

BAKER TILLY AND ACUA WEBINAR

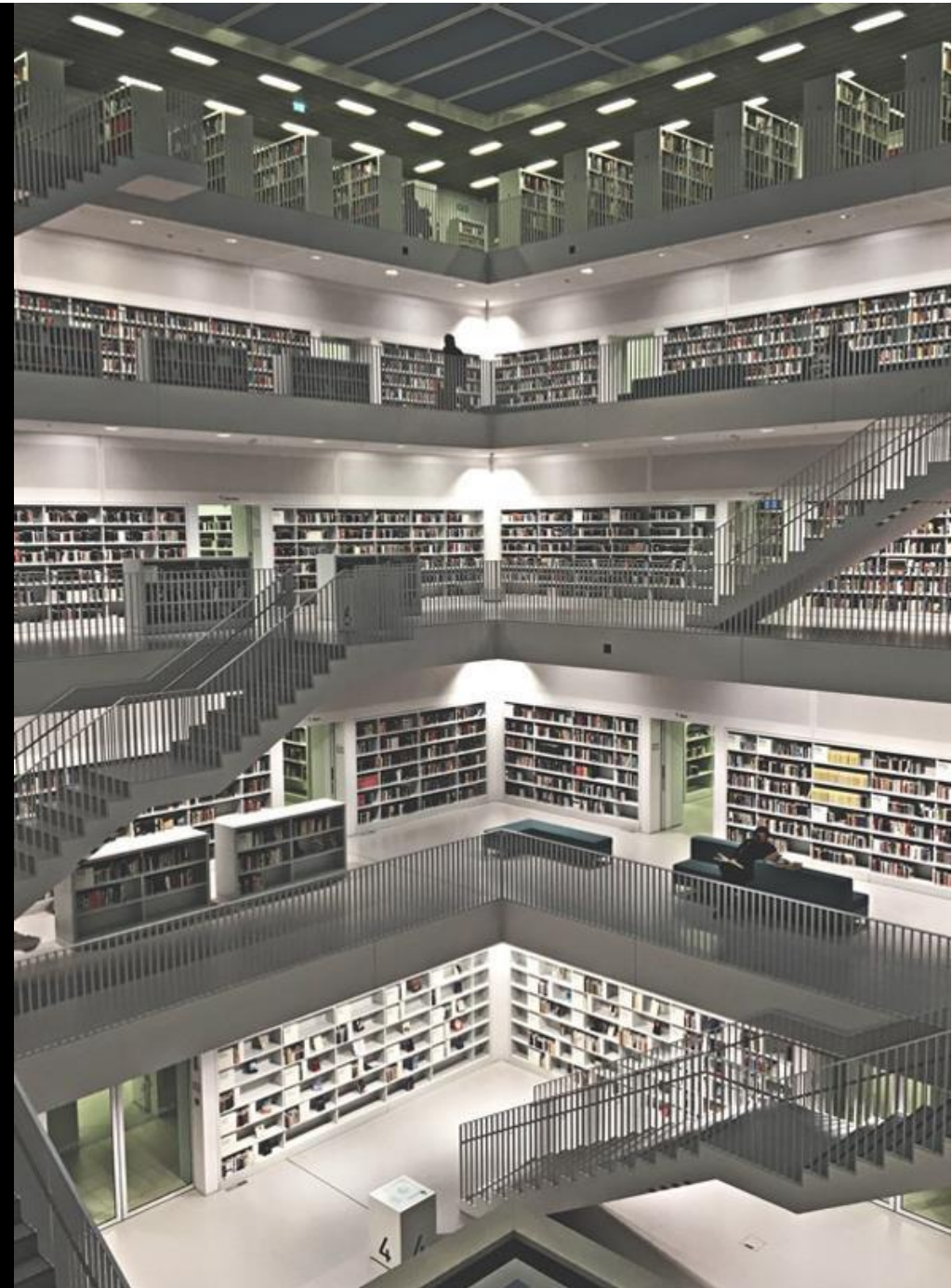
Enterprise risk management and business continuity planning: lessons learned from COVID-19

February 25, 2021



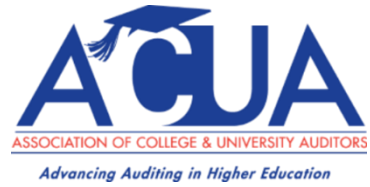
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Qualified attendees will receive their CPE certificate via email in 3-4 weeks.

Questions regarding the CPE for this webinar can be sent to acua-info@kellencompany.com.

INTRODUCTIONS

Presenters



Eric Wunderlich, CRMA, CBCP
Senior Manager
Baker Tilly



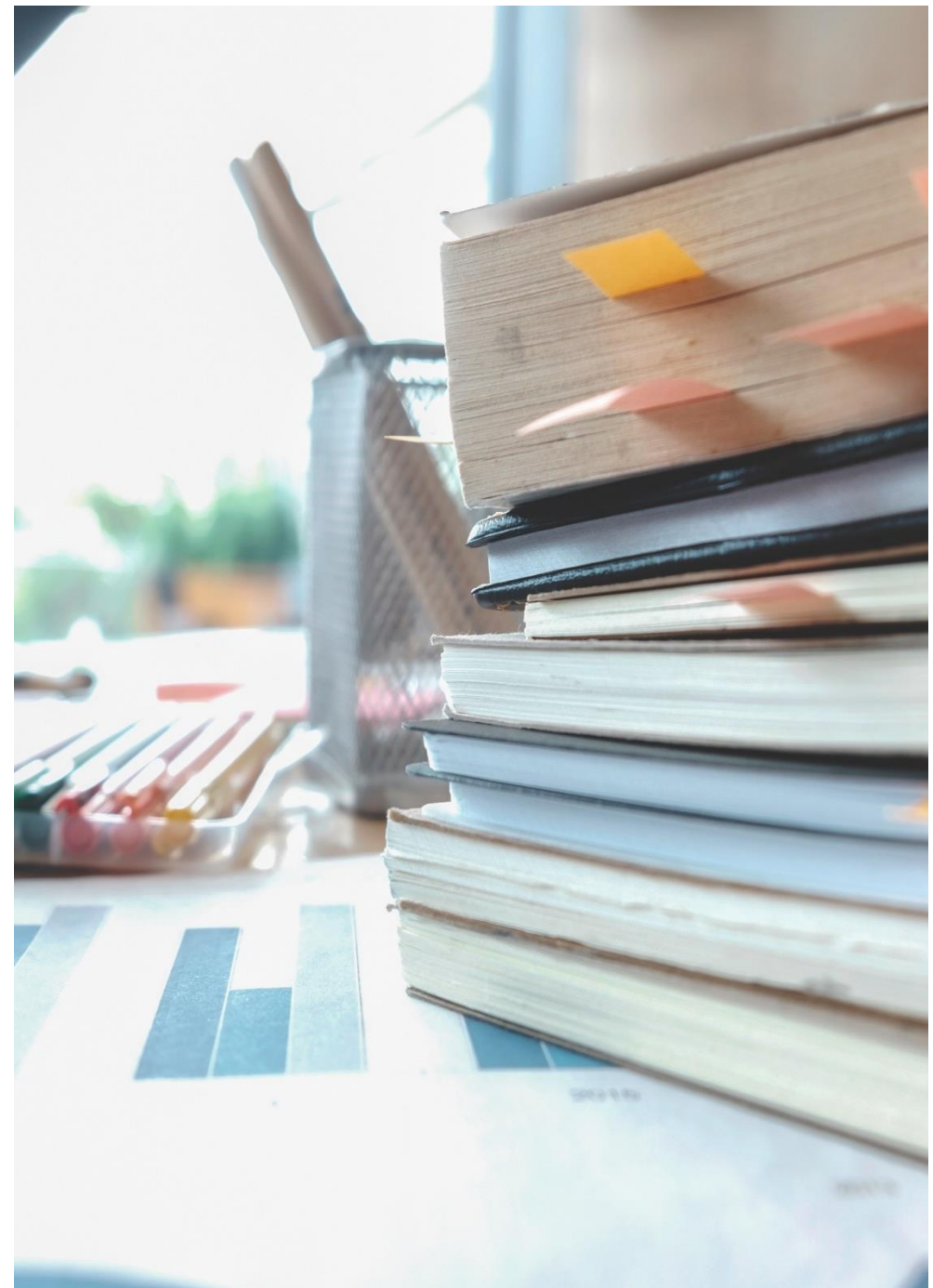
Meghan St. George, MBA
Manager
Baker Tilly

BACKGROUND

Objectives

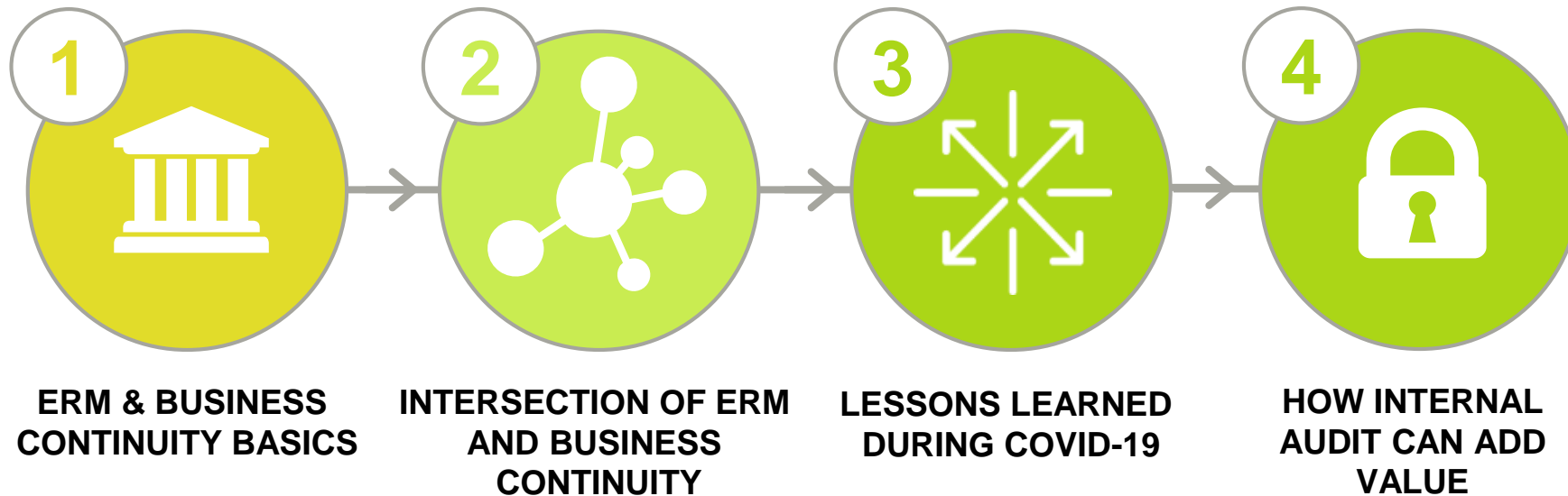
In this webinar, participants will learn:

- 1 How internal audit can play a key role at the intersection of ERM and business continuity
- 2 Best practices and lessons learned from COVID-19
- 3 Approaches for performing audits and/or reviews of business continuity programs



BACKGROUND

Agenda





**ERM & business
continuity basics**

ERM & BUSINESS CONTINUITY BASICS

Definitions



**ENTERPRISE
RISK
MANAGEMENT
(ERM)**

The diagram features a large green circle with a white center containing the text 'ENTERPRISE RISK MANAGEMENT (ERM)'. A grey arrow points from the right side of the circle towards the right, indicating the flow of information to the definition.

a process that is established and implemented by an entity's board of directors, management, and other personnel, applied in a strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives

- *Committee Of Sponsoring Organizations of the Treadway Commission (COSO)*

a management process that identifies risk, threats and vulnerabilities that could impact an entity's continued operations and provides a frame-work for building organizational resilience and the capability for an effective response

- *Disaster Recovery Institute*



**BUSINESS
CONTINUITY
MANAGEMENT
(BCM)**

The diagram features a large green circle with a white center containing the text 'BUSINESS CONTINUITY MANAGEMENT (BCM)'. A grey arrow points from the left side of the circle towards the left, indicating the flow of information to the definition.

Common misconceptions about ERM

ERM is...

- a continuous process
- a part of routine business processes
- linked to strategic goals and objectives
- a means to hold leadership accountable
- a way to identify and manage current and emerging risks



ERM is not...

- a one-time process
- a tool or software
- a one-size fits all framework
- a means to prevent all risks
- a means to avoid all risks
- a method to manage individual risks



POLLING QUESTION

Question #1

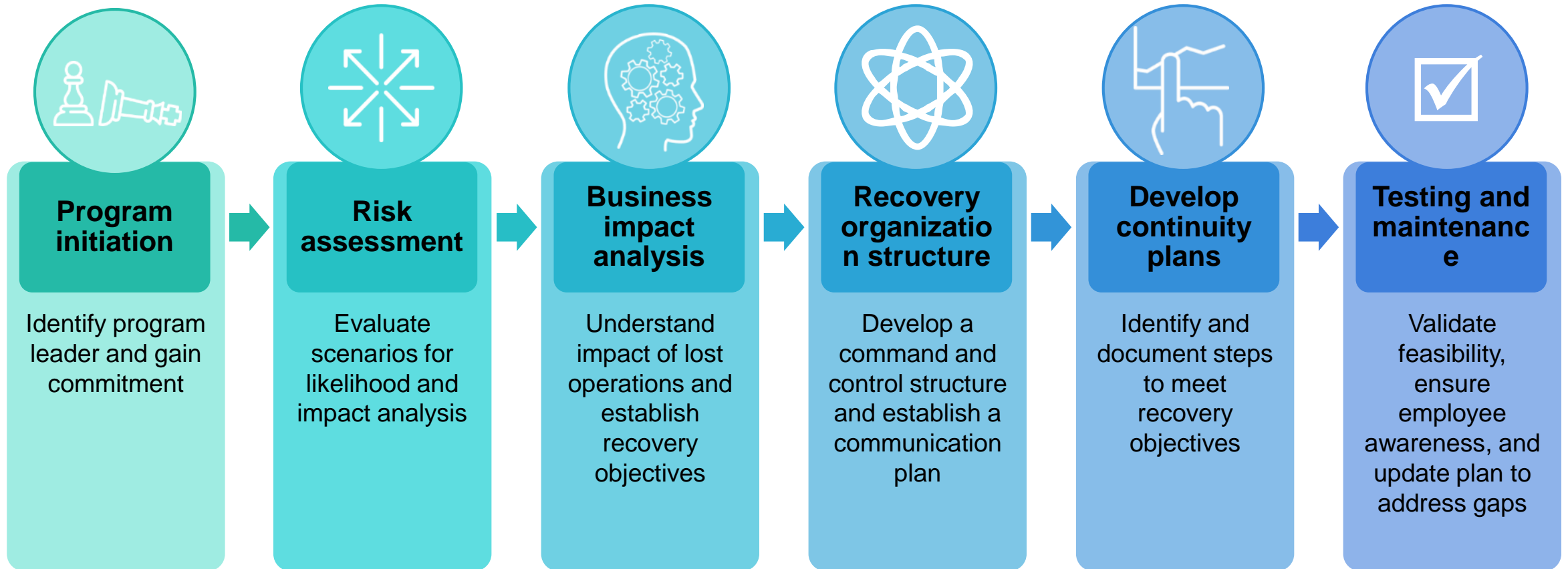
How often do you review, reassess, and update your risk landscape?

- A. Annually
- B. Annually, with ongoing updates for emerging risks as needed
- C. Biannually or less frequently
- D. Never (that's why I'm here)
- E. Other



ERM & BUSINESS CONTINUITY BASICS

Business continuity program overview



ONGOING PROJECT MANAGEMENT AND COMMUNICATION

Business continuity vs. disaster recovery

Business continuity

Planning for continuing business operations

Managed by senior executives and leadership

Utilizes BIAs and risk management strategies to set tone and direction

Disaster recovery

Focuses on the recovery and re-establishment of IT services

Managed by IT leadership, working closely with senior executives

Utilizes RTOs and RPOs as benchmarks for recovery activities

Common misconceptions about business continuity



A top-down view of a dark grey desk. In the upper right, a silver laptop is partially visible. To its left is a small green cactus in a white pot. Below the laptop is a white notebook with a black pen resting on it. A pair of red glasses is also visible near the notebook. A black rectangular box with a small yellow horizontal bar at its top center is overlaid on the left side of the image, containing the text.

Intersection of ERM and business continuity

POLLING QUESTION

Question #2

To what extent have you integrated ERM with BCP?

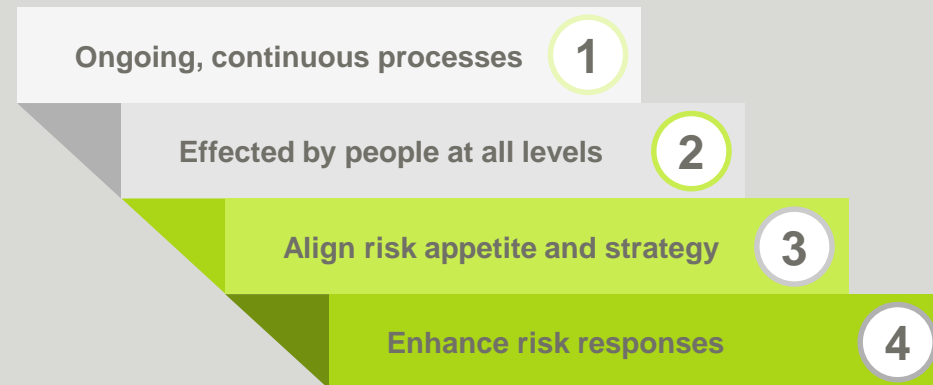
- A. Processes are well integrated
- B. Some connection points but could be strengthened
- C. None (that's why I'm here)
- D. Other



INTERSECTION OF ERM AND BUSINESS CONTINUITY

Common goals and objectives

Both ERM and BCM are rooted in the **goal of identifying, assessing and managing risks** that could impact the achievement of strategic objectives.



Success requires leadership buy-in and sponsorship, process governance, careful integrated planning, accountability and clear communication strategies.

Additional thoughts

- ERM is an **oversight process**, whereas BCM is a **key element** of an institution's emergency **response framework**
- **ERM has elevated the importance of BCM**, particularly during the pandemic
 - Boards and senior leaders are regularly discussing BCP as part of enterprise-wide risk discussions
- Institutions have directed greater attention to BCM and ensuring that plans are not only in place, but that they are **regularly reviewed and updated**
- For institutions with no ERM program or early in the process, BCM can also be used as a lever to **heighten awareness and the importance of ERM**
- Tying ERM to your **institution's strategic objectives** highlights the importance of identifying risks that could potentially **interrupt** or **halt** your operations and ensuring appropriate BCM is in place

INTERSECTION OF ERM AND BUSINESS CONTINUITY

Integration strategies

Align ERM and BCM reporting lines to a single risk committee

ERM & BCM synergy

Involve select stakeholders in program governance and key activities for both ERM and BCM

Embrace a single risk management technology or software tool

Developing business continuity exercises around key risks identified by ERM



POLLING QUESTION

Question #3

How has COVID-19 impacted your institution's ERM and/or BCP programs?

- A. Visibility of one/both programs has been elevated
- B. We previously didn't have one/both programs, but are now considering them
- C. No impact to one/both programs
- D. Other



The image shows a large, empty lecture hall or auditorium. The foreground and middle ground are filled with rows of light-colored wooden chairs, viewed from behind. The background is slightly out of focus, showing a stage area with a dark banner or sign hanging from the ceiling. A black rectangular text box is centered over the middle of the image, containing the text "Lessons learned during COVID-19" in a bright green, sans-serif font. A small green horizontal bar is visible at the top edge of the black text box.

Lessons learned during COVID-19

LESSONS LEARNED DURING COVID-19

Some key challenges

- ERM programs may have held a **narrow view of risk** and did not adequately account for emerging risks; the programs may not have captured the linkages / downstream impacts of these risks
- ERM as a **‘point in time’** activity with annual assessments and limited updates or refreshes to reflect the current risk landscape
- ERM programs were **not utilizing scenario planning** or other mechanisms to ensure a wide diversity of inputs and perspectives for regular debates, discussion and exercises
- Business continuity plans and responses strategies were **insufficient or nonexistent**
 - The pandemic’s persistence and reach highlighted how connected and interdependent everything is
 - Institutions and employees were **unprepared for how to respond**
- Underlying IT infrastructure was **not prepared for the rapid shift and scaling** needed to support virtual working and classrooms


LESSONS LEARNED DURING COVID-19

Applying lessons learned during COVID-19



LESSONS LEARNED DURING COVID-19

Applying lessons learned during COVID-19 (cont.)

-  Identify where your institution may be over-relying on the success of a **single risk response**
-  Assess whether your institution might be **too risk averse** and not considering “risk opportunities” (i.e., what risks are we not taking that we should?)
-  Proactively monitor **longer term emerging risks** and engage leaders in related discussions
-  **Integrate** enterprise risk management, business continuity management and other critical activities
-  **Incorporate COVID-19 risks and opportunities** into strategic planning, emergency management and business continuity
-  Consider how other **key risk areas** (e.g., safety, security, academic integrity, equity and inclusion, financial resiliency) may have shifted and re-evaluate their impact



**Business continuity management:
value-added activities for internal audit**

POLLING QUESTION

Question #4

When was the last time you performed a business continuity audit or assessment?

- A. Within the past 12 months
- B. Within the past 12 – 24 months
- C. Within the past 3 – 5 years
- D. Never (that's why I'm here)
- E. Other



BCM: VALUE-ADDED ACTIVITIES FOR INTERNAL AUDIT

Assess BCM program holistically

- ✓ Move beyond the “check the box” audit activities
- ✓ Leverage industry recognized frameworks to evaluate the entirety of the program (not just the plan document)
- ✓ Engage in meaningful dialogue and collaboration with program owners and stakeholders
- ✓ Provide insights into effectiveness and preparedness, as well as competencies of individuals involved in the program

	Capability Level	Capability Characteristics
Capability Maturity ↑	Optimizing	<ul style="list-style-type: none"> • An implemented comprehensive or organization wide BCM process is used. • An integral business function is implemented. • Accountability and responsibility in a chartered business continuity function occurs. • Regular business continuity planning (BCP) testing and maintenance occurs. • Personnel are well-trained regarding their roles and responsibilities during a business interruption. • Metrics are collected and managed to ensure that continuity-related service-level agreements are met.
	Defined	<ul style="list-style-type: none"> • A formal plan is developed. • BCP processes are used (plan maintenance and test procedures have not been implemented). • An initial risk assessment to identify and assess business continuity risks and their likelihood of occurrence is completed. • Procedures to keep the business impact assessment current do not exist. • Metrics for key BCP tasks need to be refined.
	Initial	<ul style="list-style-type: none"> • Business continuity plan goals and expectations are not defined. • A formal documented plan does not exist. • A business impact analysis and risk assessment is lacking. • Accountability and responsibility for business continuity is poorly defined. • Confidence is lacking in the organization's ability to survive following a business interruption.

BCM: VALUE-ADDED ACTIVITIES FOR INTERNAL AUDIT

Participate in business continuity plan testing activities

Provide objective viewpoint

Assist with evaluation and follow-up on outcomes from plan testing and exercise procedures (e.g., action plans, additional mitigation efforts)

Questions to consider:

Was the exercise effective?

Were participants engaged?

Were roles clearly established?

Were action plans discussed?

Is further mitigation and planning needed?

Options for testing your continuity plans

1

Plan review

A high-level review of the plan conducted by senior management and department heads. Plan reviews can be used to discuss potential improvements, as well as making sure contact information is up-to-date, recovery contracts are still in place and effective and applicable business continuity and disaster recovery scenarios are appropriately covered.

2

Tabletop exercise

A scenario-based role-playing exercise in which critical personnel gather to walk through a scenario and discuss their duties and responsibilities. The primary objective is to ensure that personnel are aware of and familiar with their portions of the plan.

3

Partial/simulation test

A hands-on exercise that incorporates operational activities, such as restoring data from backups, spinning up system redundancies and testing secondary connections to test their functionality. Partial/simulation tests often involve running backup systems in parallel to primary systems.

4

Full/failover test

An in-depth and complete test of business continuity and disaster recovery plans, which involves the complete process of shutting down primary systems and spinning up backup systems. Full/failover tests often involve processing actual data through the backup systems and attempting to mimic a real-life disaster event as closely as possible.

BCM: VALUE-ADDED ACTIVITIES FOR INTERNAL AUDIT

Leverage after action reviews (AARs)

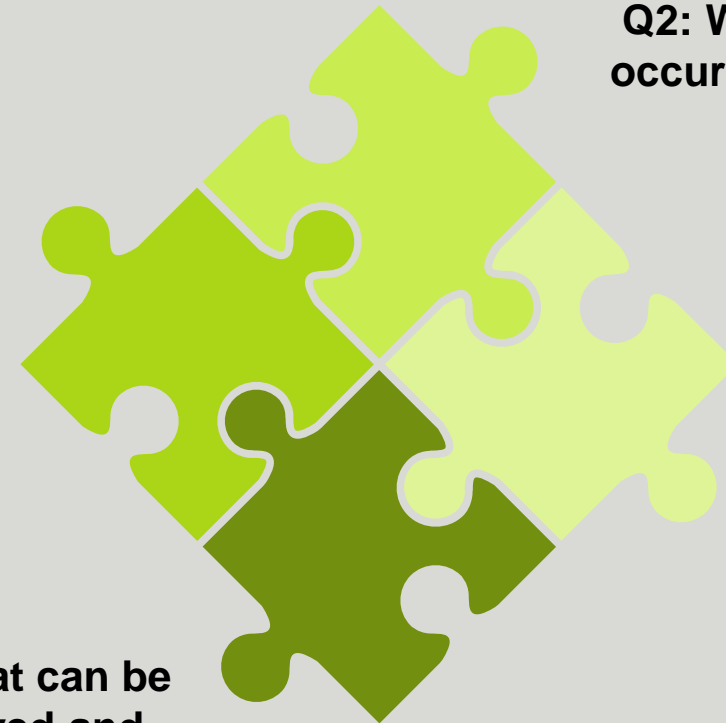
- ✓ Structured approach for **reflecting on the work** of a group and identifying strengths, weaknesses and areas for improvement
- ✓ Focused on **four key questions** with open and honest professional discussion
- ✓ Identify ways to **sustain what went well, while also developing recommendations** for overcoming obstacles
- ✓ Incorporate results into **ongoing BCM maintenance and improvement** efforts

Q1: What was expected to happen?

Q2: What actually occurred?

Q3: What went well and why?

Q4: What can be improved and how?



A photograph of a brick building with a black overlay containing the text "Questions?" in yellow. The building is a multi-story structure with a gabled roof and several windows. A small tree with red leaves is visible on the left. The foreground shows a paved area with a stone wall on the right. The sky is blue with some clouds.

Questions?

THANK YOU!

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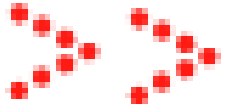
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ACUA Kick Starters

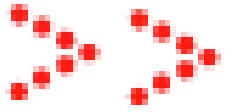
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March 21 – 24, 2021
Virtual
 - AuditCon**
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