



INTERNAL AUDIT AND RISK MANAGEMENT

OREO Enterprise Risk Management

SOLUTION GUIDE

There is no denying the potential of enterprise risk management (ERM) for business today. Beyond the obvious benefits of preparing the organization to better meet compliance requirements and reduce audit costs, it also has the power to enhance wealth, drive business performance improvement and protect stakeholder interests. ERM addresses the fundamental and increasing need of every organization to not only manage risk, but to master it and seize opportunity. We can help you meet today's wide range of enterprise risk challenges through our innovative ERM approach – OREO ERMSM.

BUSINESS CHALLENGES

- Aligning ERM with the overall strategic objectives of the organization
- Understanding the relationship of risk and reward when considering risk appetite
- Responding to external pressures for an effective enterprise risk management program
- Deriving value from your investment in ERM

INTRODUCTION

Control Solutions has developed OREO ERM, which is the ERM countercultural equivalent of Ben and Jerry's ice cream – high quality ingredients, a simple recipe and great results. We can truly say that OREO ERM is a COSO-based ERM approach unlike any other in the market. That is a pretty big assertion. OREO ERM steps back from the minutia and looks at the big picture of what you are trying to accomplish. It links strategic objectives down through the organization, into the system of internal control, ensuring that relevant risks to the organization are managed in a common-sense way. Those who have experienced OREO ERM recognize that finally there is a simple, common-sense ERM approach that brings real value.

POTENTIAL BENEFITS

- Derive measurable value from your enterprise risk management efforts
- Achieve alignment between strategic objectives and ERM activities
- Articulate clear risk tolerances for strategic objectives
- Develop assurance that relevant risk events have been identified and are being mitigated
- Instill a common understanding of risk management throughout the organization
- Clarify the connection between key internal control activities, risk event mitigation and achievement of strategic objectives

OUR THOUGHTS ON ENTERPRISE RISK MANAGEMENT

At its most basic level, risk management has always been part of the fabric of an organization. The underlying assumption for most organizations undertaking an ERM initiative, however, is that risk management is a new activity to be added to the cost structure or something to be added to existing workloads. If one starts instead with the assumption that risk management is already occurring within the organization, then you will approach ERM from a different perspective.

While in many cases it may be appropriate to create ERM functions and to create new process, if you start from that premise, you will undoubtedly add redundant function and process – and cost – to the organization. To avoid this you need to start with the assumption you already have many risk management activities embedded in your organization.

ABOUT OREO ERM

Any ERM initiative exists within the organization's culture and environment, which exert a great deal of influence on risk management practices. Key components of this environment that we focus on in OREO ERM are the risk philosophy, risk appetite and entity-level controls / tone at the top. The OREO framework is deployed in this context, which is unique to every organization.

Objectives – The first component is a clear definition of your organization's objectives, which should come from a strong strategic planning process. OREO ERM is a top-down approach designed to put first things first and enhance the organization's strategy, not supplant it. Strategic objectives remain the primary focus, their achievement supported by the ERM activities.

Risk Tolerance – OREO ERM is driven by key performance indicators: risk tolerances that are articulated in such a way as to establish parameters or acceptable levels of variation, and actually measure the achievement of specific objectives.

Event Identification – OREO ERM takes a proactive view of risk event identification. Most approaches take a defensive stance, by asking questions such as *What could go wrong?* and *What keeps you up at night?* We focus on achievement of objectives by asking what must go right in order to achieve them within the risk tolerances.

Oversight – When the system of internal control is correctly linked to risk management activities, management can ensure that what must go right *does go right*. OREO ERM establishes appropriate oversight (control activities, information and communication, and monitoring) that will foster effective risk management within the organization.

HOW WE CAN HELP

OREO ERM is a striking departure from traditional approaches to enterprise risk management. Using our proprietary approach, our professionals can help you gain business strategy assurance through implementation of ERM efforts that create real value.

- Clarify your risk philosophy and risk appetite and ensure that your entity-level controls and tone at the top will support your goals
- Establish ERM as a sustainable, integrated and dynamic activity within your organization – not a one-time or disconnected effort
- Align the board, senior management and all employees for effective identification and mitigation of key risks
- Integrate strategic planning and ERM activities and define appropriate measures to determine whether your objectives are being met
- Develop appropriate risk responses to support the achievement of organizational objectives

FOR MORE INFORMATION

Please contact our Information Center:

T: +1 (800) 627-0028

+1 (603) 598-0700

F: +1 (603) 386-6154

E: info@controlsolutions.com

The leading global risk and control solutions advisory firm.

www.controlsolutions.com

© 2008 Control Solutions International, Inc. All rights reserved. Control Solutions International, Control Solutions, the Control Solutions logo, "Experience, the Difference", Foundations of Improvement, SOXlite, OREO ERM and OBRA are trademarks or registered trademarks or service marks of Control Solutions International, Inc., in the United States or other countries. All other trademarks mentioned herein are the property of their respective owners. The information contained herein is subject to change without notice. Control Solutions is not licensed or registered as a public accounting firm and does not issue opinions on financial statements or offer attestation services.

