2023 Enterprise Risk Assessments Considering Emerging Risks and New Opportunities
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Dennis is a Principal for Rausch Advisory responsible for Business Advisory Services. His role includes project execution, service delivery, quality control, and client satisfaction. Dennis has a substantial amount of experience assisting clients with the implementation, management, and execution of Accounting, Audit, and IT functions, project management, SOX compliance, and process improvement. Dennis has conducted ERAs for Rausch’s clients and utilized the ERA results to develop risk-based audit programs.
Don is an Internal Audit Manager for Rausch Advisory, focusing on SOX program development and internal audit initiatives. Don spent much of his career in the Coca-Cola system where he developed SOX programs and oversaw control development for outsourced processes. Don is a member of the City of Atlanta Audit Committee and on the board of directors for Groundwork Atlanta, a non-profit organization.
Traditional ERA process

Same As Last Year!

Interview Senior Leadership
- Utilize Surveys to gather additional information from Process Owners and Managers

Determine and utilize Risk Assessment Methodologies
- Traditional Methodologies include quantitative, qualitative and semi-quantitative

Determine risks based on High-level risk categories
- Include Sub-Risks categories linked to Audit Plan

Create 1 – 3 - year audit plan based on subjective risks observed from interviews
- Develop a 6 – Month Audit plan then continuously assess the audit environment to address

Report to Audit Committee
Traditional ERA process

Likelihood x Impact – Mitigating Controls = Residual risk
Is your organization currently using the traditional process in regard to ERAs?
Emerging risk in the ERA space

- Lasting Covid Effect
- Supply/Demand Issues
- Cyber Attacks
- The Great Reshuffle
- Inflation
- War
- Advancing technologies i.e., Cryptocurrency
- Climate Changes
- And MORE!
2023 Trends/Opportunities

5 Key Risks Imperatives for 2023

1. Find Your Voice and Use It
2. Forge a Talent Management Strategy
3. Collaborate to Identify Tomorrow’s Risks
4. Partner to Continuously Monitor Risks
5. Impart Foresight to Create Value

Developing a flexible ERA program

Questions regarding a flexible ERA Program

- What are the relevant risks?
- What timeframe should be considered in assessing/addressing risk?
- What resources are needed to mitigate risks?
- What skills/competencies are needed to audit relevant risks?
Technology in the ERA process

- Survey Tools
  - RAS (Rausch Assessment Solution)
  - Survey Monkey
  - Surveys within your Audit Software

- Data Analytics
  - SQL
  - Galvanize / ACL
  - IDEA

- Visualization Tools
  - Power BI
  - Microsoft Data Visualization Tools
  - Tableau
Question

Does your organization utilize your Audit System to conduct your ERA process? Do you conduct surveys and produce results via that system?
New ERA process

Interview Senior Leadership
• Utilize Surveys to gather additional information from Process Owners and Managers

Determine and utilize Risk Assessment Methodologies
• New Methodologies include quantitative, qualitative and semi-quantitative, asset-based, vulnerability-based, or threat-based

Determine risks based on High-level risk categories
• Using Data Analytics would allow risk categories to include Sub-Risks categories linked to Audit Plan

Create a 6-Month Audit plan then continuously assess the audit environment to address
• Evaluate Audit Plan to ensure that Plan address relevantly risks

Report to Audit Committee
Adding Velocity as part of the ERA process

(Likelihood + Velocity) x Impact – Mitigating Controls = Residual risk
(Likelihood x Impact) + Velocity – Mitigating Controls = Residual risk
The Enterprise Risk Assessment included activities to develop the risk management process. These activities included:

- Created a common risk library.
- Conducted one-on-one meetings (15) with executive leadership discussing risks of greatest concern.
- Utilized a questionnaire to rank known risks and identify potential new risks.
- Created baseline definitions/scales for Likelihood, Impact and Velocity.
- Created an understanding for actions in response to risk (Accept, Mitigate, Transfer & Avoid).

The list on the right is the rank of each risk based on the average score of questionnaire participants. Score is based on Likelihood X Impact.

### Summary Scales for Likelihood, Impact & Velocity

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Probability of Occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>&lt; 20%</td>
</tr>
<tr>
<td>2</td>
<td>20% - 50%</td>
</tr>
<tr>
<td>3</td>
<td>50% - 80%</td>
</tr>
<tr>
<td>4</td>
<td>&gt; 80%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact</th>
<th>Potential Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>&lt; $0.5 million</td>
</tr>
<tr>
<td>2</td>
<td>$0.5 million - $2 million</td>
</tr>
<tr>
<td>3</td>
<td>$2 million - $4 million</td>
</tr>
<tr>
<td>4</td>
<td>$4 million - $5 million</td>
</tr>
<tr>
<td>5</td>
<td>&gt; $5 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Velocity</th>
<th>Timing of Event Impacting the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slow</td>
<td>The Company is impacted after one quarter of the event occurring.</td>
</tr>
<tr>
<td>Rapid</td>
<td>The Company is impacted between one month and one quarter of the event occurring.</td>
</tr>
<tr>
<td>Very Rapid</td>
<td>The Company is impacted within one month of the event occurring.</td>
</tr>
</tbody>
</table>

### Risks Ranked by Questionnaire Participants

<table>
<thead>
<tr>
<th>Source Description</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1 Climate</td>
<td>12.48</td>
</tr>
<tr>
<td>C10 Political Environment</td>
<td>10.95</td>
</tr>
<tr>
<td>C16 Regulatory Restrictions on Revenue</td>
<td>9.50</td>
</tr>
<tr>
<td>C8 Forecasting &amp; Planning</td>
<td>9.38</td>
</tr>
<tr>
<td>C6 Product Quality</td>
<td>8.32</td>
</tr>
<tr>
<td>C2 Natural Disaster</td>
<td>8.32</td>
</tr>
<tr>
<td>C3 Regulatory Change Management</td>
<td>7.14</td>
</tr>
<tr>
<td>C17 Decline in Demand</td>
<td>6.95</td>
</tr>
<tr>
<td>C13 Inability to Attract Vendors</td>
<td>6.64</td>
</tr>
<tr>
<td>C15 Inability to Maintain (Add) Licenses</td>
<td>6.27</td>
</tr>
<tr>
<td>C19 Human Error</td>
<td>6.09</td>
</tr>
<tr>
<td>C7 Intellectual Property</td>
<td>6.05</td>
</tr>
<tr>
<td>C4 Cost of Compliance</td>
<td>5.73</td>
</tr>
<tr>
<td>C9 Talent Acquisition</td>
<td>4.95</td>
</tr>
<tr>
<td>C5 Information Security</td>
<td>4.95</td>
</tr>
<tr>
<td>C14 Contract Enforcement</td>
<td>4.90</td>
</tr>
<tr>
<td>C12 Security of Product</td>
<td>3.95</td>
</tr>
<tr>
<td>C18 Loss of Cash</td>
<td>3.41</td>
</tr>
</tbody>
</table>
Information Security (C5)

We may incur regulatory action, litigation, and/or reputational damage as a result of ineffective Information Technology or Cyber Security controls.

C5 - Information Security

C5 - Likelihood

- Rare
- Infrequent
- Occasional

C5 - Impact

- Minor
- Moderate
- Major
- Severe
- Extreme

C5 - Risk Action

Transfer 4.5% Accept 11.1%

Avoid 13.1%

Minimize 46.7%

C5 - Velocity

- Slow
- Rapid
- Very Rapid
Questions/Comments

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