



Internal audit’s role in risk assessment

Internal Audit Megatrends | 5x5: Insights and actions

As risk management continues to be a strategic enabler for enterprises, siloed structures and approaches to assessing risks are under the microscope. Legacy frameworks and approaches often impede an enterprise approach to risk management by inadvertently blocking alignment with an organization’s overall strategy and goals.

A more beneficial route may be the development of a dynamic, integrated approach to risk assessment—one that is enabled by digital capabilities and can improve enterprise-wide risk coverage, resource allocations and alignment, and efficiencies while increasing insights. What do internal audit teams need to consider to lead their organization in evolving risk assessments into a continuous assurance model? Here are our top 5 insights and actions:

5 insights you should know

- Historical risk assessments mostly leveraged internal insights gained through interviews and surveys. **Emerging risk assessment inputs can be comprised from a variety of internal and external sources of structured data and unstructured data.**
- In many organizations, the current state of risk assessments is characterized by disparate, siloed activities in functions such as enterprise risk management, controllership, information technology (IT), compliance, and internal audit. These functions may operate with separate or inconsistent approaches to risk classification, risk rating(s) and risk definition. **Integrated risk assessments can drive efficiencies and enhanced insights through the alignment of risk frameworks, taxonomies and risk intake activities and assurance coverage.**
- Emerging applications of artificial intelligence (AI) are becoming critical to help organizations achieve value and efficiencies to the risk assessment process**—from risk sensing capabilities to risk scoring, through to dynamic reporting.
- Immersive experiences bringing leaders across the organization together to solve complex problems and can help organizations further integrate risk activities and functions. **Leveraging workshops in the risk assessment process can facilitate enhanced understanding of risk prioritization, drive consensus, and identify cross-functional risk coverage (including alignment on the internal audit plan).**
- As risk velocity continues to accelerate, **many organizations are searching for ways to perform more dynamic assessments and monitoring to increase their insight into emerging threats.**

5 actions you can take

- 1. Evolve your current risk assessment inputs through advanced internal and external risk sensing (of both structured and unstructured data), including **collaborating across the enterprise to understand and consider sensing capabilities are already in place**. Potential inputs may include financial/operational metrics/data, human resources data, social media sensing, industry trends, competitor analysis, prior reports (internal audit, compliance, etc.), whistleblower hotline activity, etc.
- 2. Gain an understanding of risk assessment efforts across the enterprise (such as compliance, SOX, ERM, etc.) and **bring leaders together to align on a common framework and guiding principles**, such as level 1 risk taxonomy, roles and responsibilities, alignment to corporate strategy, governance, and various reporting requirements.
- 3. Assess the current state risk assessment lifecycle and **identify points where digital capabilities can be leveraged**. Consider level of effort versus return on investment to aid in prioritization of various AI capabilities. Refer to 3 Ways to Transform Risk Assessments with AI on the following page for ideas to get started.
- 4. Consider conducting a dedicated workshop session with relevant stakeholders for integration enhancement, incorporation of new technologies, visioning of future state risk assessment, or alignment on top organizational risks. See risk assessment capability model to **assess current versus future state and identify areas where an immersive experience may accelerate the path to future state**.
- 5. Identify risk inputs and key risk indicators which can **provide a continuous feedback loop for assessing and monitoring risks**. At its core, the dynamic environment’s engine is the iterative process, which creates a feedback loop of information. By factoring a continual flow of updated information into a risk assessment, leaders and their teams can develop a more accurate picture of the risk ecosystem within which their company operates.

Risk assessment experience | Insights from the field



Integrating risk assessments across the organization

Common challenge:

- Duplication of efforts across various stakeholder groups
- Inability to identify assurance activities across the organization and report risk coverage/mitigation to executive leadership

Approach:

- Leverage lab setting to level-set current state across risk stakeholders and align on future vision
- Build a tailored solution and operating model based on feedback and NorthStar objectives
- Integrate operational risk management program leveraging organization's current technologies

Potential impact:

- Enhanced operational capabilities resulting in a well integrated model allowing efficient delivery of the operational risk management program
- A structured and coherent approach to identifying, assessing, and managing risk
- Reduced efforts across risk groups through utilization of one risk assessment and coordination on execution of risk programs



Implementing dynamic risk monitoring for continuous assurance

Common challenge:

- Difficulty managing higher risk locations using a quantifiable and objective approach
- Inputs limited to management interviews
- Limited coverage

Approach:

- Develop a risk model with KRIs to detect issues in various areas
- Deliver analytics on a quarterly basis to management to determine if further procedures are required

Potential impact:

- Increased oversight on higher risk locations, delivering results on a more real-time basis
- Reduction in overall effort
- Increased risk monitoring by expanding KRIs resulting in continuous assurance



Leveraging labs to accelerate success

Common challenge:

- High level of effort spent on risk assessment
- Duplicate efforts across internal audit and enterprise risk management
- Risk assessment does not align with corporate strategy

Approach:

- Incorporate cloud-based surveys for data collection
- Leverage dynamic reporting capabilities to drive discussion on overall risk model
- Bring key stakeholders together for a one-day lab session to review risk model results and align on risk mitigation strategy

Potential impact:

- Alignment on top organizational risks across the enterprise
- Accelerated time to reporting risk assessment results and implementing mitigating action plans / assurance activities
- Clear roles and responsibilities on risk ownership and risk mitigation

For more information or to explore insights visit:

[Dynamic, Integrated Risk Assessments for a New Era](#)

[Charting a Course to Operationalize Dynamic Risk Assessments](#)

[3 Ways to Transform Risk Assessments with AI](#)

[The risk assessment excellence imperative](#)

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