

## **Enterprise-Wide Risk (ERM) Management Assessments, Risk Control Self Assessments, and relevant Updates**

Enterprise Risk Management is a process for controlling risks across an entire organization. The Risk management assessment includes the business and legal sections and evaluates both inherent and residual risk. A risk assessment is designed to rank audit areas in order of importance and cover all potential areas such as credit, liquidity, strategic, legal and reputation risk. JC Compliance Consulting utilizes an “Audit Prioritizer (AP) - sorted by Total Score” to perform the assessment.

We develop a risk assessment based on each business unit by reviewing policies, procedures, interviews with employees, budgets, training, and expenditures to ensure the mitigating efforts are being adhered to by the Bank. We develop the business unit risk and then an overall enterprise-wide risk program. We utilize the “Audit Prioritizer (AP) within the risk assessment. The AP quantifies three factors, which have been considered in measuring an area’s need for audit:

**Identify Areas of Exposure:** The exposure factors evaluate the asset and/or liability risk of an area (dollar amount, liquidity amount), with the level of activity in an area (e.g., volume of transactions, liquidity of assets), and visibility or impact of errors in the audit area. Each of these factors is evaluated as Low, Average or High.

**Determine the Risk Factors:** The risk factors measure the potential for an audit area to have problems. Risk is evaluated based upon the previous audit level of findings, the type of assets controlled (fixed or financial), the maturity of the system in the area, and the relative complexity of the system being audited. Risk is measured as Low Risk, Medium Risk or High Risk.

The primary objective of the AP is to make effective and efficient use of audit resources. Such an assessment aids in the allocation of resources and the scheduling of audits by estimating an audit area’s potential exposure and risks relative to others. This assessment becomes a factor in the development of audit plans and the schedule of audits. However, it is recognized that other factors such as management requests, the timing of regulatory reviews, the extent of involvement with the external audit, auditor judgment and personnel considerations may dictate the scheduling of the audit functions. Project work will provide a priority-ranking model of audit areas.