

Interview of Michael Somich Segment 3
Internal Audit's Role in Risk Management

Interviewer: Mark Beasley, Deloitte Professor of ERM

Interviewee: Mike Somich, Executive Director, Internal Audits, Duke University

Beasley: Hello. I am Mark Beasley, the Deloitte Professor of Enterprise Risk Management and Director of NC State's ERM Initiative in the Poole College of Management. Today I am joined by Mike Somich who is Executive Director of Internal Audits at Duke University. In that role, Mike has been instrumental in helping Duke launch their enterprise risk management efforts. He oversees internal audit not only at Duke University, but also over Duke Medical Centers and Duke Endowment. Mike, thank you for you being with us today.

Somich: You are very welcome, Mark.

I'd like to focus on the role you play in serving as executive director of internal audits for Duke University. Can you give us a sense for the interplay of the internal audit function at the university and the risk oversight function? How would you describe that?

Somich: Today it's facilitating function. We wrote into the audit committee charter that the audit committee owns the risk management process. So in helping senior leadership make their presentations, I began—I facilitated with them the definition of strategic risks and, ah, and the presentation. And since then, as we've continued to roll this out, the president has asked me to facilitate with operating leaders, financial leaders, IT, and so forth.

Beasley: How has the risk oversight process—your role in it—informed the internal audit sort of role and even scope?

Somich: Well, our—one of our objectives was always to base our audit plan on the risk profile of the university, and in 2011, we finally completed all aspects of the risk management

process and have the analysis of operating risks and financial risks and strategic risks.

So when we're doing our 2012 plan, it will be based completely on the risk assessments that have been performed by management.

Beasley: As you think about other internal audit sort of departments, functions, in a variety of organizations, if you were talking to a group of internal audit professionals, would you advise them to move down this sort of leadership role, facilitation role on risk oversight or would you encourage them maybe to not go there?

Somich: I would encourage them to go there. We had an audit committee chairman that used to begin every meeting by saying that the responsibilities of the committee and the office of internal audits is risk, compliance and controls. And there's an intersection between all three that makes the department effective and provides the most value to the, to the university.

Beasley: Thank you, Mike, for being here. For our audience, I'd like them to be aware of the fact that on our ERM Initiative website, we have several resources under our article section that are tied to boards of director and audit committee issues. So there's a searchable link where numerous articles about board and audit committee kind of dynamics are there for a resource, so I would encourage our audience to take advantage of that ERM Initiative website. So thank you Mike for being here.

Somich: You're welcome.

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