



cutting through complexity™

City of Minneapolis - Audit Committee Workshop

August 29, 2012

Agenda

- Introductions
- Review / Confirm Workshop Goals
 - Definitions
- Minneapolis Audit Committee:
 - Roles and responsibilities of the Audit Committee
 - Define success for Audit Committee performance
- Minneapolis Internal Audit:
 - Roles and responsibilities of Internal Audit
 - Define success for Internal Audit performance
- Q & A

- Appendix: Industry Risk Management Statistics

Introductions

Introductions

- Kreg Weigand
- Phil Bach

Review / Confirm Workshop Goals

Workshop Goals

- Summarize interview themes and expectations for session.
- Confirm current roles and responsibilities for the Audit Committee and Internal Audit as adopted by the City Council on December 18, 2009, collectively referred to as “the Audit Ordinances (2009-Or-190).”
- Discuss how the roles and responsibilities of the Audit Committee and Internal Audit as defined in the Audit Ordinances differ from common and leading practice.
- Provide feedback / themes on the governance structure and process compared to industry and leading practice.
- Determine tangible action items / next steps to enhance the performance of the Audit Committee and Internal Audit.

Interview Themes

To gather background data to facilitate this session, KPMG interviewed the six Audit Committee members, the City Coordinator and the City Clerk. The following are themes for discussion raised by interviewees:

Interview Themes	
Culture – risk awareness	Conflicts of Interest
Education – risk understanding	Pubic / Non-public Findings Disclosure
Stakeholder Support – Council, Audit Committee, etc.	Internal Audit Scope – role & responsibility
Governance – responsibilities & administrative sponsorship	Internal Audit’s Authority to Attend Meetings
Audit Committee Member Rotation	Internal Audit Objectives Conflict – IIA verses Audit Ordinances
Accountability – findings and accepting risk	Internal Audit Pushback – management and departments

Additional themes or goals for today’s workshop?

Definitions

Risk:

The possibility that an event will occur and adversely affect the achievement of City of Minneapolis objectives.

Risk Event:

An incident or occurrence, from sources internal or external to City of Minneapolis, that affects achievement of the City's objectives.

Risk Assessment:

A process or methodology to identify and assess risk

- **impacting an activity, system, department, or enterprise**
- **with the end goal to validate the level of risk and**
- **manage the risk exposure**

The discipline of:

- **Identifying, sourcing, assessing and measuring risk**
- **Formulating risk management strategies**
- **Designing and implementing capabilities for avoiding, reducing, sharing or accepting risk**
- **Monitoring and reporting risk within acceptable appetite and tolerance levels**

Risk management is more about the performance of the *organization* than it is about the performance of *individuals*

Risk Ranking Process

Executive and senior management to rank the top risk factors to identify focus areas based on ranking:

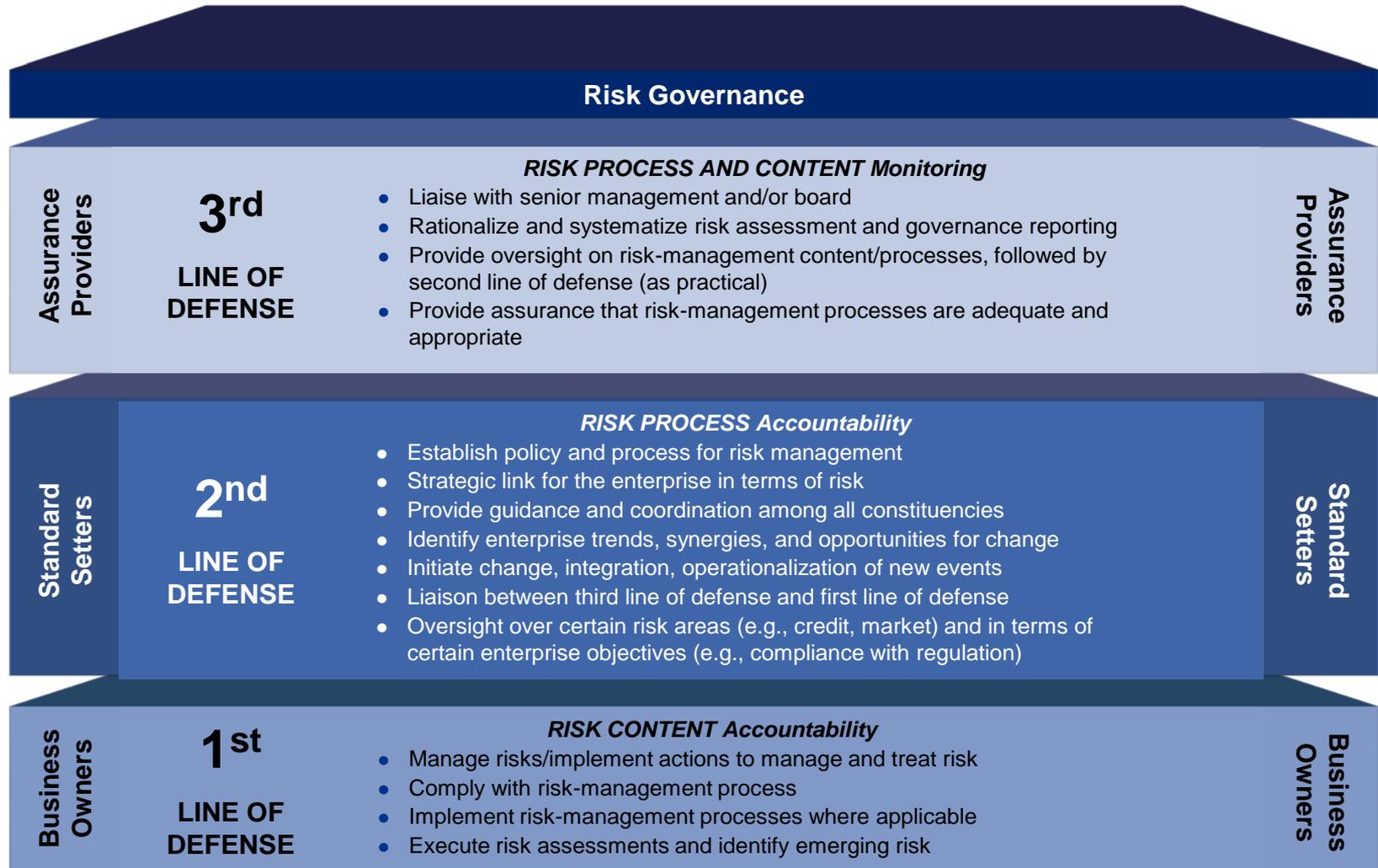
- **Impact or Magnitude** – What is the magnitude of the risk on the agency as a whole?
- **Likelihood** – What is the probability that the risk will occur?
- **Management Effectiveness (current)** – What is the current level at which management is mitigating the risk?
- **Management Effectiveness (desired)** – What is the desired level at which management should mitigate the risk?

Example

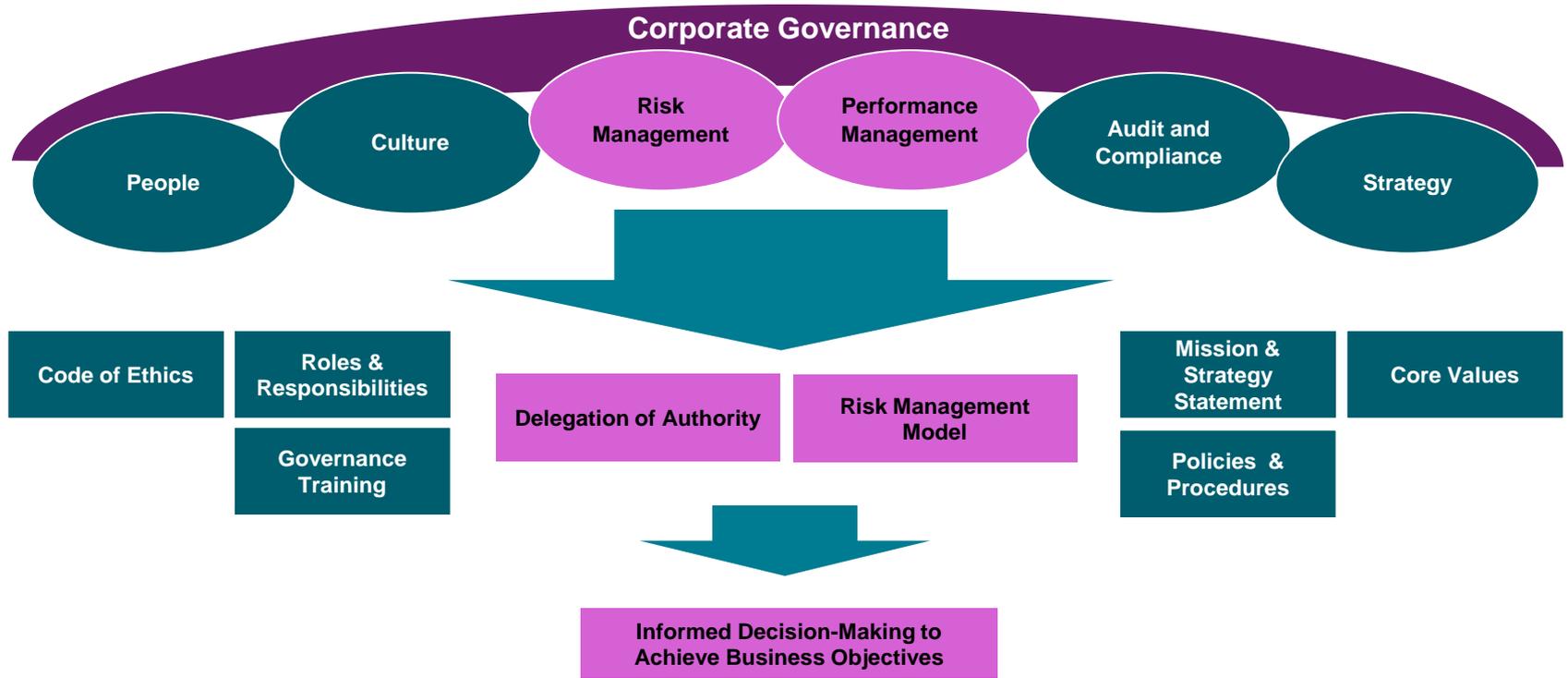
Risk Factor	Impact	Likelihood	Management Effectiveness
Compliance Risk	High – Increasing complexity and volume of compliance requirements	Almost Certain – There is a very high probability that healthcare reform will increase compliance risk	Defined – Compliance reporting, monitoring and validation processes in place

Risk Management Structure and Governance

Three Lines of Defense



Sustainable Risk Management Framework



There is no single tool, committee, or process that can be applied to ensure effective governance

Minneapolis Audit Committee

Roles and Responsibilities – Minneapolis City Ordinance 17.90

Minneapolis City Ordinance 17.90 defines the scope / fiduciary responsibility of the of the Audit Committee as:

“The audit committee shall be responsible for the **oversight** of the city’s internal audit function, financial reporting practices, internal controls, compliance with applicable law and regulation relating to financial controls and other related matters.”

Roles and Responsibilities – Minneapolis City Ordinance 17.90

Audit Committee members have a fiduciary responsibility to **exercise watchful and reasonable care** in supervising the city's:

- Internal audit function
- Financial reporting practices
- Internal controls
- Compliance with applicable law and regulation relating to financial controls, and
- Other related matters.

What stakeholders are relying on your oversight?

Sample Antifraud Program Elements

Prevention	Detection	Response
City Counsel, Senior Level Management, Organization Leadership		
Internal audit		
Compliance and monitoring functions		
<ul style="list-style-type: none"> ■ Fraud and misconduct risk assessment ■ Standards of conduct, policies and procedures ■ Employee and third-party due diligence ■ Communication plan ■ Training programs ■ Process-specific fraud risk controls 	<ul style="list-style-type: none"> ■ Hotlines and whistleblower mechanisms ■ Auditing and monitoring ■ Forensic data analysis 	<ul style="list-style-type: none"> ■ Internal investigations and investigative protocols ■ Enforcement and accountability protocols ■ Disclosure protocols ■ Remedial action protocols

Roles and Responsibilities – Minneapolis City Ordinance 17.90

Audit Committee members have a scope of responsibility that includes **internal controls** at the City of Minneapolis:

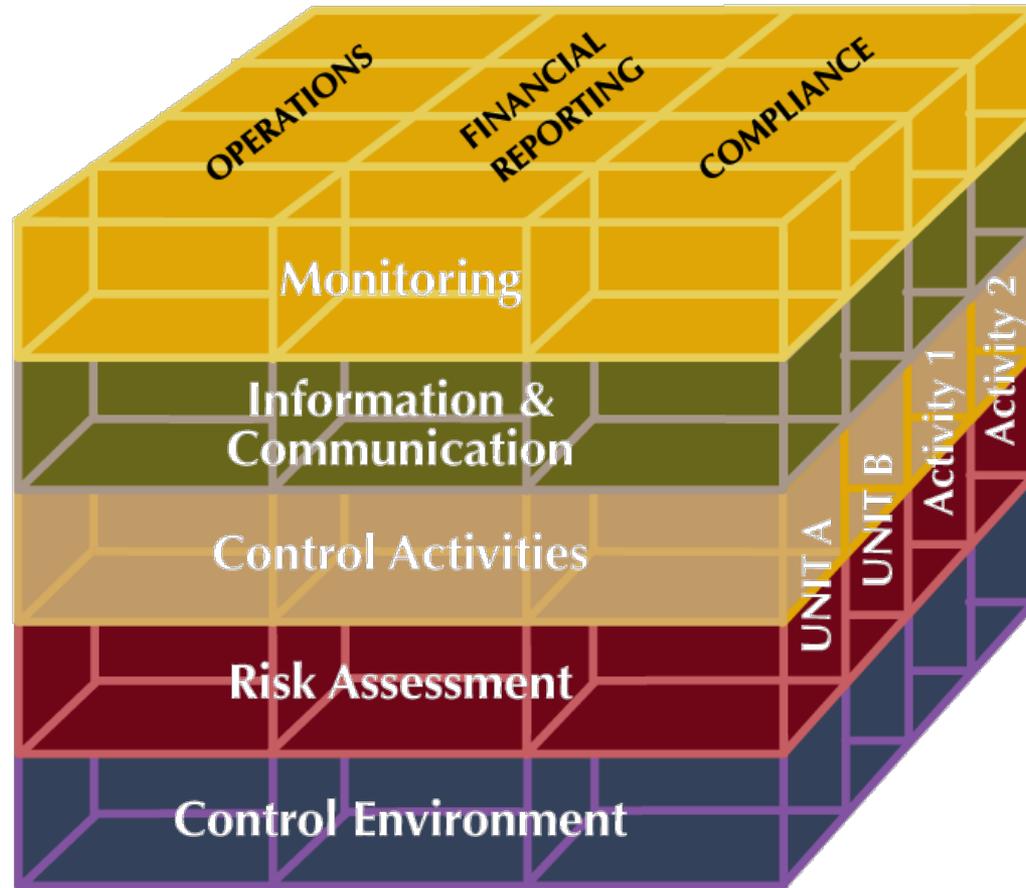
COSO defines internal control as a process, effected by an entity's board of directors, management and other personnel. This process is designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

1. Internal control is a process. It is a means to an end, not an end in itself.
2. Internal control is not merely documented by policy manuals and forms. Rather, it is put in by people at every level of an organization.
3. Internal control can provide only reasonable assurance, not absolute assurance, to an entity's management and board.
4. Internal control is geared to the achievement of objectives in one or more separate but overlapping categories.

Source: The Committee of Sponsoring Organizations of the Treadway Commission

Roles and Responsibilities – Minneapolis City Ordinance 17.90

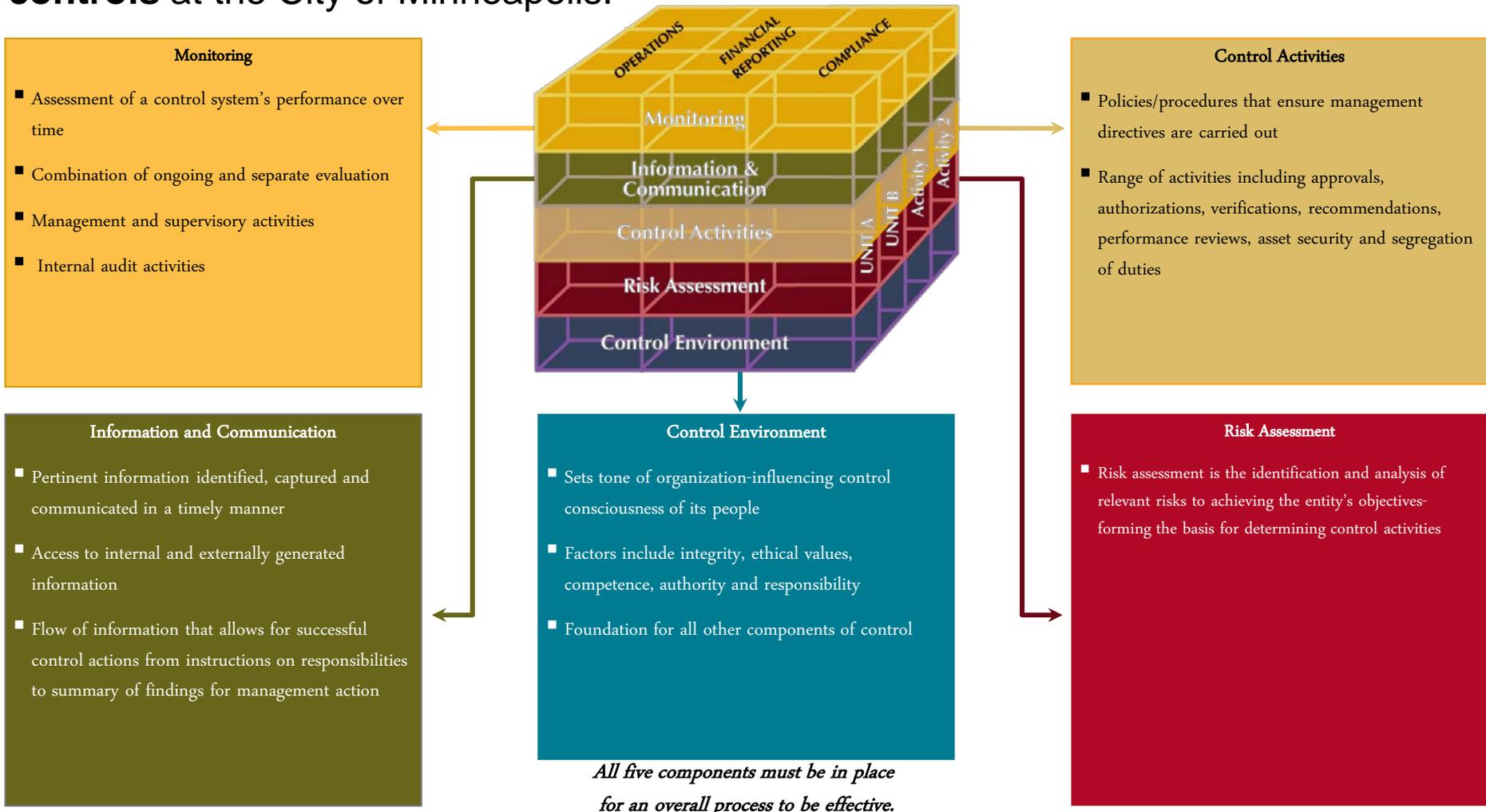
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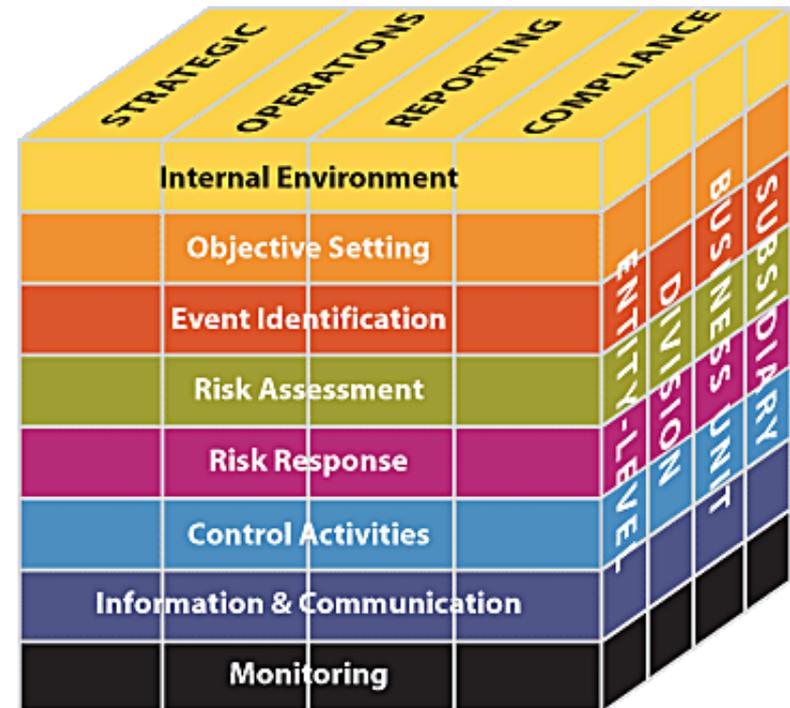
Source: The Committee of Sponsoring Organizations of the Treadway Commission

Roles and Responsibilities – Minneapolis City Ordinance 17.90

COSO in 2004 revised the internal controls framework to include strategic risk:

“Enterprise Risk Management is

- A process,
- Effected by an entity’s board of directors, management and other personnel,
- Applied in strategy setting and across the enterprise,
- Designed to identify potential events that may affect the entity,
- Manage risks to be within its risk appetite, and
- To provide reasonable assurance regarding the achievement of entity objectives.”



Source: [COSO Enterprise Risk Management – Integrated Framework \(September 2004\)](#)

Risk Profile

The risk profile was developed for City of Minneapolis to highlight the relevant risks that the organization may be exposed to from internal and external perspectives. This information was further used to identify the audit projects and develop the three year audit plan.

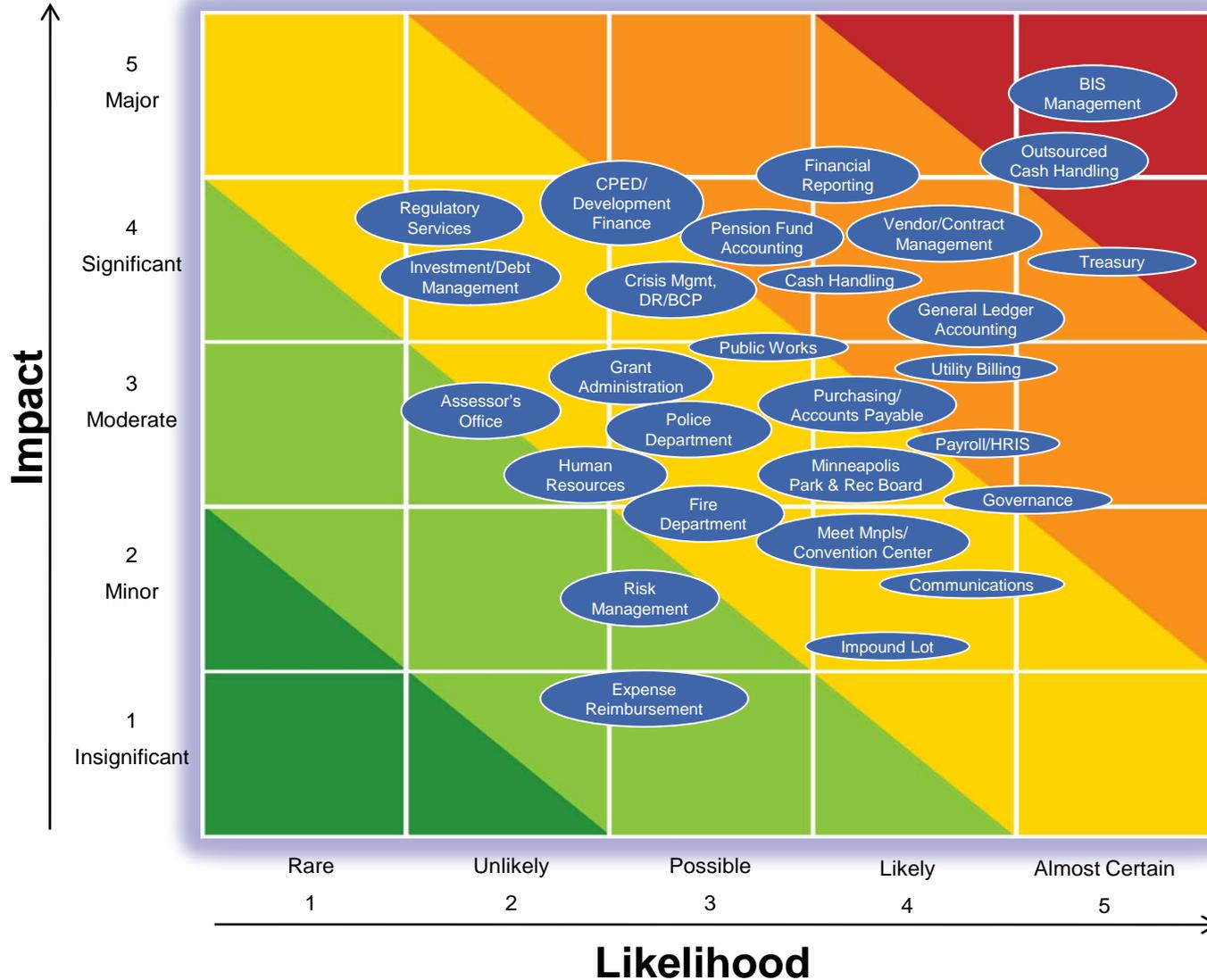
EXTERNAL RISKS

- Capital Availability
- Citizen Needs
- Legislation
- Public Relations
- Political/Jurisdiction
- Economy
- Natural Hazard/Catastrophe
- Regulatory
- Terrorism

INTERNAL RISKS

Strategic	Operational				Financial
<ul style="list-style-type: none"> ▪ Business Model ▪ Business Portfolio ▪ Governance Structure ▪ Planning ▪ Policy Administration ▪ Reputation ▪ Resource Allocation ▪ Social Responsibility ▪ Tax Revenue Base 	Process				<ul style="list-style-type: none"> ▪ Collections ▪ Credit ▪ Funding ▪ Financial Reporting ▪ General Ledger ▪ Investment Management ▪ Pension Fund ▪ Treasury ▪ Utility Billing
	<ul style="list-style-type: none"> ▪ Accounts Payable ▪ Budgeting Process ▪ Business Interruption ▪ Capital Budgeting ▪ Cash Management ▪ Compliance 	<ul style="list-style-type: none"> ▪ Consistency ▪ Contract Management ▪ Crisis Management ▪ Customer Satisfaction ▪ Efficiency ▪ Environmental ▪ Grant Administration ▪ Impound Lot 	<ul style="list-style-type: none"> ▪ Health & Safety ▪ Knowledge Management ▪ Physical Security ▪ Procurement 	<ul style="list-style-type: none"> ▪ Payroll ▪ Records Retention ▪ Segregation of Duties ▪ Tax Collections ▪ Vendor Management 	
	Management Information	Human Capital	Integrity	Technology	
<ul style="list-style-type: none"> ▪ Accounting & Management Information ▪ Budgeting & Forecasting ▪ Completeness / Accuracy ▪ Data Pricing ▪ Information Relevance ▪ HIPAA Compliance ▪ Project Evaluation 	<ul style="list-style-type: none"> ▪ Accountability ▪ Change Readiness ▪ Communications ▪ Competencies/Skills ▪ Employee Benefits ▪ Hiring/Retention ▪ Leadership ▪ Outsourcing ▪ Resource Availability ▪ Succession Planning ▪ Training/Development 	<ul style="list-style-type: none"> ▪ Conflict of Interest ▪ Employee Fraud ▪ Ethical Decision-making ▪ Illegal Acts ▪ Management Fraud ▪ Privacy ▪ Third-Party Fraud ▪ Unauthorized Acts 	<ul style="list-style-type: none"> ▪ Availability ▪ Business Continuity / Disaster Recovery ▪ Change Management ▪ Data Integrity ▪ Infrastructure ▪ Reliability ▪ System Access 		

Auditable Unit Heat Map



- The auditable unit heat map is based on the results of more than 40 interviews with key stakeholders, review of financial and other relevant data, and professional judgment.
- The heat map is based primarily on inherent risk factors. As baseline audits are conducted within the auditable units, the Internal Audit department will begin to reassess auditable units and their residual risks after gaining an understanding of the internal control structure.
- The heat map is subject to further revision through annual and continuous risk monitoring and assessment activities conducted by the Internal Audit department.
- The risks associated with each auditable unit were ranked based on the likelihood of occurrence and severity of impact to the City. These risk ranking criteria were tailored specifically to the City based on quantitative and qualitative factors.

Roles and Responsibilities – Minneapolis City Ordinance 17.90

Ordinance 17.90 further provides the duties of the Audit Committee as follows:

1. Appoint and remove the internal auditor;
2. Review and approve the internal auditor's annual audit plan;
3. Review the audit reports directed to it and make recommendations to the city council on the appropriate course of action on any such audit reports;
4. Monitor the internal auditor's results and follow-up activity; and
5. Review reports of the state auditor prepared for any of the city's departments, boards and commissions.

The Audit Committee relies on Internal Audit to independently validate that their oversight responsibilities are being met by management.

Define Success for the Audit Committee

"A committee of the Board of Directors whose role typically focuses on aspects of financial reporting and on the entity's processes to manage business and financial risk, and for compliance with significant applicable legal, ethical, and regulatory requirements. The Audit Committee typically assists the Board with the oversight of (a) the integrity of the entity's financial statements, (b) the entity's compliance with legal and regulatory requirements, (c) the independent auditors' qualifications and independence, (d) the performance of the entity's internal audit function and that of the independent auditors and (e) compensation of company executives (in absence of a remuneration committee)."(Standard INTOSAI GOV #9100, "Internal Control Standards for the Public Sector", annex 2)

Source: ["INTOSAI definition"](#). INTOSAI definition.

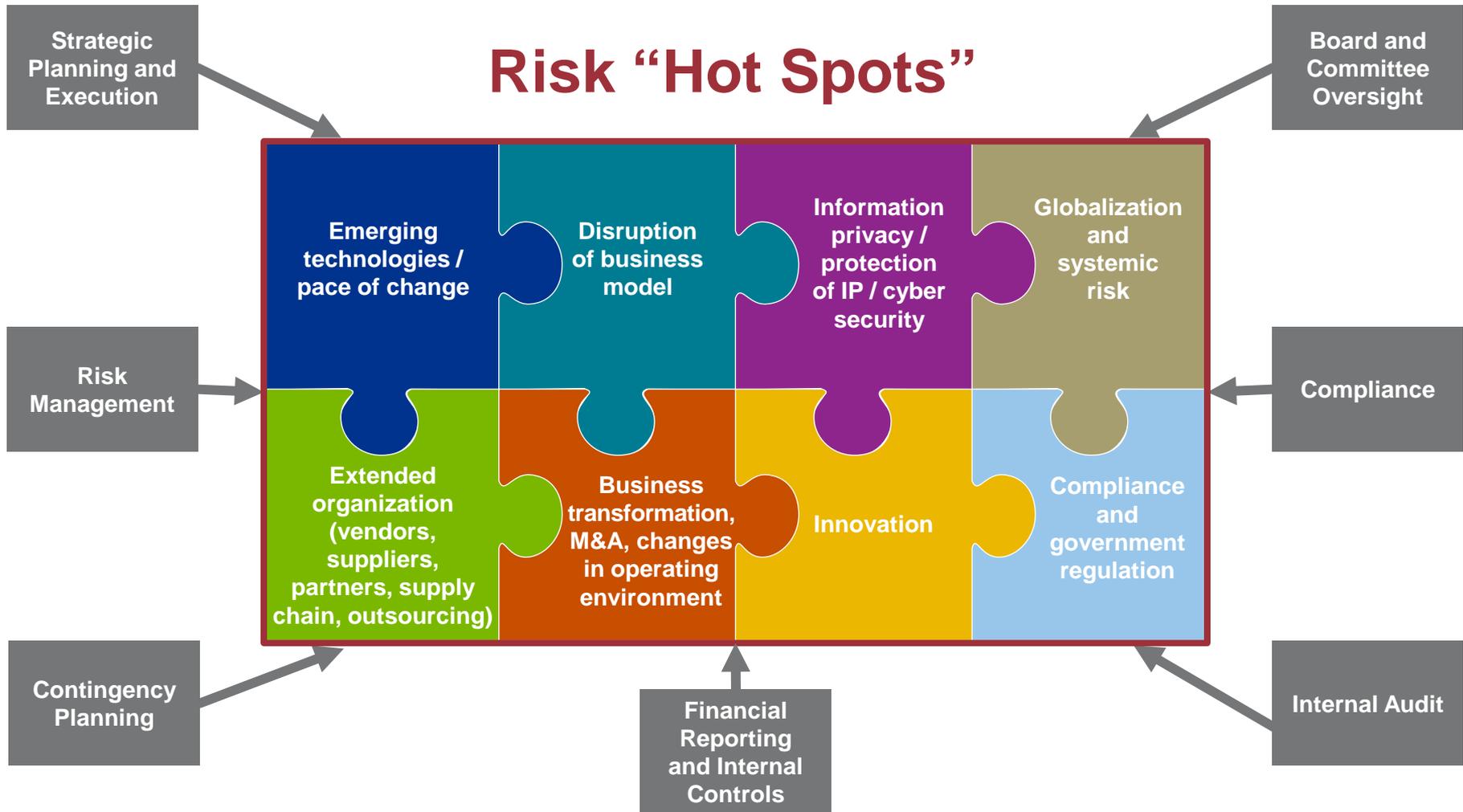
Define Success for the Audit Committee

KPMG's Audit Committee Institute "Ten To-Do's for Audit Committees in 2012":

1. Stay focused on the audit committee's top priority: financial reporting and related internal control risk.
2. Continue to monitor accounting judgments and estimates, and prepare for accounting changes.
3. Consider whether financial statements and disclosures tell the company's story.
4. Focus on the company's plans to grow and innovate.
5. Reassess the company's vulnerability to business interruption, and its crisis readiness.
6. Understand how technology changes and innovation are transforming the business landscape – and impacting the company.
7. Focus on asymmetric information risk and seek out dissenting views.
8. Consider the impact of the regulatory environment on compliance programs and business plans.
9. Understand the company's significant tax risks and how they are being managed and modeled.
10. Monitor the PCAOB's initiatives on auditor independence and transparency, and consider the implications for the audit committee.

Source: [KPMG Audit Committee Institute Spring 2012](#).

Define Success for the Audit Committee



Source: KPMG Audit Committee Institute Spring 2012.

Define Success for the Audit Committee

Running an effective board or audit committee to achieve the objectives of oversight means managing judgment traps and biases:

“An audit committee where everybody is happy and likes each other is an audit committee that makes me nervous.”

– Michael Schrage (MIT Sloan School of Management)

One-third of audit committee members surveyed indicate that they believe unhealthy groupthink tendencies influence their meetings.

– KPMG Audit Committee Institute (2011 survey)

“A hasty judgment is a first step to recantation.”

– Publilius Syrus (Roman writer)

“If everyone is thinking alike, someone isn’t thinking.”

– General George S. Patton

Source: COSO / IIA Enhancing Board Oversight – Avoiding Judgment Traps and Biases.

Minneapolis Internal Audit

Roles and Responsibilities – Minneapolis City Ordinance 17.80, 17.110 & 17.120

Minneapolis City Ordinances 17.80, 17.110 and 17.120 details the office and duties of Internal Audit. The office of Internal Auditor was established to:

- Conduct financial, fiscal compliance, and financial procedure audits of all city departments, boards and commissions;
- Conduct audits of individual audit transactions, contracts and franchises of the city; and
- Audit the financial and accounting systems and procedures administered by the finance department and other city departments, boards and commissions.

Is the scope of internal audit's responsibilities consistent with your responsibility to oversee internal controls?

Roles and Responsibilities – Minneapolis City Ordinance 17.80

Minneapolis City Ordinance 17.80 details regarding when the internal auditor generates audit findings indicating financial control deficiencies, the internal auditor is required to:

- Appraise the audit committee of the adequacy of action taken by departments to correct reported deficiencies.
- Submit an annual report to the mayor and city council of significant findings which have not been fully addressed by management.

Roles and Responsibilities – Minneapolis City Ordinance 17.110

Minneapolis City Ordinance 17.110 details that the internal auditor is required to:

- “[i]mplement a comprehensive audit plan to review and evaluate the adequacy and effectiveness of the city’s internal system of financial controls. 17.110(a) (4) & (7)
- Such an audit plan is to be submitted annually for review and approval of the audit committee. 17.110(a) (5)

Minneapolis City Ordinance 17.120 (b) (a) states that:

- Programmatic audits may be requested by the major, city council, finance officer, city departments or boards and commissions but are subject to the approval of the Audit Committee.

Roles and Responsibilities – Minneapolis City Ordinance 17.80

Minneapolis City Ordinance 17.80 (c) details that the internal auditor is required to:

- The office of internal audit shall adhere to the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors and such other standards as set by other bodies that apply to internal audit practices of local governments to conduct the auditor's work and be independent as defined by the standards.

Define Success for Internal Audit

The definition of internal audit as defined by the Institute of Internal Auditors is:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Source: The Institute of Internal Auditors <http://www.theiia.org/guidance/standards-and-guidance/ippf/definition-of-internal-auditing/>

Define Success for Internal Audit

Attributes of a successful internal audit department:

- **Independence** – no implementations, management decisions or ownership of the business. Independent validator of risk management policies and procedures.
- **Full Access / Support** – to business, attend meetings, request data and audit according to the Audit Committee approved audit plan.
- **Advisor** – partner with the business to help them address risks and control weaknesses. Allowed to make recommendations for implementation.
- **Business Acumen** – understanding the organization and it's employees, processes and culture.
- **Communication** – good listeners, information translators, persuading presenters and accurate reporters.
- **Integrity / Courage** – non-negotiable professionalism to do the right thing.
- **Skills / Talent Development** – combination of seasoned and developing professionals benchmarking processes, procedures and capabilities.

Define Success for Internal Audit

The definition of independent as characterized by the Institute of Internal Auditors as having the following attributes:

- ❑ **Attitude.** The individual to whom the CAE reports administratively takes the independence of internal auditing very seriously, and never interposes his or her judgment in terms of internal audit coverage or results. The strongest message I would typically hear from such an individual is “internal auditing does not really work for me — it works for the audit committee.”
- ❑ **Stature.** The individual to whom the CAE reports administratively possesses sufficient authority to promote independence and appropriate action on engagement recommendations.
- ❑ **Perception.** The CEO and other executives within the company genuinely believe that internal auditing works for the audit committee.
- ❑ **The Charter.** The internal audit charter is very clear on the significance of the functional reporting relationship to the audit committee and includes specific audit committee responsibilities for internal auditing such as hiring, evaluating, and determining the compensation of the CAE.
- ❑ **Actions.** The actions of the audit committee reflect that it views internal auditing as reporting directly to it.

Source: The Institute of Internal Auditors

<http://www.theiia.org/blogs/chambers/index.cfm/post/Independence:%20What%20Does%20It%20Really%20Mean>

Q&A

Questions for discussion:

- Is the City of Minneapolis “Auditor Ordinance” create an effective governance structure for the Audit Committee and Internal Audit to assess internal control effectiveness?
- Can the Audit Committee fulfill it’s fiduciary objectives under the ordinance structure today?
- Is the City of Minneapolis “Auditor Ordinance” aligned with Institute of Internal Audit standards for internal audit and independence?
- Does the governance structure in the City of Minneapolis “Auditor Ordinance” effectively manage potential conflict of interest situations?
- Who is the administrative champion for Internal Audit?
- Is the City of Minneapolis creating a risk aware culture through education and oversight support through the Audit Committee and Internal Audit?

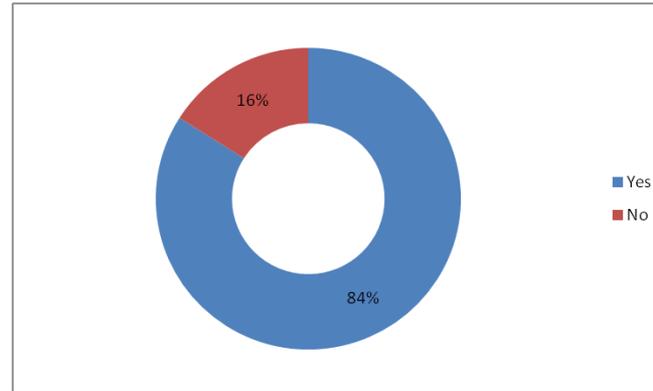
Appendix: Industry Risk Management Statistics

Risk Survey Results

Board and Executive Committee Operations

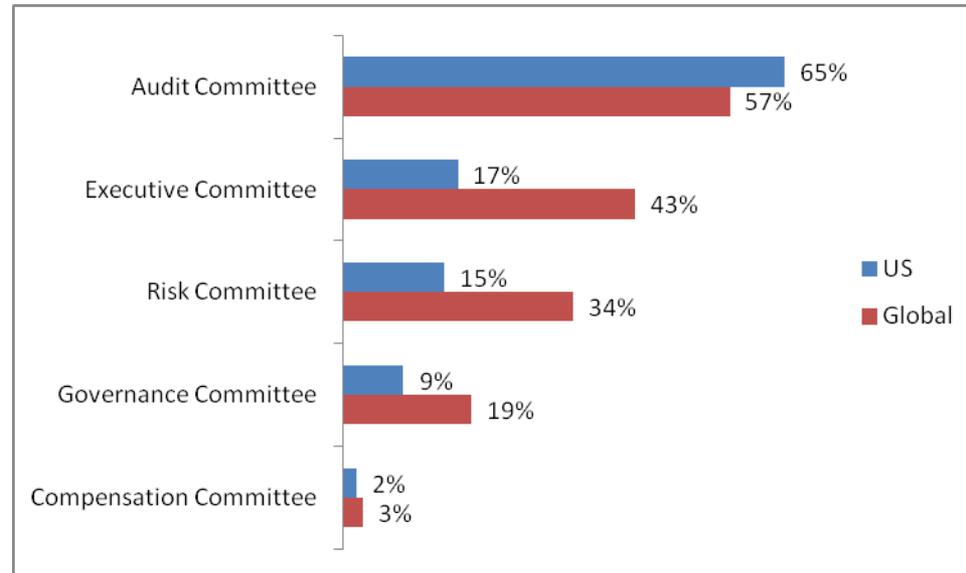
Does the full board retain overall responsibility for risk oversight?

Source: *Board Risk Oversight - A Progress Report (2010)* – Sponsored by Protiviti and COSO



When the board of directors formally assigns risk oversight responsibility to one or more board level committees, the following committees receive that delegated responsibility:

Source: *Enterprise Risk Oversight - A Global Analysis (2010)* – Sponsored by the AICPA and CIMA

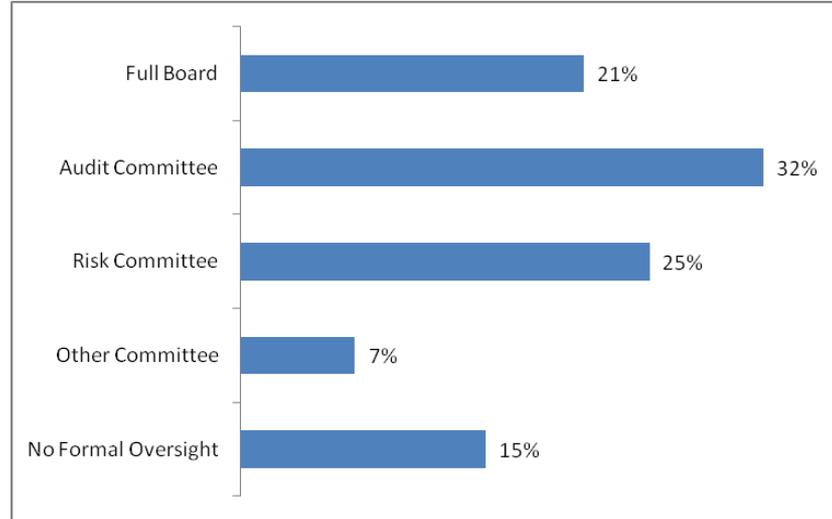


Risk Survey Results

Board and Executive Committee Operations

How does your organization's board discharge its enterprise risk oversight responsibility?

Source: *An Evolving Model for Board Risk Governance (2011)* – Sponsored by RIMS

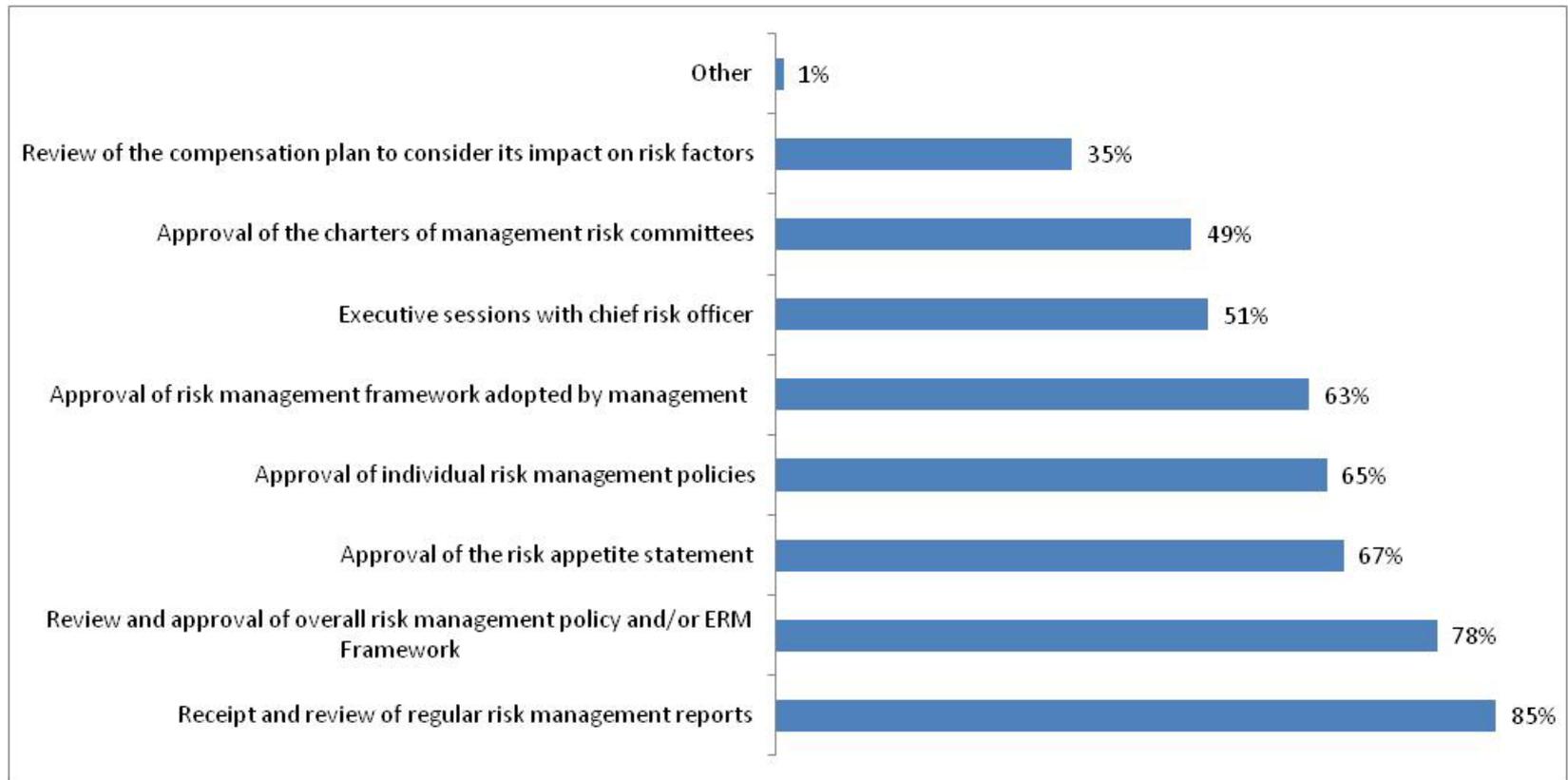


Risk Survey Results

Board and Executive Committee Operations

Which of the following describe the roles in risk management of the board of directors in your organization?

Source: *Global Risk Management Survey: Seventh Edition - Navigating in a Changed World (2010)* – Sponsored by Deloitte

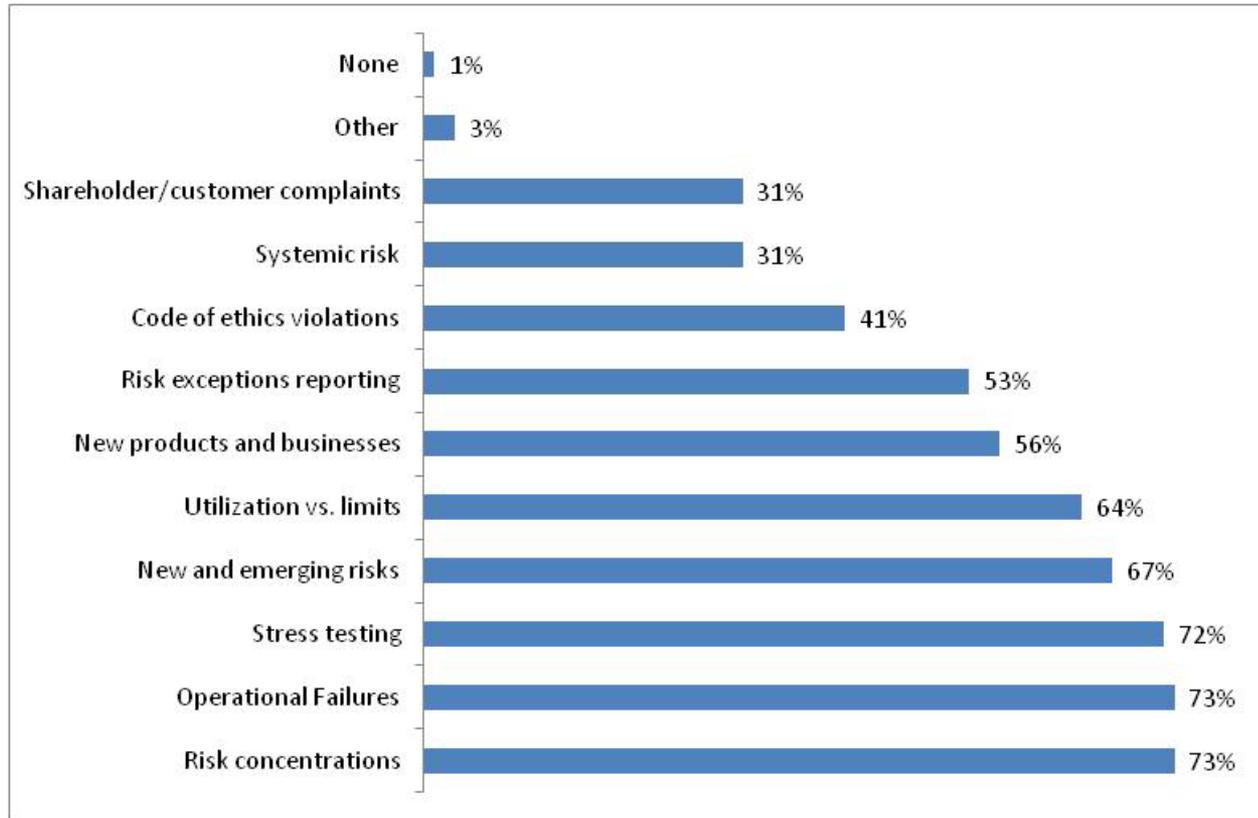


Risk Survey Results

Board and Executive Committee Operations

Which of the following types of risk information does your organization currently report to the board of directors?

Source: *Global Risk Management Survey: Seventh Edition - Navigating in a Changed World (2010)* – Sponsored by Deloitte

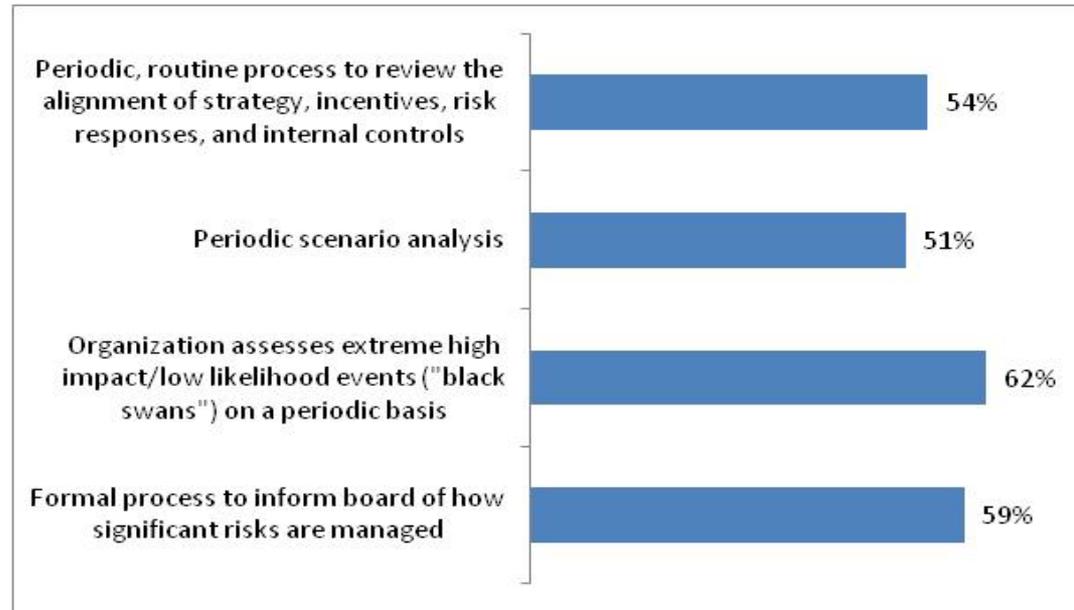


Risk Survey Results

Board and Executive Committee Operations

How is the board apprised of significant risk matters?

Source: *Board Risk Oversight - A Progress Report (2010)* – Sponsored by Protiviti and COSO



Risk Survey Results

Board and Executive Committee Operations

The board periodically assesses whether the organization's risk management system (including policies, procedures, people and reporting) is sufficiently resourced.

Response	Percentage
Performed as a robust and mature activity, with the board satisfied with the supporting process	14%
Performed as a rigorous defined activity with an ongoing process; however, improvements needed	21%
Performed routinely; however, the supporting process is ad hoc	18%
Performed on an as-needed basis, as decided by the board or management	20%
Not performed, but under development	15%
Not performed, with no plans to perform	12%

Source: COSO – Board Risk Oversight ,
A Progress Report by Protiviti

Risk Survey Results

Board and Executive Committee Operations

The board's risk oversight process is periodically evaluated to determine if the board is achieving its oversight objectives.

Response	Percentage
Performed as a robust and mature activity, with the board satisfied with the supporting process	8%
Performed as a rigorous defined activity with an ongoing process; however, improvements needed	14%
Performed routinely; however, the supporting process is ad hoc	15%
Performed on an as-needed basis, as decided by the board or management	34%
Not performed, but under development	17%
Not performed, with no plans to perform	12%

Source: COSO – Board Risk Oversight ,
A Progress Report by Protiviti

Risk Survey Results

Risk Information Provided to the Board

Information Received	Quarterly	2-3 Times a Year	Annually	Subtotal (at least annually)	Less than once a year	Ad hoc, e.g., as requested by board	Not at all
Periodic overview of management's methodologies used to assess, prioritize, and measure risk	19%	17%	29%	65%	3%	19%	13%
High-level summary of the top risks for the enterprise as a whole and its operating units	22%	18%	31%	71%	4%	16%	9%
Summary of emerging risks that warrant board attention	25%	21%	13%	59%	3%	25%	13%
Summary of significant gaps in capabilities for managing key risks and the status of initiatives to address those gaps	21%	12%	20%	53%	4%	23%	20%
Risk reports, such as trends in key risk indicators	30%	13%	15%	58%	5%	12%	25%
Report on effectiveness of responses for mitigating the most significant risks	28%	12%	16%	56%	3%	23%	18%
Summary of significant changes in the assumptions and inherent risks underlying the strategy and their effect on the business	21%	13%	22%	56%	4%	21%	19%
Summary of exceptions to management's established policies or limits for key risks	25%	11%	13%	49%	5%	21%	25%
Scenario analyses evaluating the impact of changes in key external variables impacting the organization	16%	10%	23%	49%	4%	20%	27%

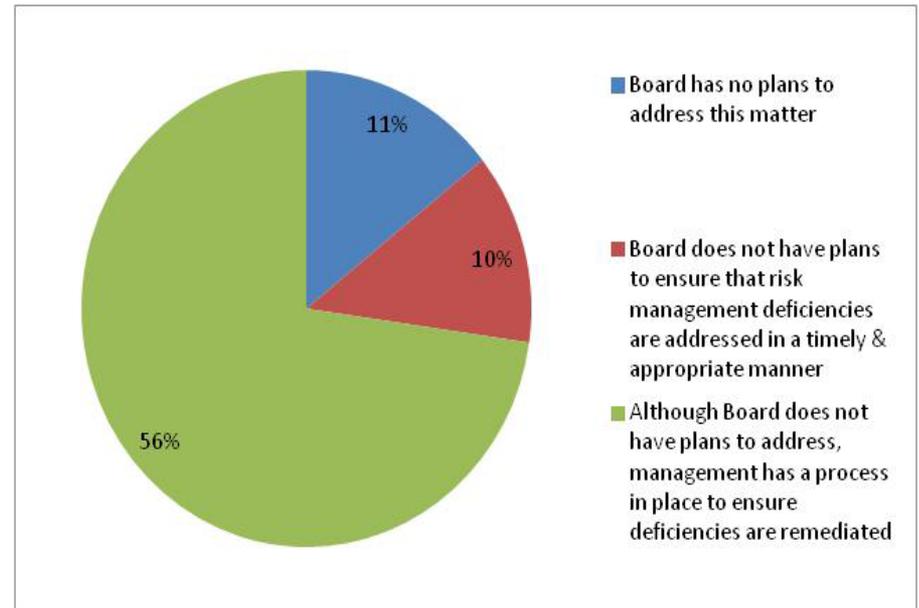
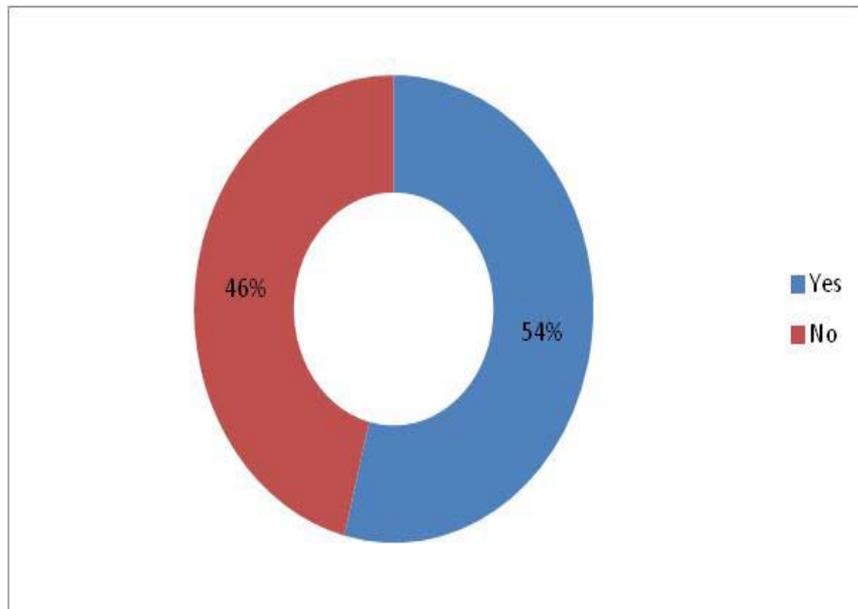
Source: COSO – Board Risk Oversight ,
A Progress Report by Protiviti

Risk Survey Results

Risk Strategy and Appetite

Is there a defined process to notify the board when risk limits have been exceeded?

Source: Board Risk Oversight - A Progress Report (2010) – Sponsored by Protiviti and COSO



Risk Survey Results

Risk Management Organizational Structure

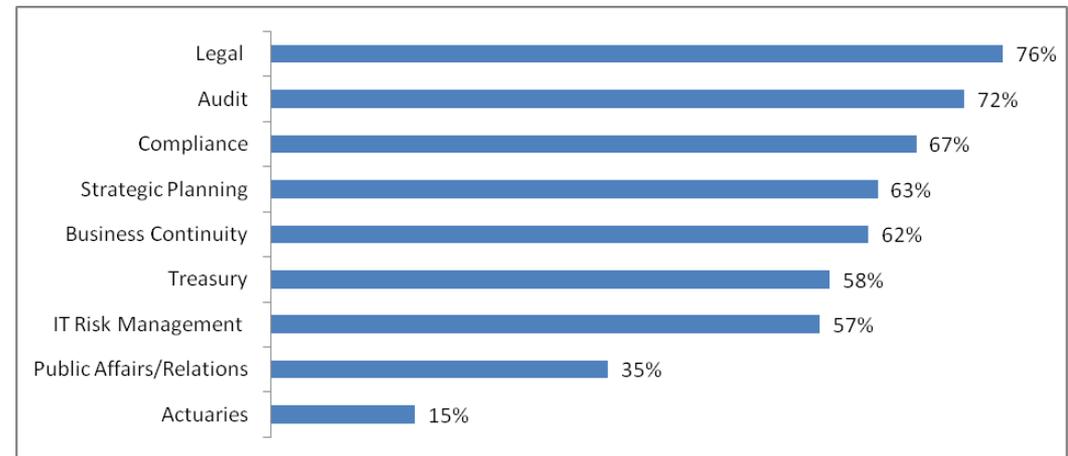
Which departments regularly receive risk management information?

Source: *Emerging Risks: Strategic Decision Making in the Face of Uncertainty (2009)* – Sponsored by FT and Oliver Wyman



Which risk functions are included in ERM activity planning and execution?

Source: *2011 Enterprise Risk Management Survey (2010)* – Sponsored by RIMS

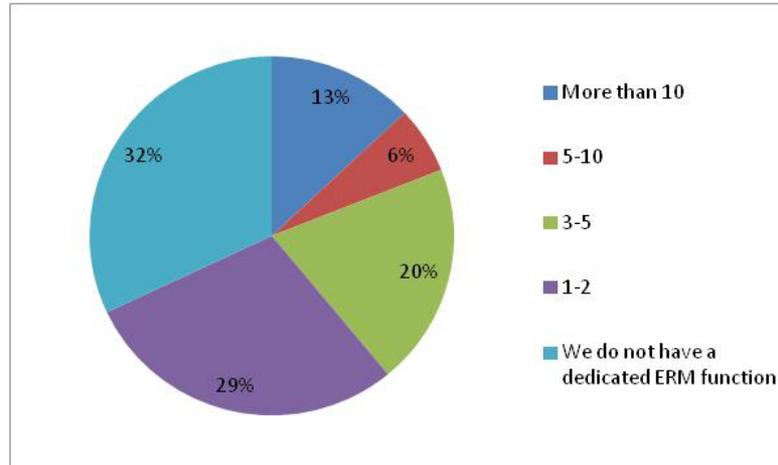


Risk Survey Results

Risk Management Organizational Structure

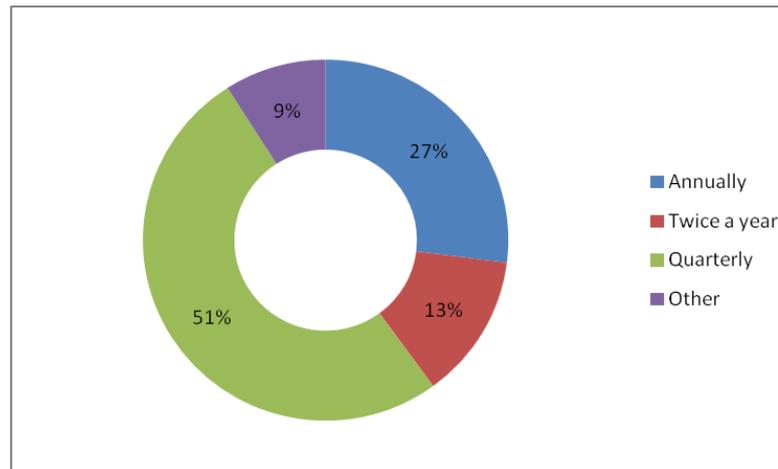
Number of employees dedicated to the ERM function

Source: *Global Enterprise Risk Management Survey 2010 – Sponsored by AON*



How frequently does internal audit provide the audit committee with assessments of the company's risk management processes?

Source: *2011 Public Company Audit Committee Member Survey – Highlights – Sponsored by KPMG and NACD*



Risk Survey Results

Internal Risk Governance Structure

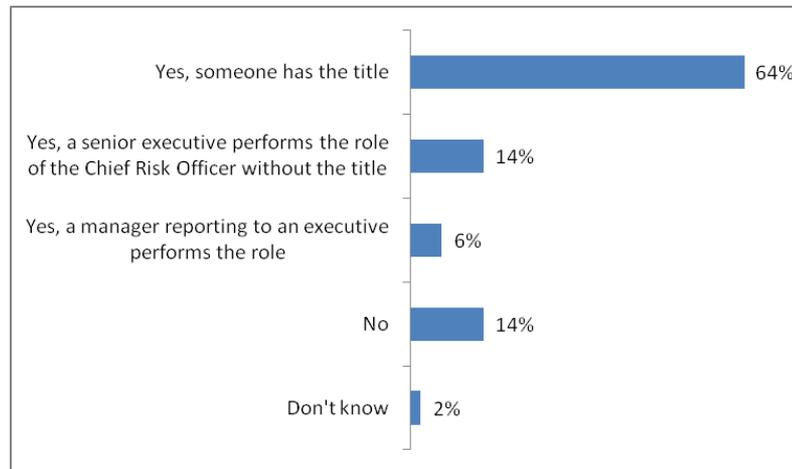
Prime sponsor of ERM (%)

Source: *Global Enterprise Risk Management Survey 2010 – Sponsored by AON*



Does your company have a chief risk officer?

Source: *Report of the Accenture 2011 Global Risk Management Study*

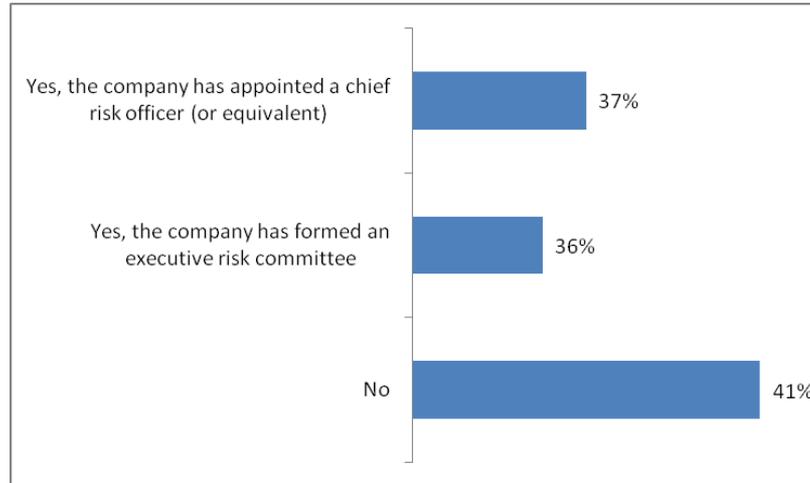


Risk Survey Results

Internal Risk Governance Structure

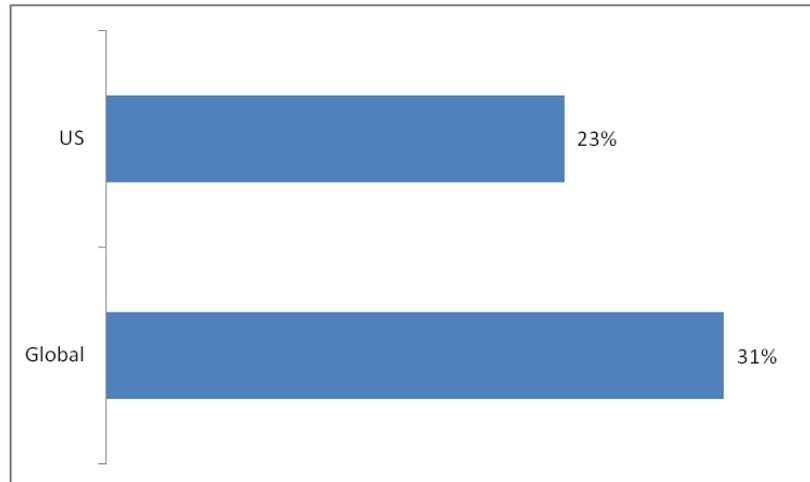
Has management at your company formed an executive risk committee and/or appointed a chief risk officer (or equivalent) to support the company's risk management program?

Source: 2011 Public Company Audit Committee Member Survey – Highlights – Sponsored by KPMG and NACD



Has the organization formally designated an individual to serve as chief risk officer or equivalent?

Source: Enterprise Risk Oversight - A Global Analysis (2010) – Sponsored by the AICPA and CIMA



Risk Survey Results

Internal Risk Governance Structure

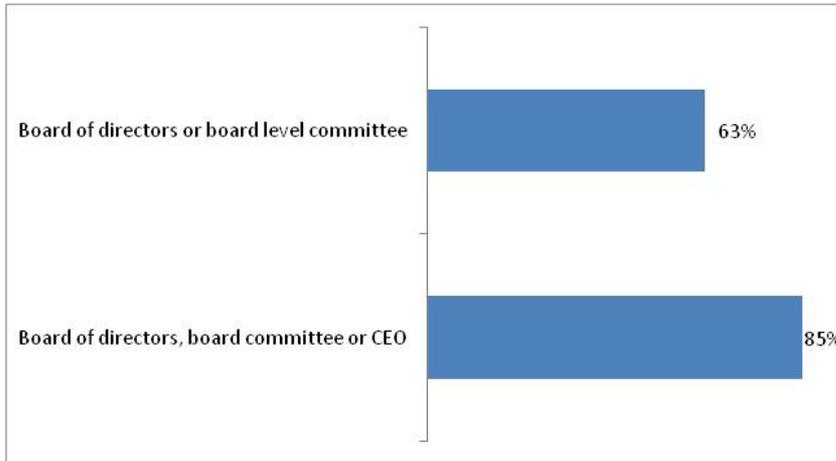
To whom does the CRO (or equivalent) report?

Source: *Global Management Survey: Sixth Edition - Risk Management in the Spotlight (2008)* – Sponsored by Deloitte



To whom does the CRO report?

Source: *Global Risk Management Survey: Seventh Edition - Navigating in a Changed World (2010)* – Sponsored by Deloitte

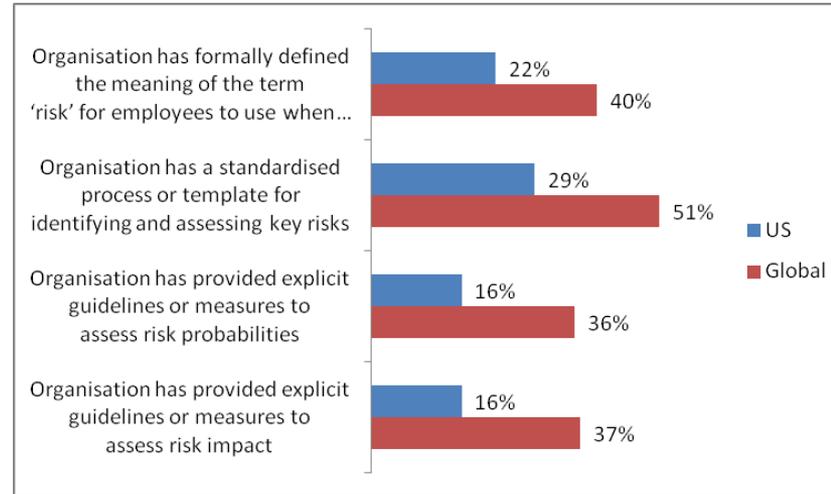


Risk Survey Results

Risk Aware Culture

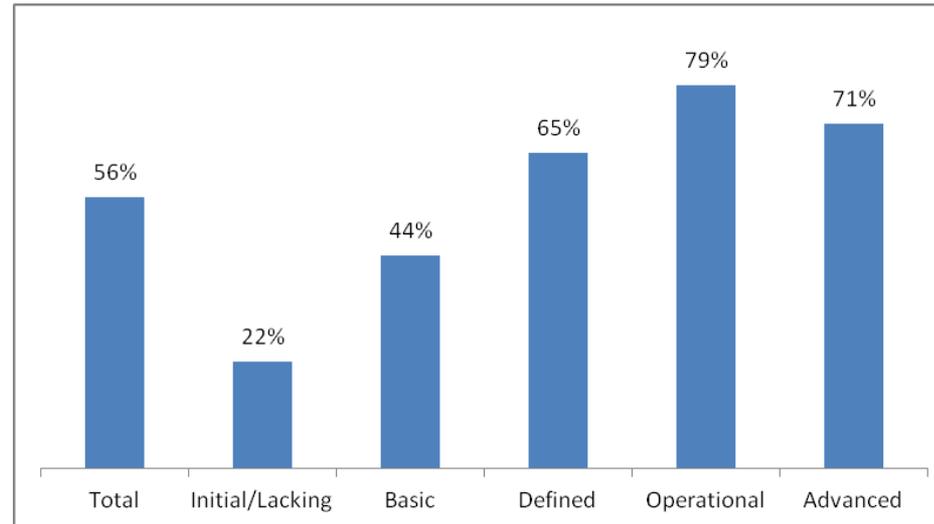
Has the organization formally defined and standardized process for identifying risk?

Source: *Enterprise Risk Oversight - A Global Analysis (2010)* – Sponsored by the AICPA and CIMA



Success Ranking in Changing/Creating a Risk Culture: Clear Risk Accountabilities

Source: *Global Enterprise Risk Management Survey 2010* – Sponsored by AON

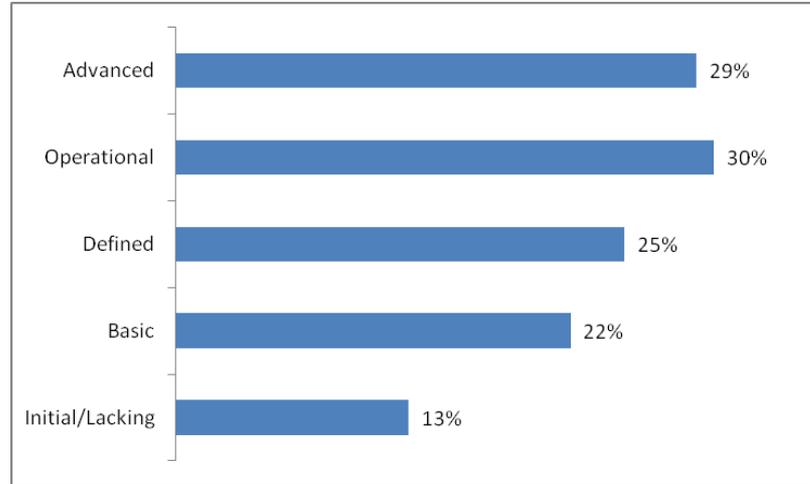


Risk Survey Results

Risk Aware Culture

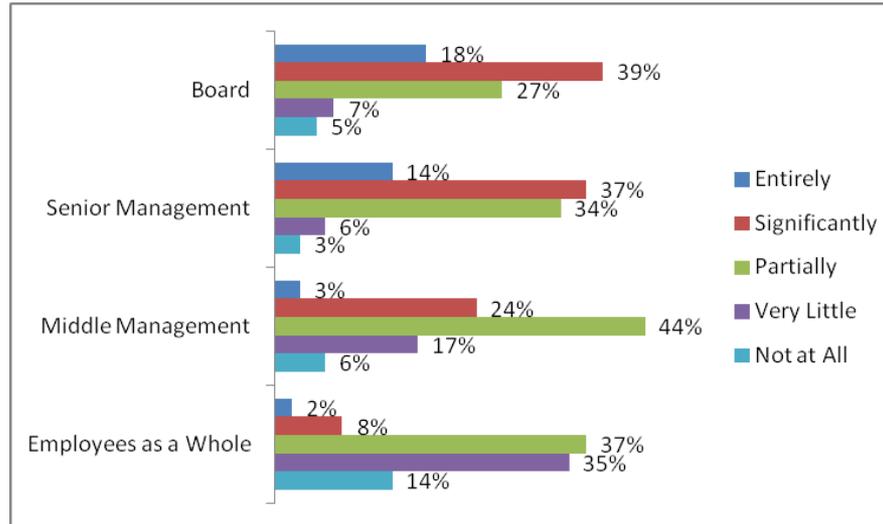
Success using ERM in the analysis of unexpected events

Source: Global Enterprise Risk Management Survey 2010 – Sponsored by AON



Level of understanding of ERM objectives

Source: Global Enterprise Risk Management Survey 2010 – Sponsored by AON

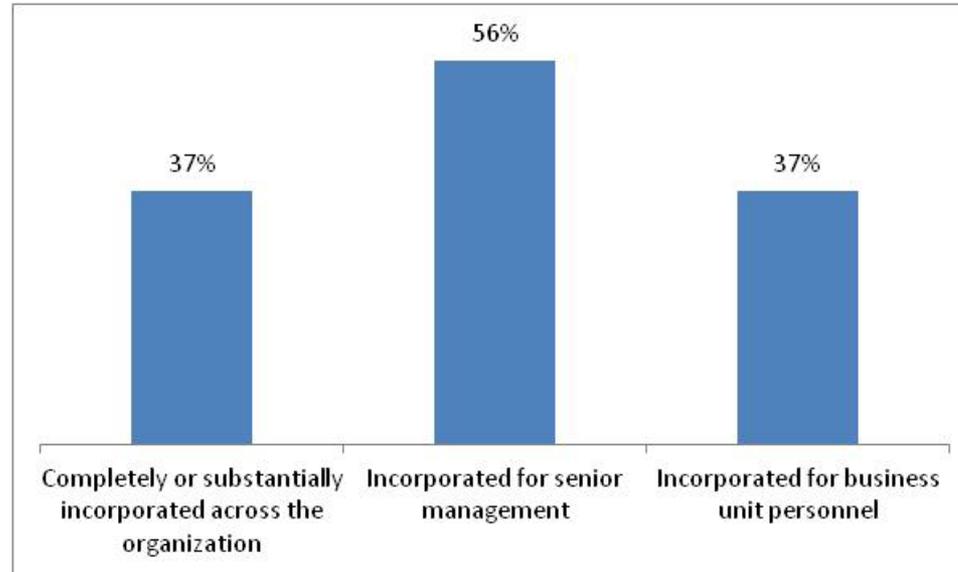


Risk Survey Results

Risk Aware Culture

Have risk management considerations been incorporated into performance goals?

Source: *Global Risk Management Survey: Seventh Edition - Navigating in a Changed World (2010)* – Sponsored by Deloitte



Risk Survey Results

Successful Techniques Used to Embed ERM in Corporate Culture

Technique	Percentage
Risk assessment and analysis	60%
Internal relationship management and facilitation	51%
Risk reporting and governance	48%
Risk management strategy development and policy setting	46%
Stakeholder engagement and communication	46%
Alignment with other processes	45%
Assessments and decisions on risk mitigation	30%
Quantification and definition of risk appetite	23%
Analysis of unexpected events	23%
ERM awareness and training programs	23%
Evaluation of key vendor ERM programs	11%
Change and improvement program management	10%
Actuarial based quantification techniques	7%

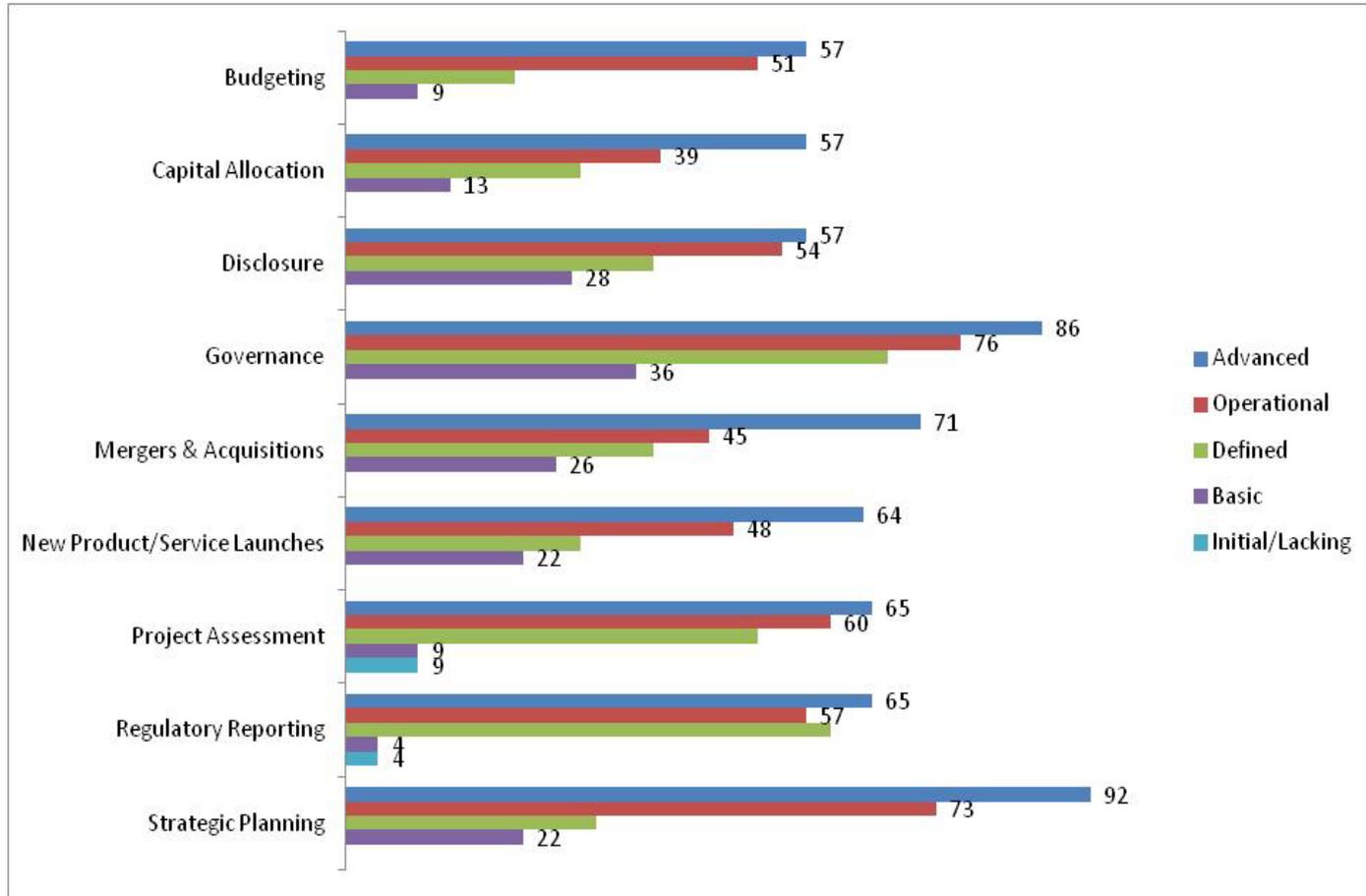
Source: AON Global Enterprise Risk Management Survey 2010

Observation # 6 – Risk Survey Results

Integration into the Business

Integration of risk-based information into business processes (%)

Source: Global Enterprise Risk Management Survey 2010 – Sponsored by AON

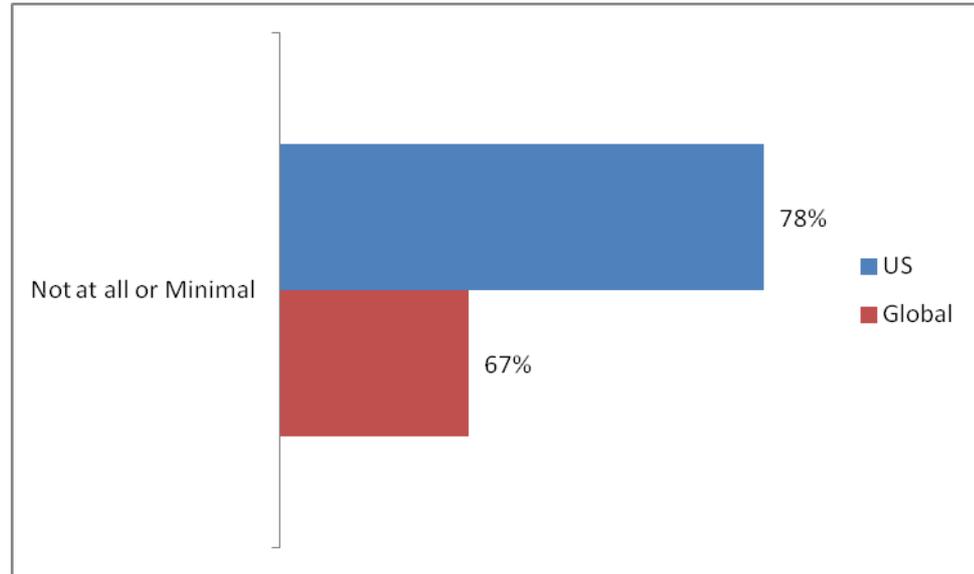


Risk Survey Results

Learning and Development

Has there been effort to train executives and key business unit leaders about key aspects of enterprise risk management?

Source: *Enterprise Risk Oversight - A Global Analysis (2010)* – Sponsored by the AICPA and CIMA



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation

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