

Effectively Managing Risk: The Intersection of Compliance, Enterprise Risk Management and Internal Audit

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Three Different Risk Assessments

- Enterprise Risk Management (ERM) process
- Compliance Program risk assessment
- Internal Audit plan risk assessment

Internal Audit and Compliance

- The risk assessments for Internal Audit and Corporate Compliance are:
 - Narrower in scope
 - Specific to their charters
 - Focused on policies, procedures, regulations and internal controls
 - Are we doing the right thing

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Enterprise Risk Management

- A “big picture,” holistic approach to organizational risk
- A framework for making risk management decisions
- Driven by the Board & Senior Management
- A continuous process that ties risks to the organization’s strategy, mission and values

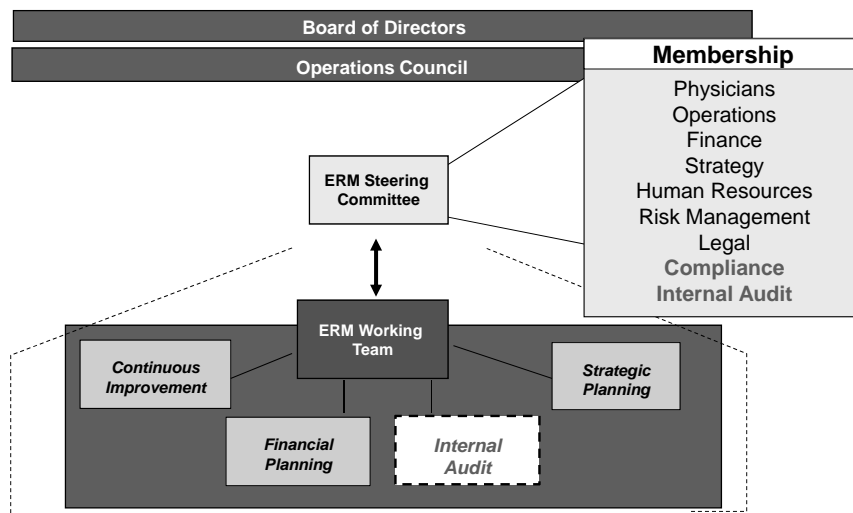
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Levels & Depth of Risk Assessment

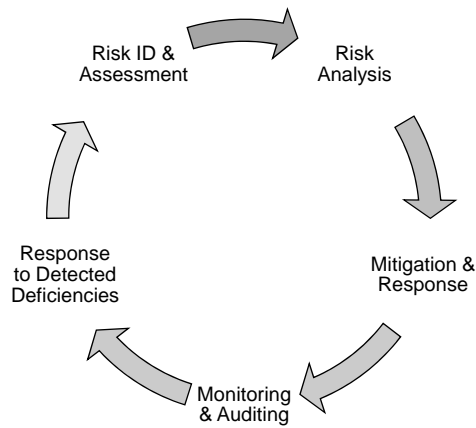


- Enterprise risks are identified , prioritized and linked to strategic plan initiatives
- Summarize risk/control profile by individual risk, business function, risk category; utilize risk information for decision making
- Execute risk assessment / risk mandate & identify emerging risks and monitor controls

ERM Governance at Cleveland Clinic

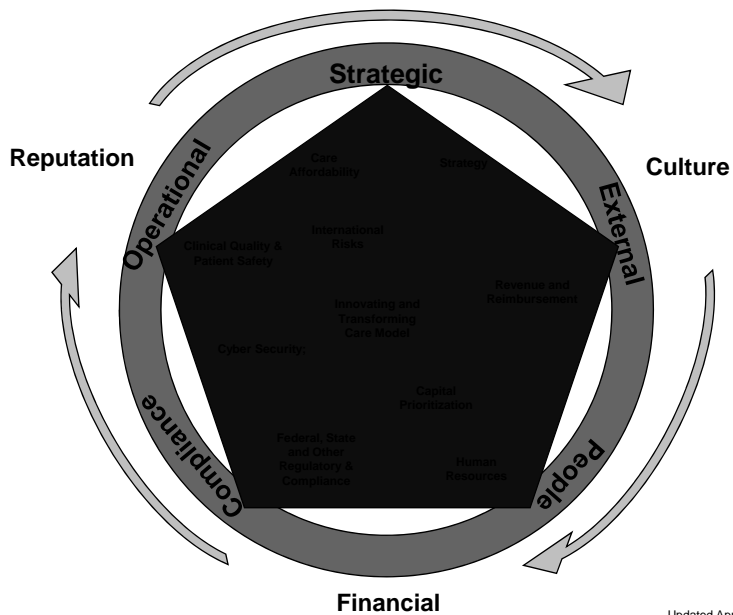


So Where Does Compliance & Internal Audit Fit?



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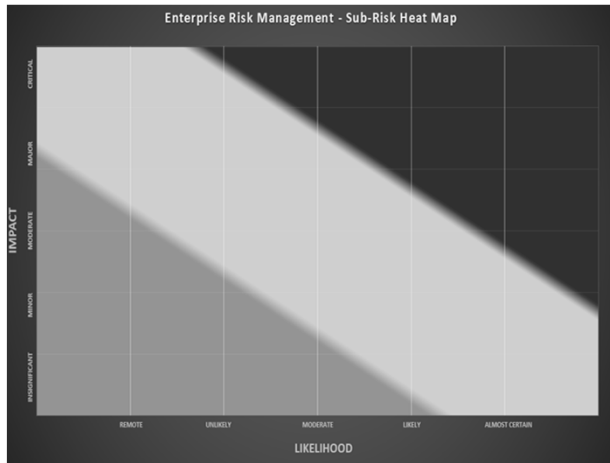
Top ERM Risks



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Updated April 2018

Methodology and Ratings



Risk Ratings	Thresholds: Overall Score
	1-4
	5-12
	≥ 13

Mitigation Ratings	Thresholds: Risk Response
	Effective
	Requires minor/moderate improvements
	Requires major/critical improvements

Risk Assessment

Sub-Risk Components	Response Effectiveness	Current Risk Response Mitigation Activities	Components Mitigated
		Executive Sponsor- Risk Owner -	Strategic Initiatives:
		Potential Impacts:	Risk Indicators:

So Where Does Compliance & Internal Audit Fit?



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ERM, Compliance & Internal Audit

- Allows for validation of identified risks and potential gaps
 - Compare identified risks against previous audit findings, detected deficiencies, compliance work plans
- Compliance and audit work plans can inform the ERM process
 - Focus of limited resources
 - More effective mitigation of identified risks

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High-Priority Risk:

Sub-Risk Area	Current Risk Rating	Previous Risk Rating	Mitigating Activities	Current Mitigation Rating	Previous Mitigation Rating
	○	○		○	○
	○	●		○	○
	○	●		○	○
	●	●		○	○

Monitoring & Auditing

- Mitigation already being done, but is it really?
- Trust is not an internal control!
- Compliance & Audit adds value to ERM by ensuring that risk management activities are really happening and are truly effective
- Provides comfort to the Board and Management



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