Background

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DTE Energy
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- Detroit-based
- Diversified energy company involved in the development and management of energy-related businesses and services
- Utilities – Michigan
- Non-utility operations - Nationwide
- Approximately $10 billion in operating revenue

Utilities
- Electric – 2.2 million customers
- Natural Gas – 1.3 million customers

Non-Utilities
- Power and industrial
- Gas pipeline, gathering and storage
- Energy marketing and trading

Today’s discussion outline......

I. Risk Assurance
II. Aligned Assurance
III. Current State
IV. Transformation Process
V. Measures of Success
VI. Lessons Learned
VII. Discussion Forum
VIII. Questions

AGENDA
“Risk Assurance” function defined.....

Providing a measure of organizational risk associated with a particular element with a certain degree of confidence

Who are the risk assurance functions?

Risk assurance functions have been traditionally performed in silos.

Multiple risk assurance silos potentially create confusion and inefficiencies

- Duplication of effort
- Delayed decision making
- Increased cost
- Unclear accountability
- Inconsistent terminology
- Management fatigue
- Fragmented view of enterprise risk
- Lack of standardization
- Board/management confusion
- Mixed messaging
Stakeholders are asking questions that require better collaboration and coordination

"We receive risk reports from multiple functions. I can't seem to understand how they all fit together to provide an overall enterprise risk portfolio."  
"I answered the same questions last week when internal audit was here. Why are you doing the same thing?"  
"I just learned the environmental group assessed the same risk but rated it much higher than I did. I don't understand why."

Board of Directors and management set the direction for our transformation

What issues were we trying to solve?

- Redundancy in processes  
  - Resources uses were inefficient/disjointed
- Lack of holistic risk portfolio  
  - Board and management had difficulty putting all the pieces together
- Inconsistent terminology and reporting  
  - Multiple variations of risk assessments being performed
- Continuous Improvement  
  - Efficiency and effectiveness
- Business unit relevance  
  - Clarity on the use of risk assessment and accountability

What are others doing?

Status of Aligning Assurance Efforts

100% Not Planned
50% Work in Progress
0% Early Action

[Graph showing status of aligning assurance efforts]
“What one word best describes the state of aligned assurance at your firm?”

Aligned Assurance
The coordination or arrangement of groups in relation to one another

VS.

Integrated Assurance
To form, blend or incorporate into a larger unit
The transformation process to aligned assurance

Assemble the implementation team

Identify each function’s objectives, process and timing

Identify gaps and opportunities

Design alignment and implementation

Evaluate effectiveness and adjust

Continue collaboration and coordination

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The transformation process to aligned assurance

Assemble the implementation team

Identify risk assurance functions
Assign leader
Solicit an executive champion
Develop team Charter
Obtain support from key stakeholder(s)
- Board/Audit Committee
- Management Risk/Priority Committee
Utilize existing governance committee

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The transformation process to aligned assurance

Identify each function’s objectives, process and timing

Document each assurance groups’ objectives
- Internal Controls
- Strategic, financial, operational
- Legal/regulatory
- Fraud
- Cyber and privacy
- Reputational

Share risk assessment process documentation
Share methodology used
- Interviews
- Questionnaire
- Automated workflow
Share project plans and timing
Identify internal resources used
Identify stakeholders
Discuss terminology used, tolerance levels and report cycle time
The transformation process to aligned assurance

Identify gaps and opportunities

- Are all risks identified?
- Do all risks have an owner?
- Is there redundancy among assurance functions?
- Is there standardization and consistency?
- How are results reported and to who?
- What is the sequence of reporting?
- Is there a centralized tracking system?

Design alignment and implement

- Document agreed upon process
- Create sample report template
- Agree on consistent rating scale
- Establish timeline of assessments
- Implement a centralized tracking system
- Establish information sharing cadence

Evaluate effectiveness and adjust

- Validate risk inventory with legal
- Evaluate that Charter objectives/goals have been met
- Solicit feedback from stakeholders
- Compare risk profile with prior years
- Identify lessons learned
- List additional enhancements and assign accountability
- Benchmark risk priorities
- Measure time and cost savings
The transformation process to aligned assurance

- Periodic alignment meetings
- Sharing of risk reports
- Co-develop timelines
- Conduct joint assessments
- Update processes and owners
- Evaluation of tracking tools
- Discussion/agreement on emerging risks
- Co-present at meetings
- Adjust to business unit changes

How do we measure success?

- Defined goals and objectives
- Agreed upon risk inventories with clear accountabilities
- Consistent terminology, rating scale and report format
- Coordinated risk assessments and reporting
- Documented process maps (individual and aligned)
- Centralized tracking system
- Process efficiency and cost savings
- Stakeholder feedback
- Comprehensive enterprise risk inventory
- Benchmark with peer companies
- Holistic enterprise-wide risk portfolio
- Operational decision-making based on risk
- Better oversight of risk mitigation

Some lessons we learned.....

- Newly transitioned resources are not aligned or understand initiative
- Not all groups are committed to one centralized GRC tool
- Executive support is needed to hold teams accountable
- Needed to be more inclusive in identifying assurance functions
- Processes need to be flexible to adjust to changing environment
- Not a one-year project but a process evolution over time
- Stay focused on alignment, efficiency and quality
Tearing down the silos leads to align assurance

Discussion Questions