



UNIVERSITY OF OREGON

How Risk Affects Us All

And How Internal Audit Can Help

Presented By:

The Office of Internal Audit

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Overview

- What Is Risk?
- Different Types of Risk
- The Three Lines of Defense Model
- How Internal Audit Can Help

What comes to mind when you hear
the word ***risk***?



What Is Risk?

Risk – The possibility of *something* happening that has an impact on your ability to achieve *goals*

- How many of you have a job?
- How many of you have a job description?
- How many of you have tasks or objectives assigned by your supervisors?

If you said yes to any of the above, then risk affects you.

Types of Risk

The types of goals have a direct relationship with the type of risk you might be facing:

Strategic goal: *the planned objectives for the university or unit including the plans and vision for the future*



Strategic risk: *Anything that could prevent the university or unit from meeting the objective*

Types of Risk

The types of goals have a direct relationship with the type of risk you might be facing:

Operational goal: *the planned objectives for the university or unit that assist in meeting long term goals*

The Complementarity of Strategy and Operational Effectiveness



Operational risk: *Anything, such as people, processes, or systems, that could prevent the university or unit from meeting the objective*

Types of Risk

The types of goals have a direct relationship with the type of risk you might be facing:

Financial goal: the planned objectives for the university or unit that affect or can be measured financially



Financial risk: Anything, such as cash flows or financing issues, that could prevent the university or unit from meeting the objective

Types of Risk

The types of goals have a direct relationship with the type of risk you might be facing:

Compliance goal: *the planned objectives for the university or unit that affect conformance to a rule, such as a policy, standard, or law*



Compliance risk: *Anything that could prevent the university or unit from meeting the objective while being in compliance with a policy, standard, or law*

Types of Risk

The types of goals have a direct relationship with the type of risk you might be facing:

Reputational goal: the planned objectives for the university or unit that enhance the reputation or external perception



Reputational risk: Anything that could threaten the university's or unit's reputation in a negative way

Types of Risk

There are also risks that arise regardless of the types of goals the university or unit may have:

Fraud risk: the possibility of deliberate deception, trickery, or cheating can occur during the operations of the university or unit

Business/market risk: the possibility of outside events affecting the university or unit that have an impact on operations

Who Is Responsible for Risk?

Roles and Responsibilities within the University

The Board

- Sets integrity and ethical values.
- Sets strategy and formulates high-level objectives.
- Agrees with organization's risk appetite set by leadership.
- Monitors management responses to risk.

Leadership

- Works with Board and sets the tone of the organization.
- Defines specific objectives that align with the Board's high-level objectives.
- Defines the risk appetite and tolerance.

Management

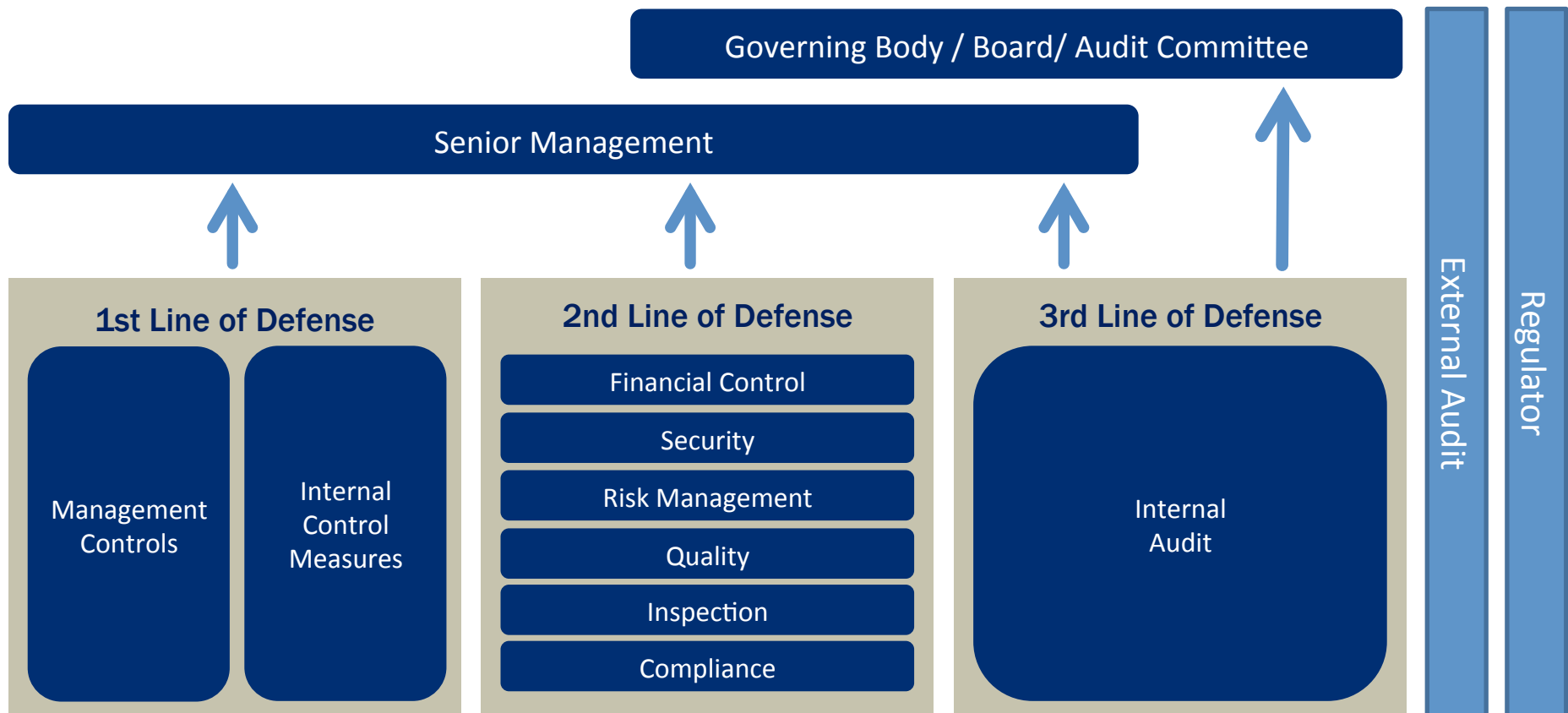
- Identifies potential events that would affect the success of meeting objectives.
- Measures events in terms of the impact and likelihood of occurrence.
- Determine appropriate responses to manage risk.
- Ensure responses align with risk tolerance and appetite.

The Three Lines of Defense Model

1st Line: Functions that own and manage risks

2nd Line: Functions that oversee risks

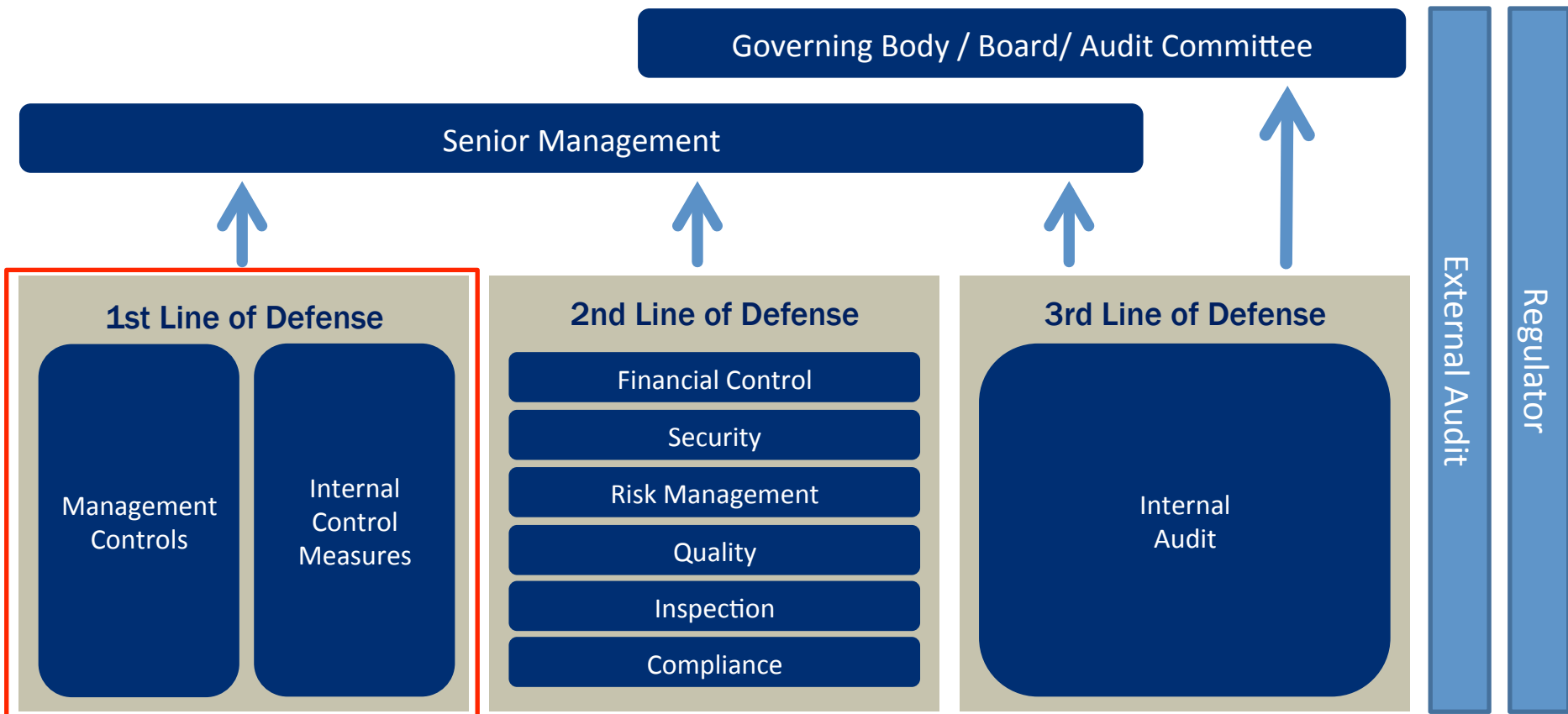
3rd Line: Functions that provide independent assurance



Adapted from ECIIA/FERMA Guidance on 8th EU Company Law Directive, article 41

The Three Lines of Defense Model

What line of defense are you?



Adapted from ECIIA/FERMA Guidance on 8th EU Company Law Directive, article 41

The Three Lines of Defense Model

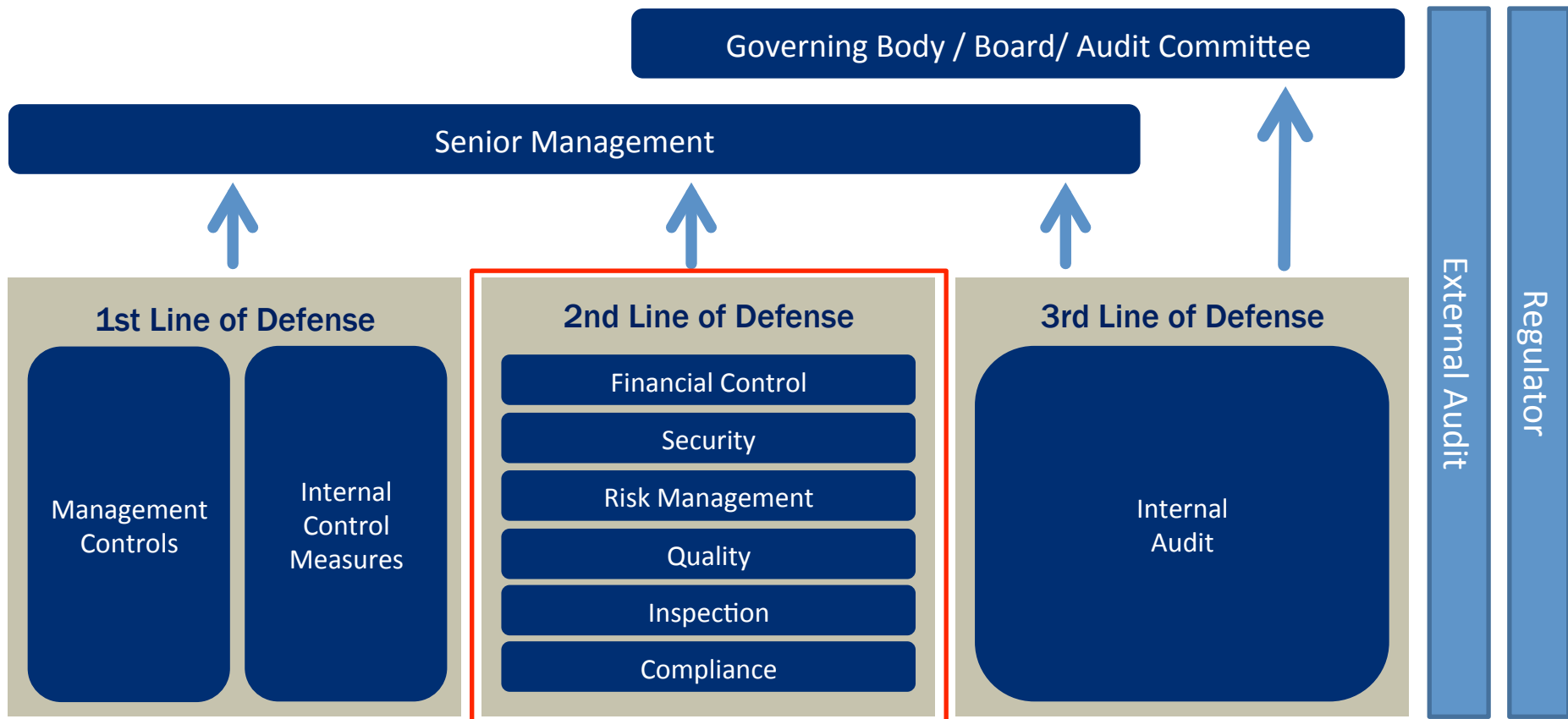
1st Line of Defense: Operational Management

Managers that own and manage risks are responsible for:

- Identifying, assessing, controlling, and mitigating risks.
- Guiding the development and implementation of university policies.
- Designing, implementing, and maintaining written internal procedures.
- Maintaining effective internal controls.
- Implementing corrective actions to address process and control deficiencies.
- Ensuring that activities are consistent with goals and objectives.

The Three Lines of Defense Model

What line of defense are you?



Adapted from ECIIA/FERMA Guidance on 8th EU Company Law Directive, article 41

The Three Lines of Defense Model

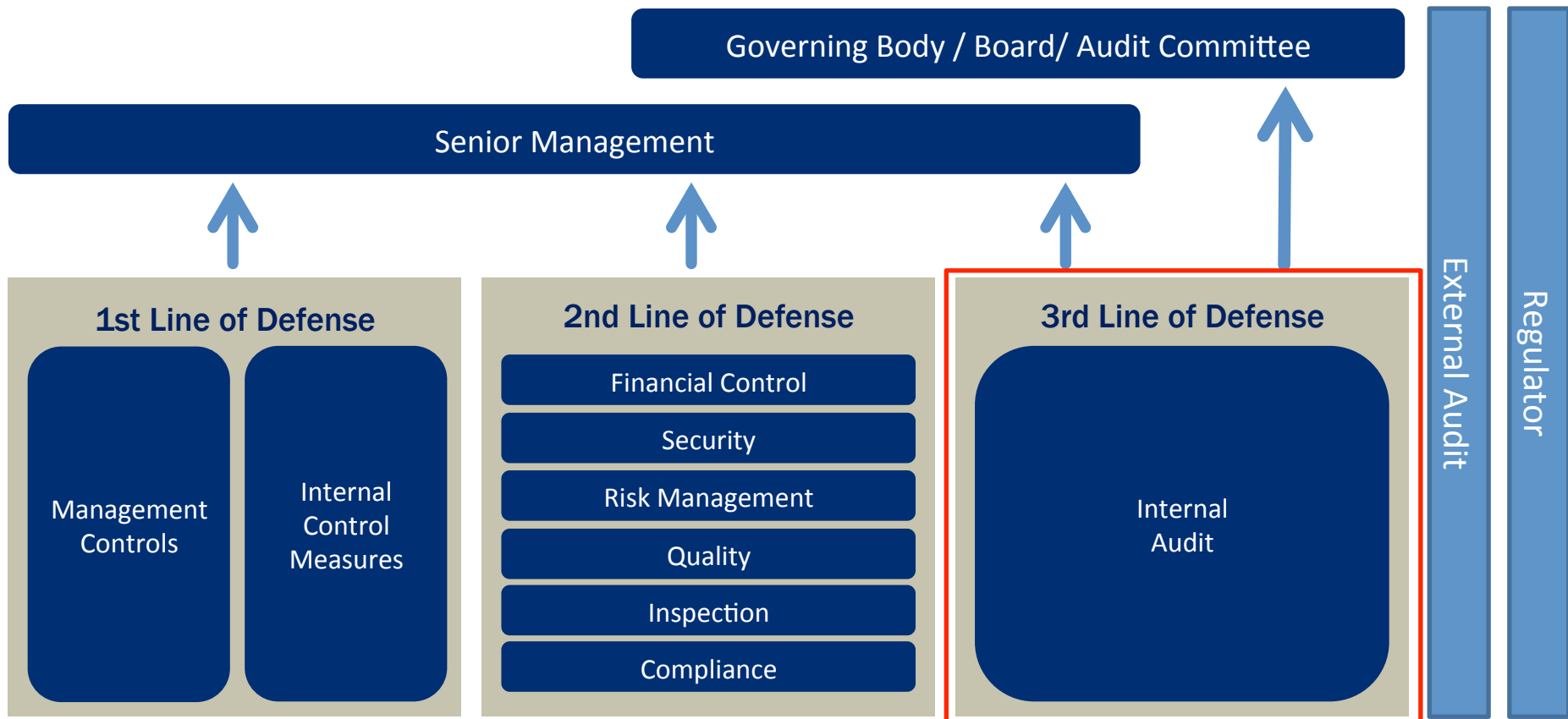
2nd Line of Defense: Risk Management and Compliance Functions

Responsibilities of these oversight functions include:

- Supporting management policies, defining who is responsible, and setting goals for implementing
- Providing risk management framework
- Identifying known and emerging issues
- Identifying shifts in the organization's chosen risk appetite
- Assisting management in developing processes and controls to manage the risks, issues, and shifts identified
- Identifying opportunities and areas for improving existing processes
- Provide guidance and training on risk management processes

The Three Lines of Defense Model

What line of defense are you?



Adapted from ECIIA/FERMA Guidance on 8th EU Company Law Directive, article 41

The Three Lines of Defense Model

3rd Line of Defense: Internal Audit

- Internal Audit provides the Board and Senior Management with comprehensive assurance based on the highest level of independence and objectivity within the organization not available in the second line of defense.
- Internal Audit provides assurance on the effectiveness of governance, risk management, and internal controls. This includes reporting on the performance of the first and second lines of defense in risk management and control objectives.

How Internal Audit Can Help

Internal Audit Purpose:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve university operations. It helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Office of Internal Audit enhances and protects the University's value by providing risk-based and objective assurance, advice, and insight.

Internal Audit Mission:

Driven by the highest professional and ethical standards, the Office of Internal Audit helps the University accomplish its objectives by evaluating and identifying opportunities to improve the effectiveness of governance processes, risk management, and internal controls.

Internal Audit Services:



Questions?