

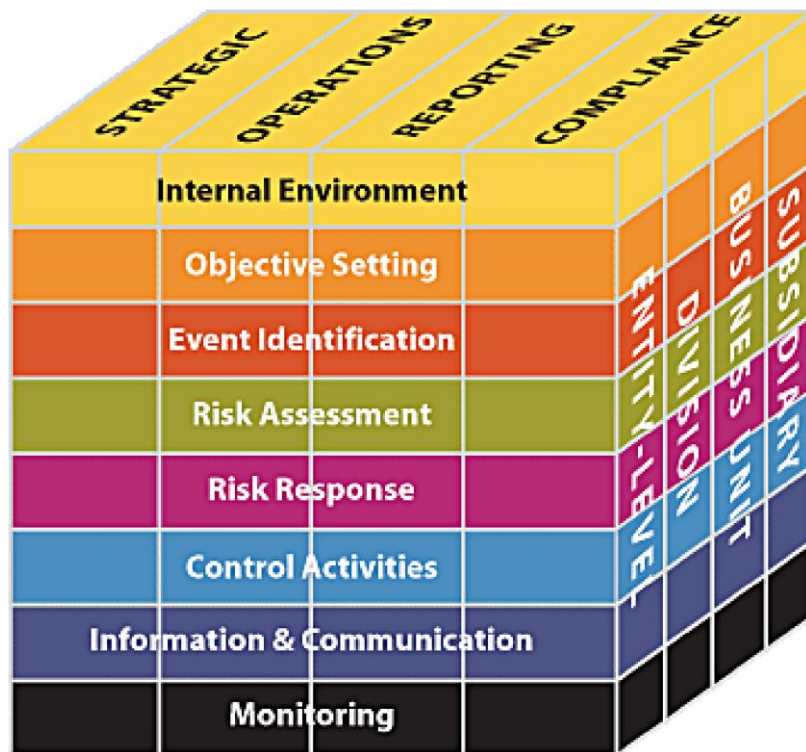
Risk Management

The Changing Nature of Enterprise Risk

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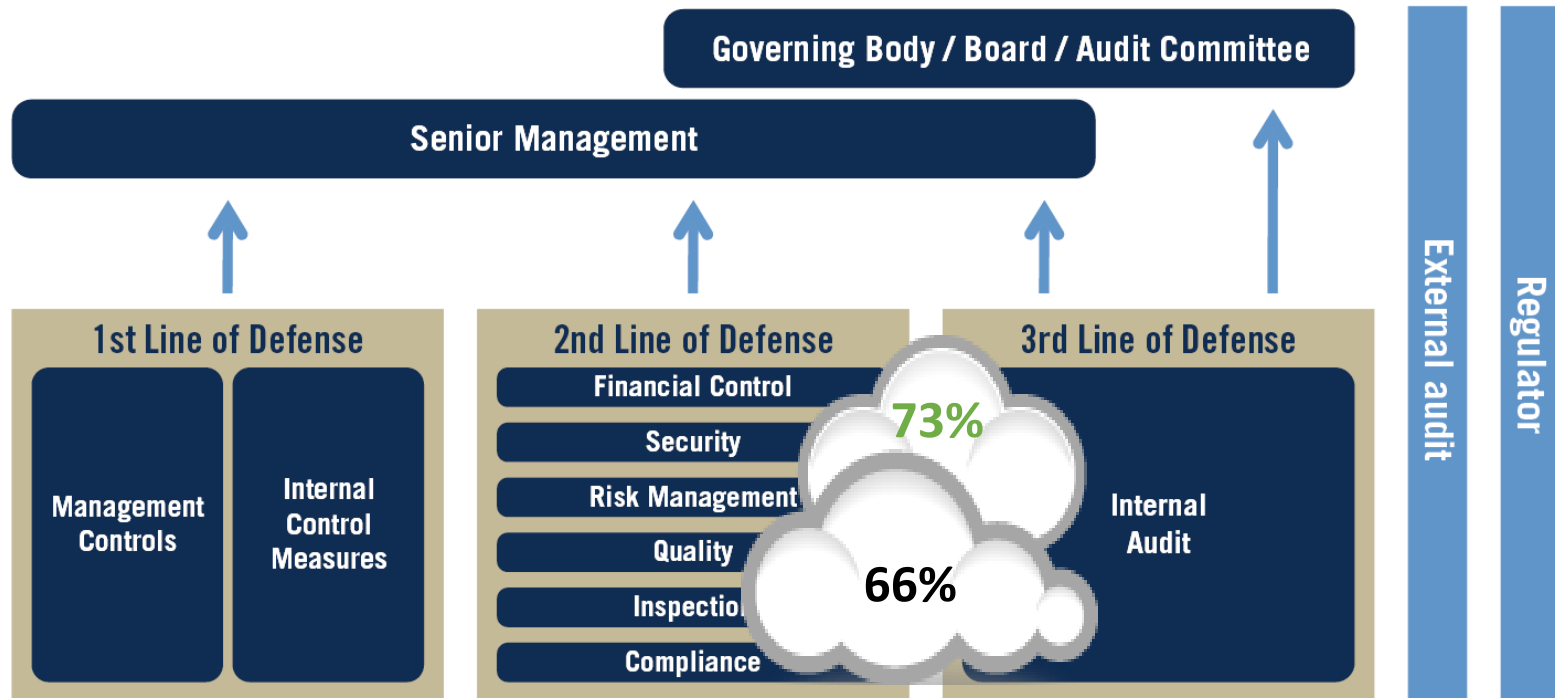


Enterprise Risk Management – Integrated Framework



- A process
- Effected by people
- Applied in a strategy setting
- Applied across the enterprise
- Designed to identify potential events
- Designed to manage risks within the risk appetite
- Able to provide reasonable assurance
- Geared to achievement of objectives

Three Lines of Defense in Effective Risk Management and Control



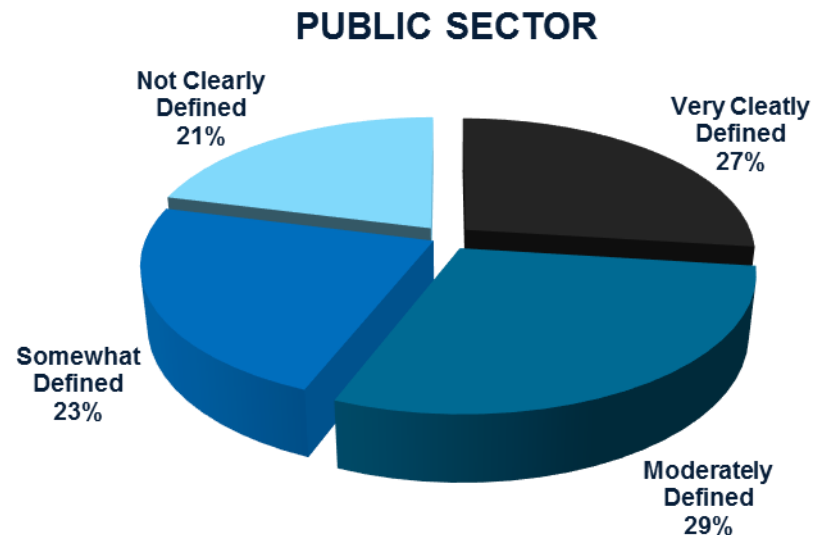
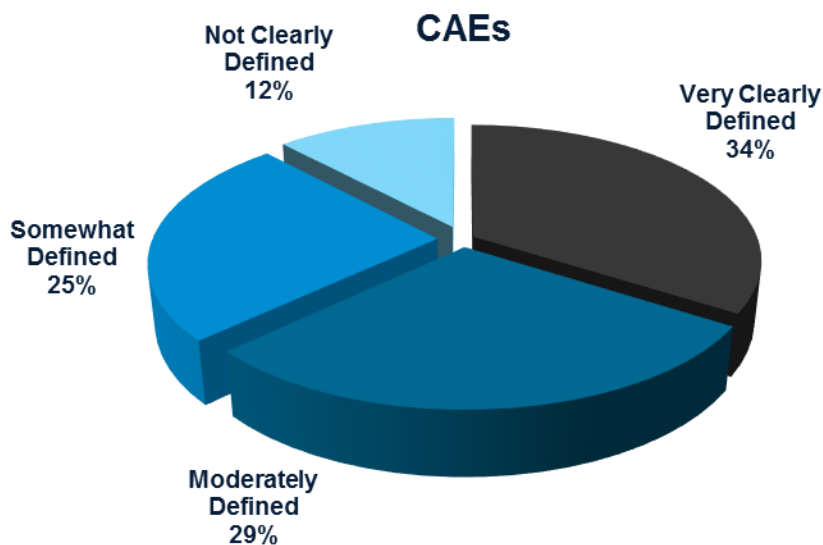
Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

Source: *The Pulse of the Profession Survey*: ©2014 The IIA Audit Executive Center.
 This figure reflects data from the North American CAE respondents of the global survey.

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Three Lines of Defense: Distinction Between Lines of Defense



Top Risks for Stakeholders

Survey respondents indicate that the top risks which audit committees and executive management are focusing on are...

Rank	Audit Committees	Executive Management
1	Strategic Business Risks	Operational
2	Operational	Strategic Business Risks
3	Compliance/Regulatory	Compliance/Regulatory
4	Risk Management Effectiveness	Cost/Expense Reduction
5	Information Technology	Information Technology

Survey respondents reported that strategic business risks are the top priority for audit committees (17%) while operational risks are the top priority for executive management (20%),

Source: *The Pulse of the Profession Survey*: © 2014 The IIA Audit Executive Center.
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KPMG's Survey on Audit Committee Perspectives

Based on published responses from the United States and Canada:

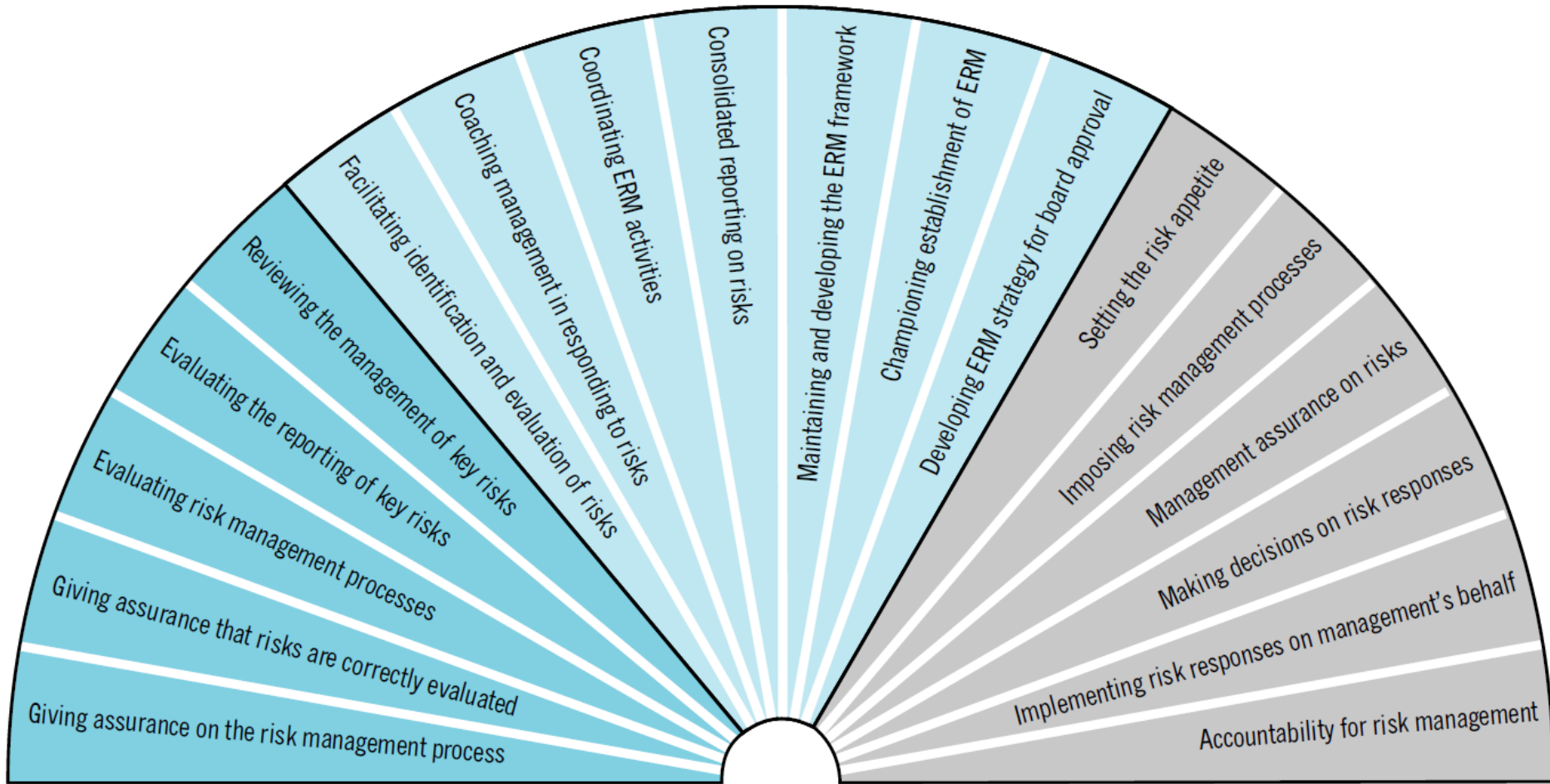
- More than **62 percent reported that internal audit's role should extend beyond financial reporting** and controls.
- **Only 40 percent believe that internal audit currently has the skills and resources** to be effective in the role they envision.
- Which areas would you like internal audit to devote more time in the year ahead:

Coverage Areas	NA Response
Risk management process	60%
IT and data management	68%
Operational risks	50%
Compliance and regulation	41%
Corruption and fraud	30%
Corporate governance	24%

Source: 2014 Global Audit Committee Survey © 2014 KPMG
Based on published responses for United States and Canada.

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Core internal audit roles in regard to ERM

Legitimate internal audit roles with safeguards

Roles internal audit should not undertake

Sources: IIA Position Paper: The Role of Internal Auditing in Enterprise-Wide Risk Management, 2009.
The Value Agenda, IIA-UK and Ireland and Deloitte & Touche, 2003.

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