Risk Intelligence

Sheryl Vacca, CCEP-F, CCEP-I, CHC-F, CHRC, CHPC
Senior Vice President/Chief Compliance & Audit Officer
University of California

Broad Definition of Risk

• Risk can be defined as any issue that impacts an institution’s ability to meet its objectives.

• Association of Governing Boards of Universities and Colleges and National Association of College and University Business Officers

What Causes Risk Issues?

<table>
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<tr>
<th>Reduced Staffing /Increased Work Load on Existing Staff</th>
<th>Changes to Control Systems /Implementation of New Systems and Programs</th>
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<tbody>
<tr>
<td>Ineffective / Inefficient Processes and Controls</td>
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| Staff Attitude and Support /Inadequately Trained Staff   |                                                               |

Internal Conditions and Changes
What Causes Risk Issues?

<table>
<thead>
<tr>
<th>Economic Pressures on Business Partners and Employees</th>
<th>Increases or Changes to Regulatory or Business-to-Business Requirements</th>
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<tr>
<td>Audit by External Agencies</td>
<td>Attacks or Attempts to Gain Access to Systems and Data by Individuals or Groups</td>
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Governance: Board Responsibilities with Risk Oversight

- Regulatory rules, laws, guidance emphasizes increased oversight of compliance programs and compliance risk areas

- Board fiduciary responsibilities extend beyond the traditional “hard risk” areas to include all types of risk to the organization including strategy and reputation

- Board members have a “duty of care” responsibility which include assuring that risks are considered in decision-making and all key risks are known effectively managed

Parties in the Governance Process

- Oversight group – board and committees of the board
- Stewardship group – executive management
  - Dual role of stewardship of resources allocated by board and accountability of results of operations
- Performance group – operating and support management and staff
- Assurance group – internal and external auditing, fulfills and compliance

RM-commonly viewed as management function
Broad View of Risks

Duty to the public
– To operate in a Compliance based environment
  • First step: Understanding where the risks are
    – Risk partners work collaboratively in the area of identifying risks
      » sharing information through data sources
      » utilizing tools available for performing risk assessments
      » prioritization of risks/risk mapping, etc.
  • Risk mitigation is a collaborative effort – once the risks are identified, each
    function assures mitigation plans are developed and executed
  • Report back to the Board when risk continues, i.e. mitigation not effective,
    priority risk, inaction by management

Challenges – Addressing Risks

• Gap between requirements and resources that are available to address the risks
• IT – manual vs. automated
• Maturity level of enterprise risk management
• Regulatory environment (reactive culture vs. proactive)

Challenges: Risk Partners

• Disconnected from business processes
• Inefficient and ineffective outcomes-fragmentation, ad-hoc processes, technology
• Silo mentality between the functions
• Interpretations of risk and control not uniform
• Approach to risk not common
• Overlapping risk coverage with risk functions
• Technology
“Risk Intelligence” Approach – Potential Benefits

- Protect and enhance business value by fostering a risk aware culture
- Enhance operational efficiency
- Enable the organization to quickly, efficiently manage response to risk
- Enable the organization to be compliant while supporting the organization’s strategic objectives
- Ultimately…Culture is proactive and aware of their risks through ongoing identification, prioritization and mitigation activities day to day

Approach to Synergies Between Risk Partner Roles

- Develop common language of control, ie:
  - control environment-values, governance, structure, roles and responsibilities
  - Risk assessment – objectives, identification, change management
  - Control activities – performance indicators, IS controls, physical controls, etc.
  - Information and Communication
  - Monitoring – ongoing, separate, reporting
### Approach to Synergies Between Risk Partner Roles

- **Leverage Common Technology**
  - ID what is common – regulatory and legal insight, need for internal assurance, what is needed from a governance perspective
  - Move away from manual systems, ie: spreadsheets, provide proactive insight by having dynamic system of information

### Approach to Synergies Between Roles (cont)

- Focus on achievement of business objectives
- Work together to address uncertainty
- Break down silos
- Standardize approach to risk and control
- Enhance/develop consistent process and methodologies across the organization towards risk
- Count to 10 – this doesn’t all happen overnight...it is a dynamic process

### In Summary....

- Risk partners have unique roles but common purpose and focus.
- Understanding of each of the roles and their contribution to the organization’s risk intelligence is key to success
- The risk intelligence of an organization is dynamic. Therefore, risk partners must be dynamic in their approach as “connected” partners to help the organization achieve its business objectives.