FROM THE EDITOR'S DESK

Greetings!

There is a need for identifying, assessing, managing and monitoring the business opportunities and risks. Now the question may arise how does an organization take practical steps to enhance opportunities and manage the risks? All entities face uncertainties and challenges. The management has to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity. Enterprise risk management enables managements to effectively deal with uncertainty and associated risks and opportunities, enhancing the capacity to build value.

Enterprise risk management (ERM) is a process designed to anticipate and analyze potential opportunities and threats that could affect the achievement of the organization's objectives and goal. This process is integral to the management and future direction of the organization, and should be structured, consistent, and continuous across the entire organization. ERM includes identifying, assessing, deciding on responses to, and reporting on strategic, human capital, compliance, operational, financial, and hazard-related exposures. These exposures include both 'risks' that might hinder an organization's attainment of its strategic goals, and 'opportunities' that could help the organization to achieve its strategic goals.

Though enterprise risk management provides various important benefits, it has a few limitations too. They are:

- Faulty decision-making.
- Breakdowns because of human simple errors.
- Ignoring controls because of intervention by two or more persons.
- The power of the management to override the ERM process.
- Not weighing the relative costs and benefits of risk responses.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. COSO has established a common internal control model against which companies and organizations may assess their control systems.

Internal auditor can play a big role in the effective implementation of ERM in an organization. They can:

- Develop a risk-based internal audit programme.
- Audit the risk processes across the organization.
- Give assurance that risks are correctly calculated.
- Evaluate the risk management process.
- Provide assurance on the management of risk.
- Report on the efficiency and effectiveness of internal controls.

ERM supports better structure, reporting, and analysis of risks. Standardized reports that track enterprise risks can improve the focus of directors and executives by providing data that enables better risk mitigation decisions. The variety of data helps leadership understand the most important risk areas. These reports can also help leaders develop a better understanding of risk appetite, risk thresholds, and risk tolerances. ERM helps management to recognize and unlock synergies by aggregating and sharing all corporate risk data and factors, and evaluating them in a consolidated format.

CMAs are professionally trained and have professional knowledge about analysis of information and systems, performance and strategic management. Therefore they can play a significant role in developing and implementing risk management and internal control systems within their organizations. With the help of various cost management techniques, CMAs help to identify the constraint factors that limit the performance of organizations.

This issue has a few relevant articles on 'Enterprise Risk Management'. A new section, 'Letters to the Editor' that started from the last issue, continues. We look forward to feedback from our readers on the articles and overall development of the journal under this section. Please send your mails at editor@icmai.in. We thank all the contributors for this issue and hope our readers enjoy reading the articles.