

Enterprise Risk Management

A case study

An asset management firm implements safeguards

Background

A leading manager of income-oriented portfolios with a focus on global real estate securities, preferred stocks, utilities, listed infrastructure, and large cap value equities, was looking to implement an internal audit and risk management function. The management team was unclear of where to start and needed an external partner to help them establish these functions in an efficient, effective manner.

Strategy and approach

Grant Thornton LLP professionals worked with the firm's senior management team, to identify the firm's various business streams and general areas of risk. These areas of risk included financial risk, operational risk, technology risk and compliance risk. Using proprietary risk assessment software tailored to asset managers, the Grant Thornton team gathered input from management interviews, financial analysis and technology research.

Process

Using a risk matrix approach, Grant Thornton professionals performed a review of all pertinent risks. After interviewing senior management, compliance, technology and other departmental supervisors, the engagement team used interview input and hard data from financial statements and IT reviews to create a "scorecard" of business risk areas.

Results

The results of this process included:

- A complete inventory of key risks relating to technology, operations and regulatory compliance
- A common risk language and focus with senior management and throughout the organization
- A three-year internal audit plan that allowed the firm to address areas of deeper concern and ensure the proper risk mitigation controls were in place

- A scorecard, shared with both senior management and the Audit Committee, that helped to build consensus across the organization on key risk concerns and formulate the blueprint for the new internal audit function and its audit plan

Impact on the organization's business

The engagement's impact on the firm included the following:

- Management can discuss a common list of risks and focus on these risks across the organization, rather than in separate silos.
- The new internal audit function launched with clear goals and priorities leading to an efficient use of the group's time and resources.
- The firm's overall risk profile quickly decreased after the engagement team identified and immediately addressed high risk areas.
- The organization is better prepared to address recent turbulence in the marketplace and regulatory environments.
- The firm's risk profile can be easily and efficiently updated to reflect changing conditions.

Grant Thornton professionals continue as the firm's outsourced Internal Audit provider and periodically refresh the enterprise risk assessment.

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