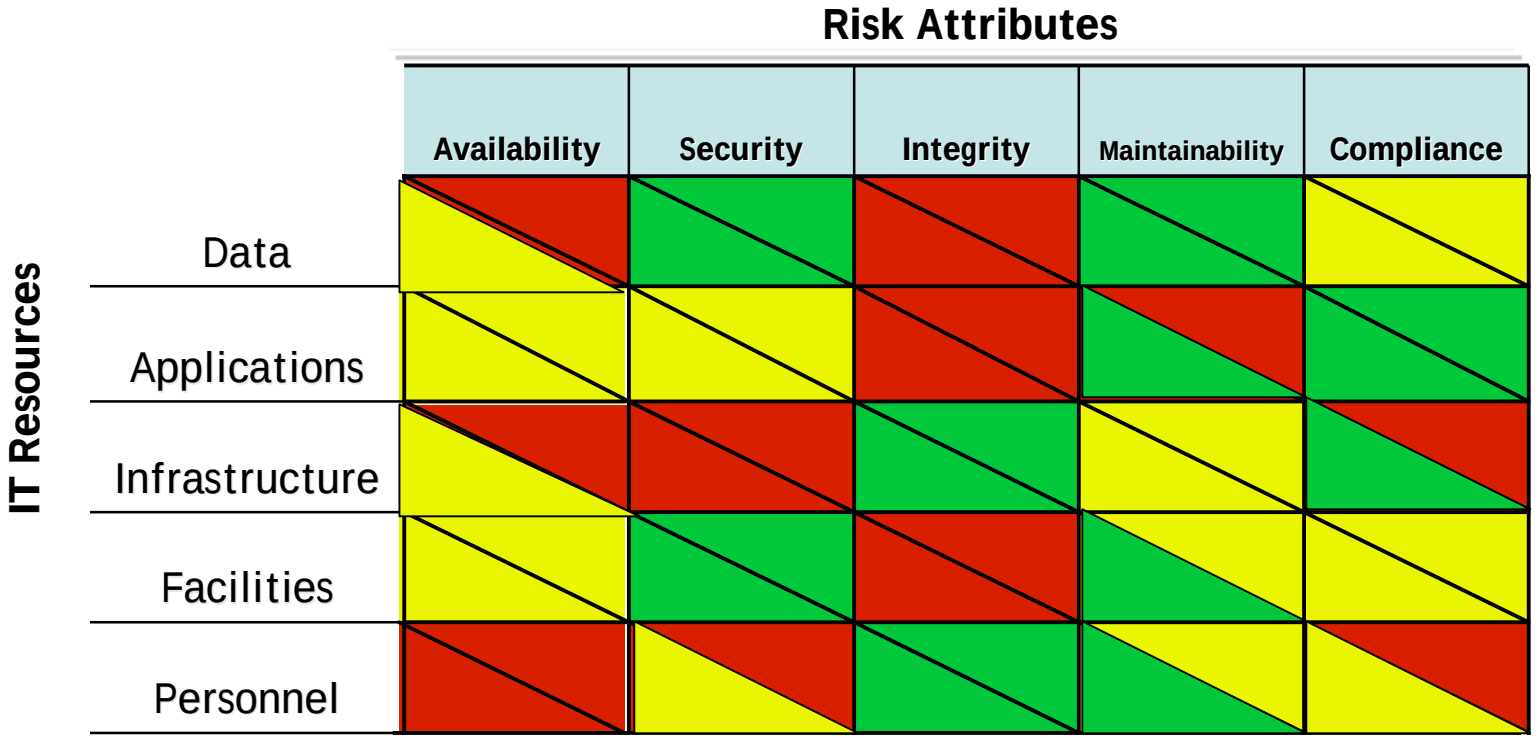


# ERM Planning Methodology

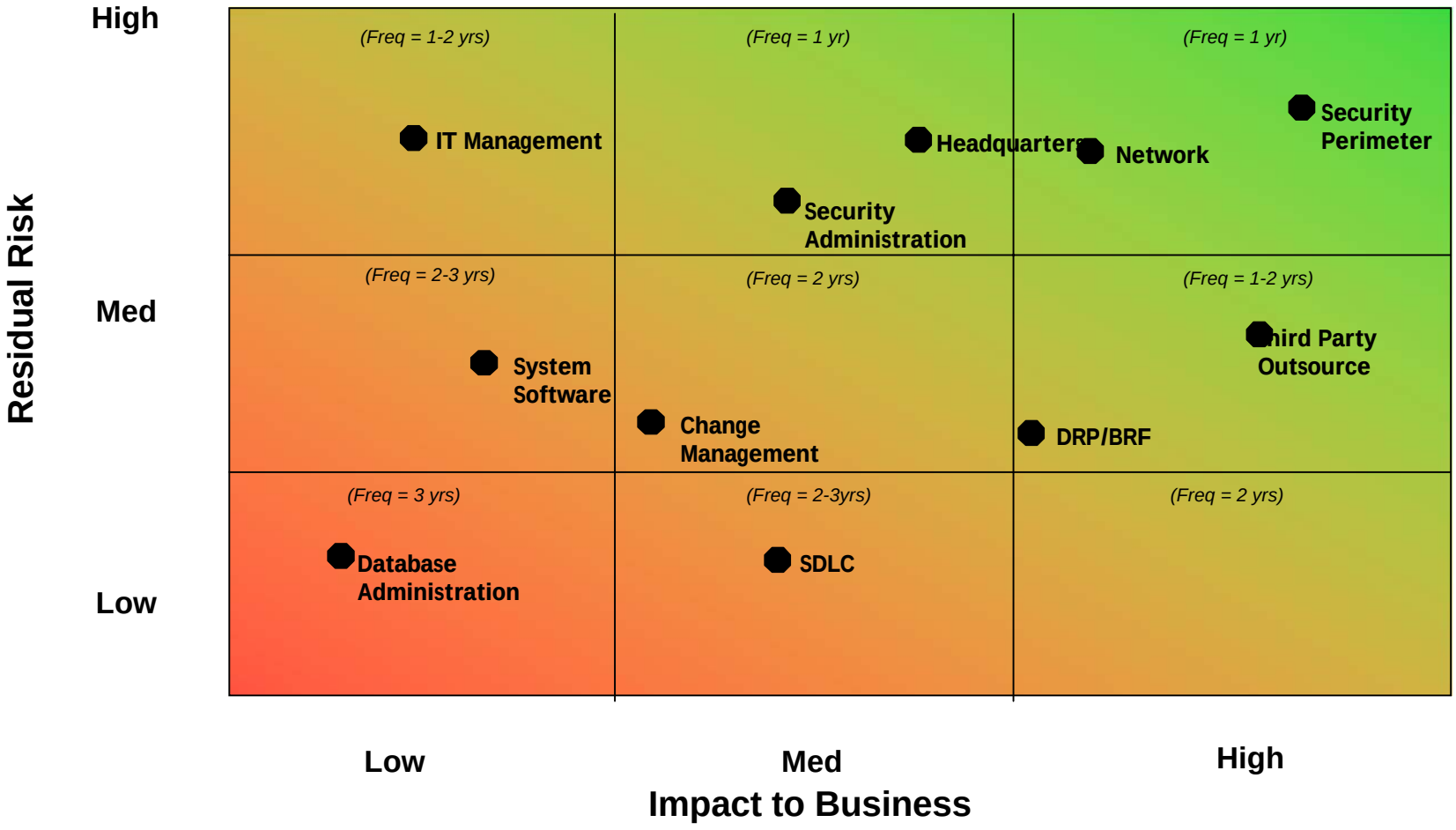


# IT Risk Assessment Dashboard

**The IT Risk Assessment Dashboard graphically depicts how well inherent risks in IT Resources are controlled by the organization**



# IT Risk Mitigation Frequency Map



# How IT Auditors Add Value
# Be The In-house Expert on Risk

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- **Education on IT risk frameworks**
- **Determine levels of process maturity**
- **Leverage prioritization and continuous process improvement**

# How IT Auditors Add Value
## Be A Facilitator

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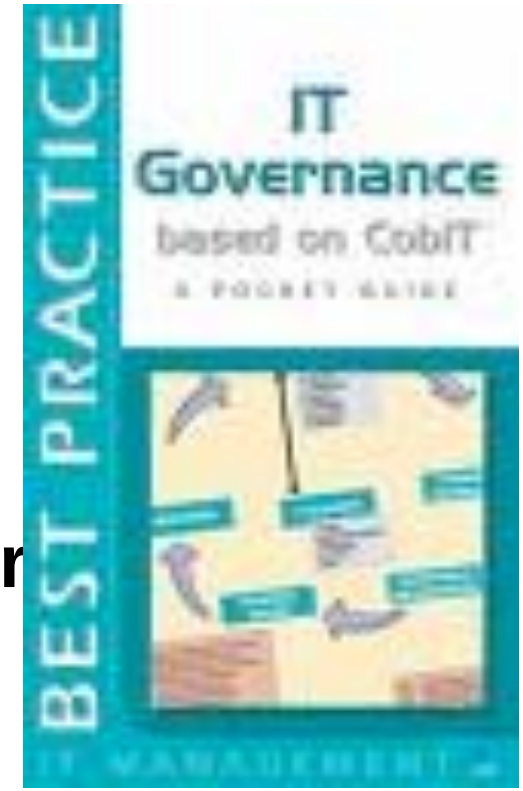
- **Taxonomy to bridge the business-technology gap**
- **Control "rogue" IT activities**

# How IT Auditors Add Value
## Advantages Of Control Frameworks

- **Consistent and Defensible**
- **Tailored for progressive implementation**
- **Aligns IT process with business goals/objectives and regulatory requirements**
- **Educates Management and executives to understand and better manage risks associated with IT**



# How IT Auditors Add Value
## Integrating frameworks into the IT Audit function

- **Map framework to regulatory guidelines**
- **Map scheduled audits to detailed control objectives**
- **Analyze, document and validate results**
- **Report to stakeholders on controls and risks**

# Key Summary Points

- **Critical success factors in any ERM effort:**
  - **Clear ownership and accountability of risk**
  - **Realistic expectations of success of risk control plans**
  - **Ongoing communications, "governance" processes to continually re rank risks, and identify new ones**

- **ERM is ultimately about changing culture and behavior, driving decision making and measurable results**

# Key Summary Points

Covey Quadrant

| Quadrant I: Urgent and Important | Quadrant II: Important and Not Urgent |
|---|---|
| To Do: | To Do: |
| Quadrant III: Urgent and Not Important | Quadrant IV: Not Urgent and Not Important |
| To Do: | To Do: |

ERM

## Q&A – Contact information

# Thank You for your time

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