

Risk Assurance & Advisory Services

Enterprise Risk Management Services

Our View of Risk

Organizations typically miss opportunities, fail to meet objectives, incur losses and/or make substantial misjudgments for three main reasons:

- ▶ **Unseen Risk** - failure to foresee emerging risks (i.e., blindsided);
- ▶ **Known Risk** - not properly managing known risk; or
- ▶ **Control Failure** - reliance on inadequate controls which fail to mitigate the risk as expected.

At Cherry Bekaert, our Risk Assurance & Advisory Services professionals help our clients manage the organizational risks affecting their ability to achieve their potential. We break down the complex relationships among objectives, risks and control activities. When analyzing the risks, we are not referring to “Black Swan” risk events, which include the most unlikely occurrences and which are arguably highly unpredictable. However, we do consider risks in the ordinary course of business that most organizations face.

Organizations often struggle with the concepts of risk, especially Enterprise Risk Management (ERM).

The purpose of the entity-wide risk assessment and ERM approach is multi-fold:

- ▶ To create a common organization-wide effort and language to identify, evaluate and manage risk;
- ▶ To identify and assess risks to achieving organizational objectives;
- ▶ To establish and agree on risk tolerances;
- ▶ To verify residual risk levels are aligned with management's expectations;
- ▶ To identify risk management responses, current "gaps" and opportunities, risk owners and managers;
- ▶ To ensure resource allocation is consistent with organizational objectives and risk levels; and
- ▶ To leverage cross-functional expertise to manage risk to within acceptable levels.

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Understanding the Relative Significance of Your Risk

Completing an entity-wide risk assessment is an essential step toward formalizing and embedding ERM into the business culture. Upon completion of the initial entity-level risk assessments, it then becomes clearer which risk areas may be underserved or over-controlled and require further attention. This sets the stage for "downstream" risk assessments that identify root causes, processes and controls already in place, detailed risk management strategies that identify control gaps, risk owners and risk managers. Ideally you should be able to set up and facilitate a meaningful entity-level risk assessment with executives, key process owners and managers in your organization. With practice and utilizing technology you should be able to facilitate and complete the entity-level risk assessment with a group of managers in one hour.

We believe that an organization's ERM activities should consider the relationships among the following:

- ▶ Entity versus activity level objectives - the strategic enterprise objectives and activity level objectives of the organization
- ▶ Entity versus activity level risks and opportunities
- ▶ Upside risk - the sources of opportunities that might facilitate the attainment of objectives
- ▶ Downside risk - the inherent and residual nature of risks affecting the attainment of objectives
- ▶ Understanding the relationship between risk and control maturity - to mitigate identified downside risks and enable the organization to gain competitive advantage through taking opportunities

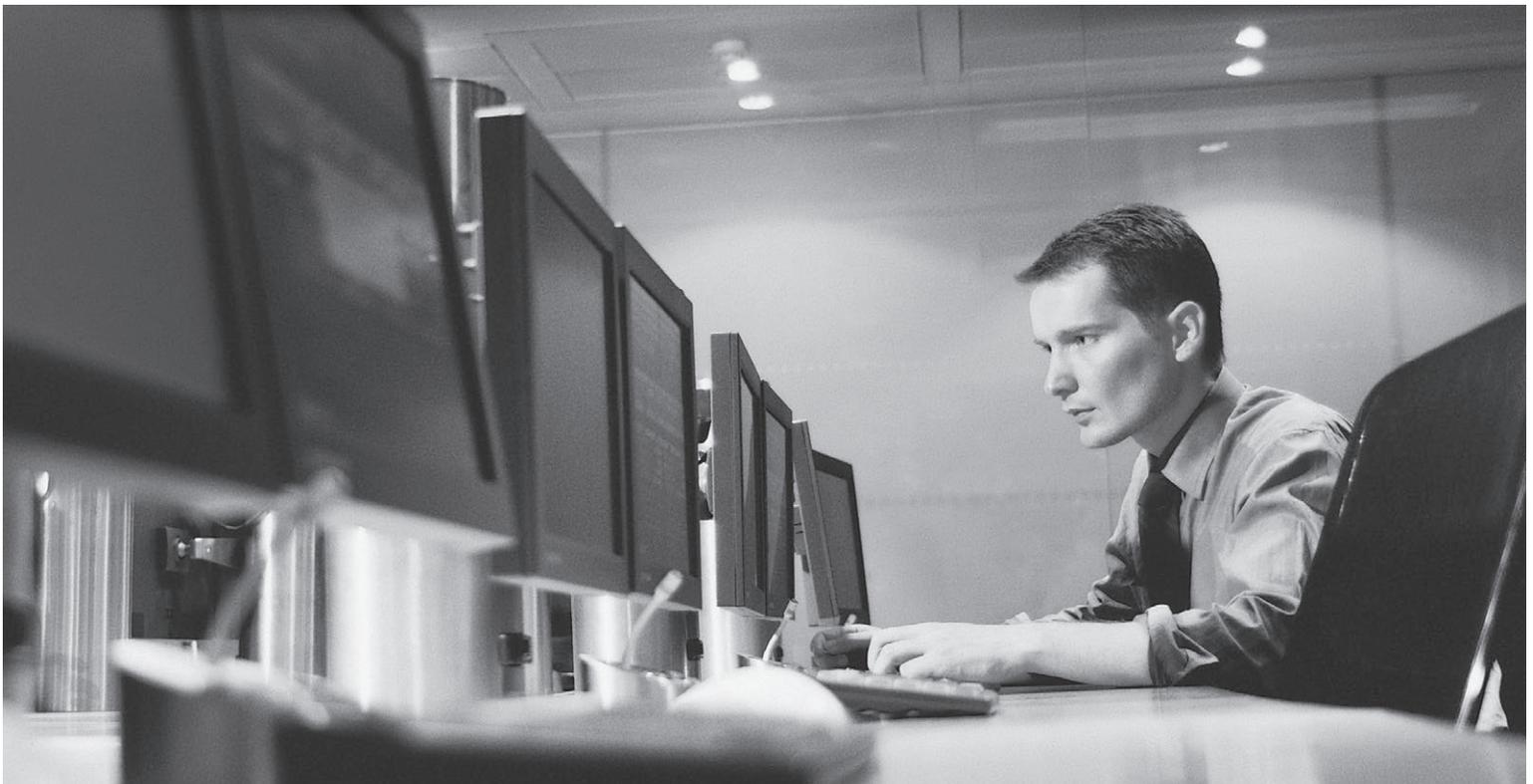
Our ERM services include a selection of customizable tools designed to facilitate management's ability to identify, assess and manage the organizational risks that affect their ability to accomplish objectives. We help your organization establish an entity-level risk library that uses succinct risk names and salient risk factors that lead to risk events. We utilize facilitated risk and control self-assessment techniques to help your management understand the relationships between objectives, risks and control maturity.

Through our holistic approach to ERM, management can clearly identify and understand the relative significance of enterprise and organizational level risks so that it can develop cost effective mitigation strategies for underserved risk areas and identify areas of over-control to better allocate resources.

Additionally, your management's enhanced understanding of risk provides the basis from which it can determine the nature of risk and control monitoring. Whether using self-assessment, IT audit, internal audit or forensic procedures, effective monitoring ensures that mitigation strategies are operating effectively and residual risk is in line with management's expectations.

Finally, effective ERM does not result from a "one-time" project, but must be embedded into your business culture in order to be sustainable and to help you gain competitive advantage. This only results from the continuous discussion of objectives, risks and controls among all employees.

At Cherry Bekaert, we design our services to provide your management with the knowledge, tools and methodologies to maintain your enterprise risk management activities with or without ongoing assistance from our Risk Assurance & Advisory Group.



Let us be your guide forward



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