

## ERM VIDEO INSIGHTS

### Transcript of Bob Anderson and Bruce Branson *Achieving Synergies with ERM and Internal Audit*

**Bruce:** Hi, I'm Bruce Branson. I'm the Associate Director of the Enterprise Risk Management Initiative in the Poole College of Management at NC State. I'm speaking today with Bob Anderson. Bob is Vice President and heads Internal Audit and Corporate Compliance at The Home Depot. Bob you're in a unique role as a head in both enterprise risk management and internal audit in your organization. Can you talk a little bit about the benefits you see in wearing both those hats?

**Bob:** Yeah, I think for us it's just more effective and efficient oversight of risk management. You know, you get two groups that focus on risks, in a different manner, but two groups that focus on risk as part of their jobs. So in any ERM function internal audit is going to be a key part of that. So to put them together I feel like we get better and more efficient identification, oversight, monitoring, and reporting on risks. We ensure that we don't have any disconnects between the two groups and can do things quicker, in some cases, I believe.

**Bruce:** You talked a little bit about this, but maybe a little bit more elaboration on how maybe your Enterprise Risk Management team contributes to the design of the audit plan. Is there some integration there that you find helpful?

**Bob:** Sure, it feeds directly into the audit plan. So we take our enterprise risks and we identify which ones of those are auditable and for those we want to make sure that we have them in our audit plan and that we are looking at them on at least an annual basis and in some cases, depending on the risk, on a more frequent basis. So the ERM process feeds directly into the audit plan.

**Bruce:** So, you've got a team working in enterprise risk management and obviously a team in internal audit, is there overlap there? Do you have people doing both jobs or are they pretty much distinct groups?

**Bob:** We have two unique teams that are doing it, I do have one leader at the top who has a little bit of responsibility in both. But from the organization who's actually doing most of the work and executing it, is two distinct and different teams.

**Bruce:** I know you probably speak directly to the audit committee and the board, you're reporting out on both your findings from internal audit as well as in your ERM role. Do you make two distinct presentations or is it a kind of integrated presentation that you make?

**Bob:** We do it different because as we talked earlier it's a different charge for each of the different functions. ERM has a different primary focus than internal audit does and we want to make sure that we keep those different as we report out to the board. So the audit committee gets an internal audit report every quarter, they also get a list of our

ERM activities during the quarter, and then on an annual basis, we'll also do just an ERM report to the board.

**Bruce:** I know we've read at times that enterprise risk management maybe isn't best housed within internal audit that it kind of takes away from the ability of internal audit to take a careful look at the ERM function. What are your thoughts on that and how have you combatted that at Home Depot?

**Bob:** I can certainly understand that perspective, I think as with anything in business, there are different scenarios and there is not a one-size-fits-all model. Each company's specific situation, depending on the company and the industry etcetera, is going to decide whether it might be right or not and I certainly understand that there are many cases where it doesn't work but for us, I feel like it does work. I'd also say in different companies that what the ERM team does and how far they go into actually overseeing the risk, facilitating the risk process or managing the risks, is different and everybody does that a little bit different. And for us we really don't get into the managing of the risk process, we really facilitate the process, and I feel like we are not putting our independence at risk at all in the way we execute it.

**Bruce:** Thank you very much Bob, that's been very helpful today. We really appreciate your thoughts.

**Bob:** Thank you.