

2023 Enterprise Risk Assessments Considering Emerging Risks and New Opportunities

RAUSCH
ADVISORY SERVICES



Content



Introductions



Traditional ERA process



Emerging risk in the ERA space



2023 Trends/Opportunities



Developing a flexible ERA program



Technology in the ERA process



New ERA process



Q&A



Dennis Green, CPA, MBA

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



A portrait of Don Penovi, a middle-aged man with a balding head, wearing a light blue checkered button-down shirt. He is standing outdoors in front of a white building with green trim and green bushes. The image is partially obscured by a white torn-edge graphic on the right side of the slide.

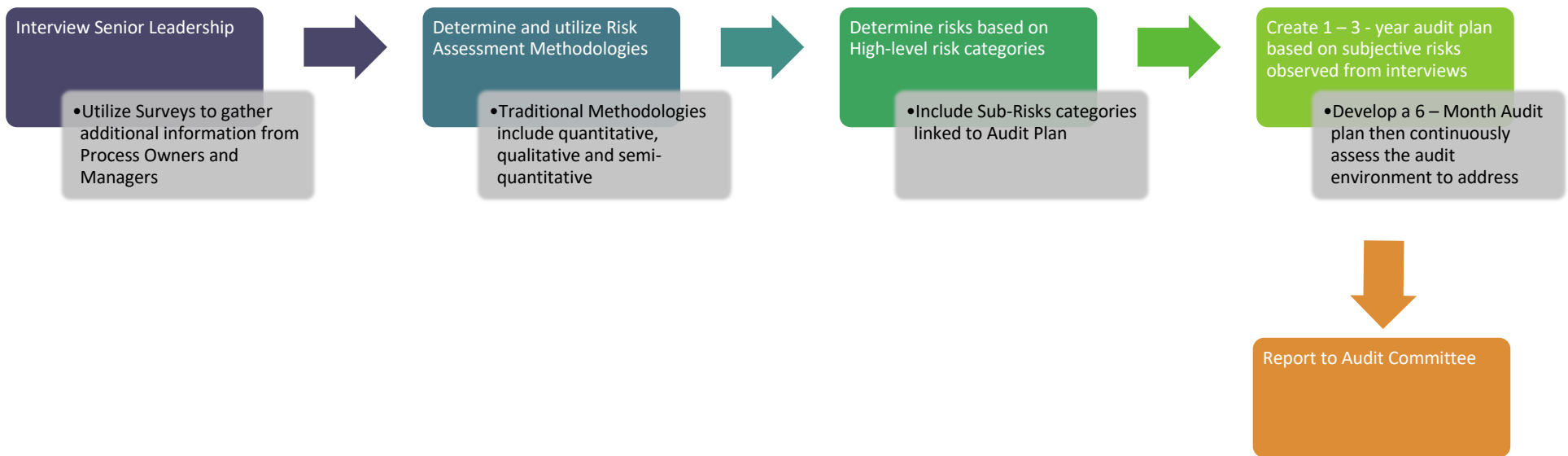
Don Penovi, CPA, MBA

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!



Traditional ERA process



Likelihood x Impact – Mitigating Controls = Residual risk

Question

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

Chambers, Richard (2022, October 17). Five Key Risk Imperatives for 2023. <https://www.auditboard.com/blog/five-key-risk-imperatives-for-2023/>



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

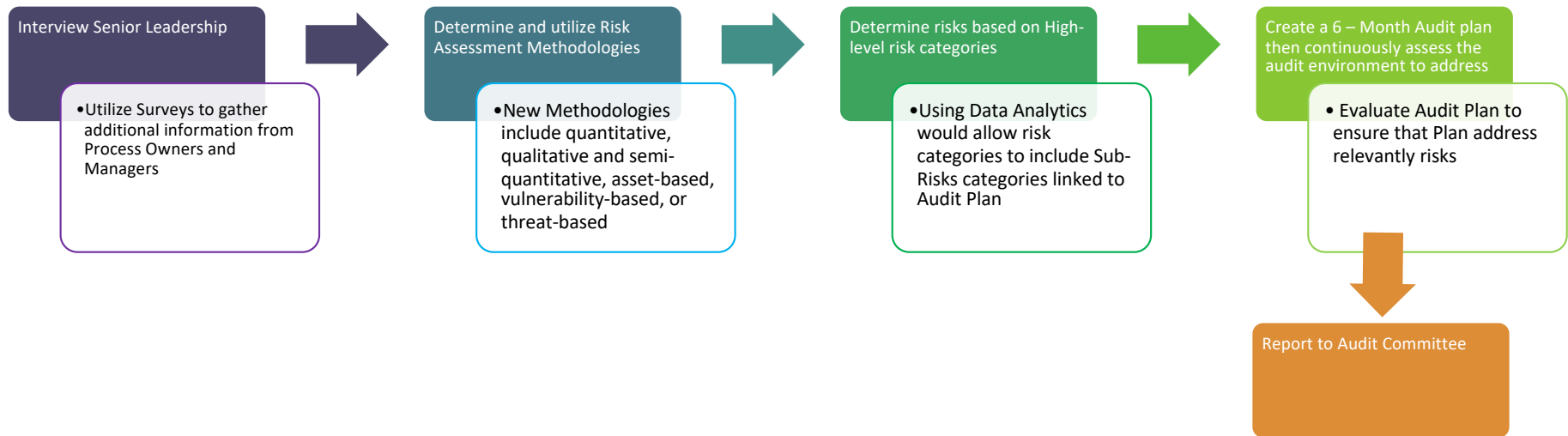
- Survey Tools
 - RAS (Rausch Assessment Solution)
 - Survey Monkey
 - Surveys within your Audit Software
- Data Analytics
 - SQL
 - Galvanize / ACL
 - IDEA
- Visualization Tools
 - Power BI
 - Microsoft Data Visualization Tools
 - Tableau

Question

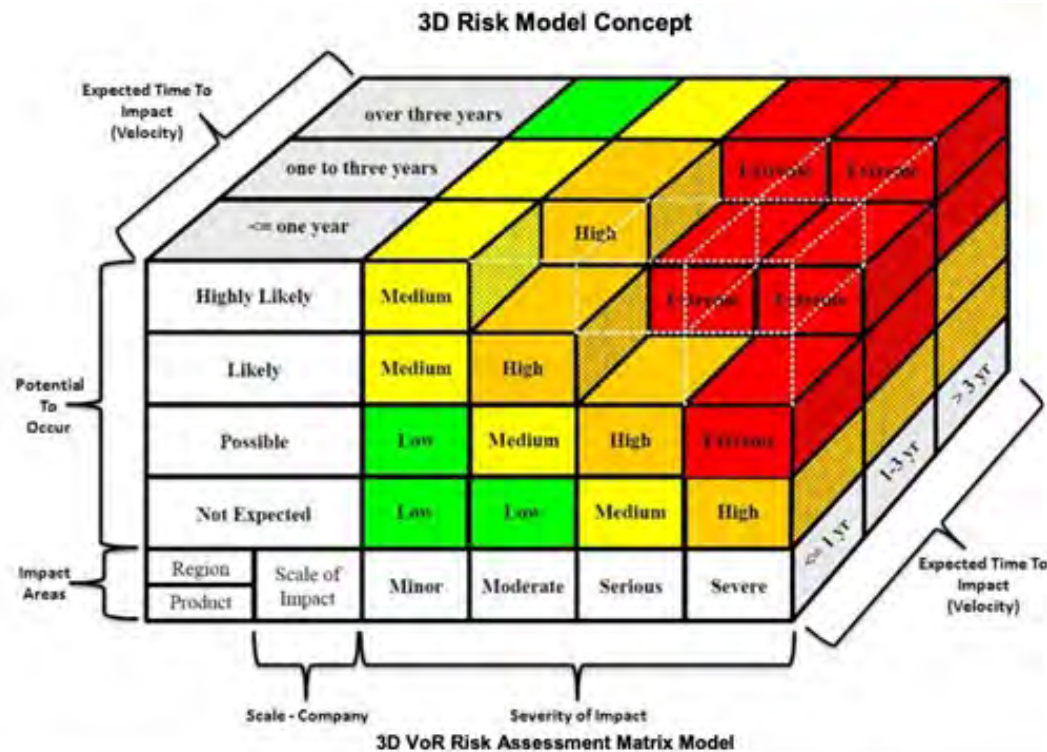
Does your organization utilize your Audit System to conduct your ERA process? Do you conduct surveys and produce results via that system?



New ERA process



Adding Velocity as part of the ERA process



(Likelihood + Velocity) x Impact – Mitigating Controls = Residual risk
 (Likelihood x Impact) + Velocity – Mitigating Controls = Residual risk



Main Page

- Additional Risks & Fraud
- C1 Climate
- C2 Natural Disaster
- C3 Reg Change Mgmt
- C4 Cost of Compliance
- C5 Info Security
- C6 Product Quality
- C7 Intellectual Property
- C8 Forecast & Planning
- C9 Talent Acquisition
- C10 Political Environment
- C11 Research & Development
- C12 Security of Product
- C13 Inability to Attract Vendors
- C14 Contract Enforcement
- C15 Inability to Maintain (Add) Licences
- C16 Regulatory Restrictions on Revenue
- C17 Decline in Demand
- C18 Loss of Cash
- C19 Human Error



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

Likelihood	1 Rare < 10%	2 Infrequent 10% - 25%	3 Occasional > 25% - 50%	4 Frequent > 50% - 80%	5 Imminent > 80% - 100%
Probability of Occurrence	< 10%	10% - 25%	> 25% - 50%	> 50% - 80%	> 80% - 100%

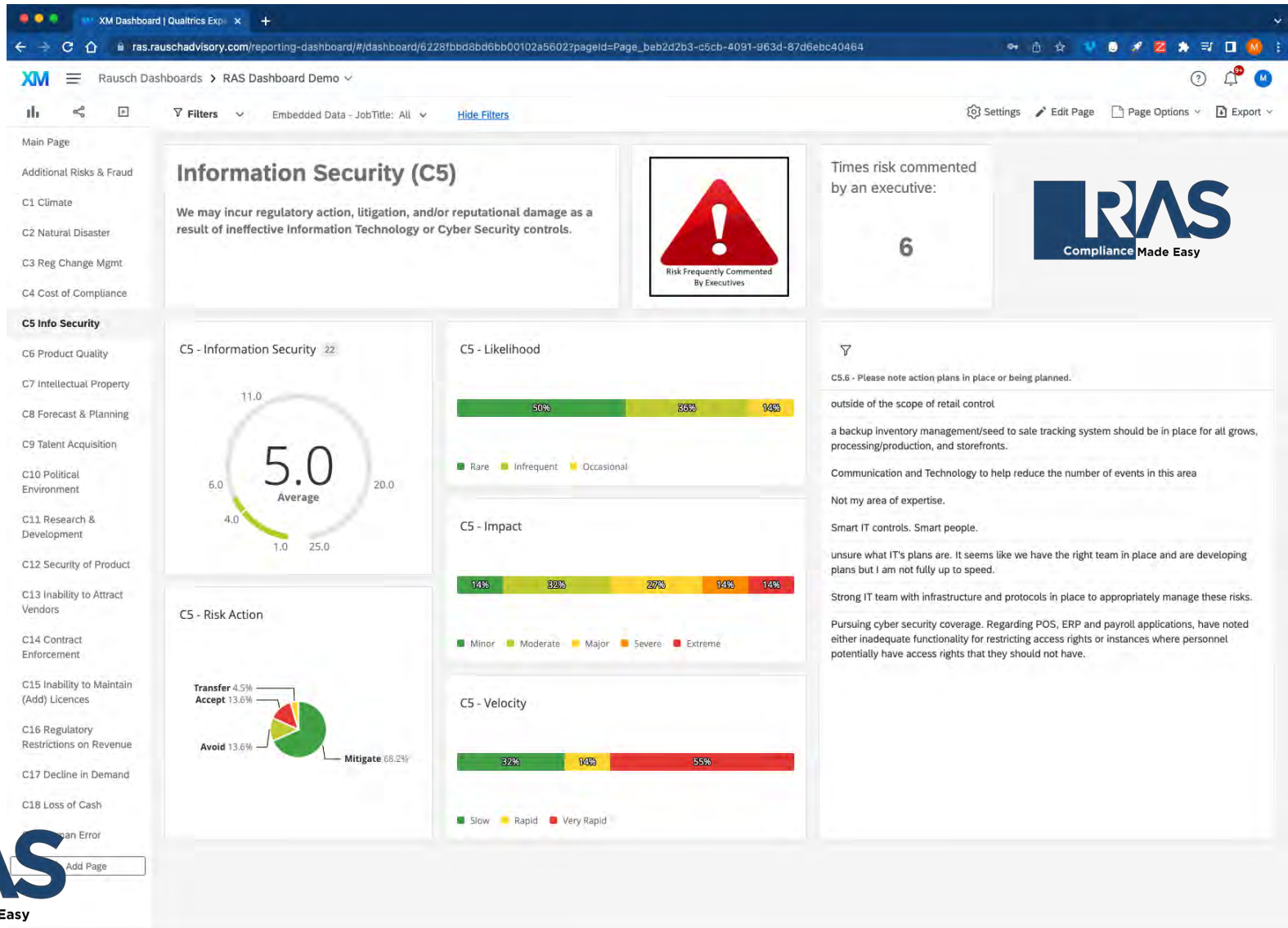
Impact	1 Minor < \$0.5 million	2 Moderate \$0.5 million - \$2 million	3 Major > \$2 million - \$4 million	4 Severe > \$4 million - \$5 million	5 Extreme > \$5 million
Potential Dollar Impact	< \$0.5 million	\$0.5 million - \$2 million	> \$2 million - \$4 million	> \$4 million - \$5 million	> \$5 million

Timing of When Event Impacts the Company			
Velocity	Slow	Rapid	Very Rapid
Description	The Company is impacted after one quarter of the event occurring.	The Company is impacted between one month and one quarter of the event occurring.	The Company is impacted within one month of the event occurring.

Risks Ranked by Questionnaire Participants 22

Sources	Average
C1 Climate	12.68
C10 Political Environment	10.95
C16 Regulatory Restrictions on Revenue	9.50
C8 Forecasting & Planning	9.36
C6 Product Quality	8.32
C2 Natural Disaster	8.32
C3 Regulatory Change Management	7.14
C17 Decline in Demand	6.95
C13 Inability to Attract Vendors	6.64
C15 Inability to Maintain (Add) Licenses	6.27
C19 Human Error	6.09
C7 Intellectual Property	6.05
C4 Cost of Compliance	5.73
C9 Talent Acquisition	4.95
C5 Information Security	4.95
C14 Contract Enforcement	4.50
C12 Security of Product	3.95
C18 Loss of Cash	3.41







Questions/ Comments



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