



DTE Energy®

**Do Not Operate at Your Own Risk -
Aligning Risk Assurance Functional
Activities Across the Organization**

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Background



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- Detroit-based
- Diversified energy company involved in the development and management of energy-related businesses and services
- Utilities – Michigan
- Non-utility operations - Nationwide
- Approximately \$10 billion in operating revenue

Utilities

- Electric – 2.2 million customers
- Natural Gas – 1.3 million customers

Non-Utilities

- Power and industrial
- Gas pipeline, gathering and storage
- Energy marketing and trading

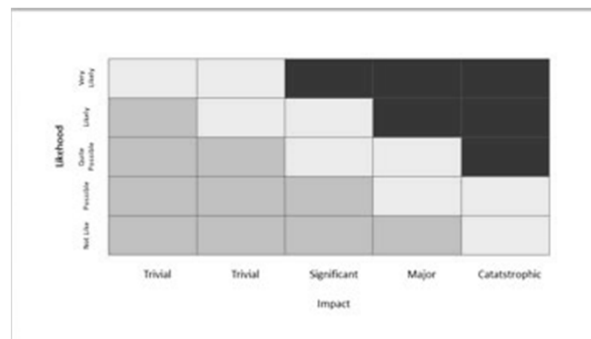
AGENDA

- I. Risk Assurance
- II. Aligned Assurance
- III. Current State
- IV. Transformation Process
- V. Measures of Success
- VI. Lessons Learned
- VII. Discussion Forum
- VIII. Questions



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Providing a measure of organizational risk associated with a particular element with a certain degree of confidence



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Who are the risk assurance functions?



Risk assurance functions have been traditionally performed in silos.

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Multiple risk assurance silos potentially create confusion and inefficiencies



- Duplication of effort
- Delayed decision making
- Increased cost
- Unclear accountability
- Inconsistent terminology
- Management fatigue
- Fragmented view of enterprise risk
- Lack of standardization
- Board/management confusion
- Mixed messaging



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Stakeholders are asking questions that require better collaboration and coordination



"We receive risk reports from multiple functions. I can't seem to understand how they all fit together to provide an overall enterprise risk portfolio."



"I answered the same questions last week when internal audit was here. Why are you doing the same thing?"



"I just learned the environmental group assessed the same risk but rated it much higher than I did. I don't understand why."

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Board of Directors and management set the direction for our transformation



What issues were we trying to solve?

- **Redundancy in processes**
 - Resources uses were inefficient/disjointed
- **Lack of holistic risk portfolio**
 - Board and management had difficulty putting all the pieces together
- **Inconsistent terminology and reporting**
 - Multiple variations of risk assessments being performed
- **Continuous Improvement**
 - Efficiency and effectiveness
- **Business unit relevance**
 - Clarity on the use of risk assessment and accountability

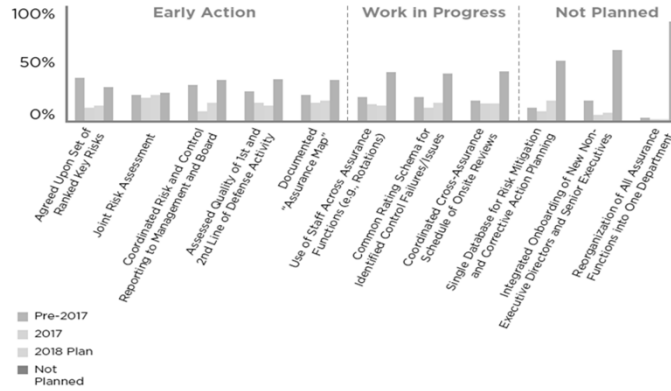


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What are others doing?



Status of Aligning Assurance Efforts



n = 61
Source: CEB 2017 Assurance Conference Attendee Survey.

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"What one word best describes the state of aligned assurance at your firm?"

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“What one word best describes the state of aligned assurance at your firm?”



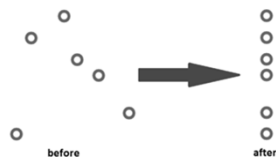
n = 69.
Source: CEB analysis.

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Align or integrate?

Aligned Assurance

The coordination or arrangement of groups in relation to one another



VS.

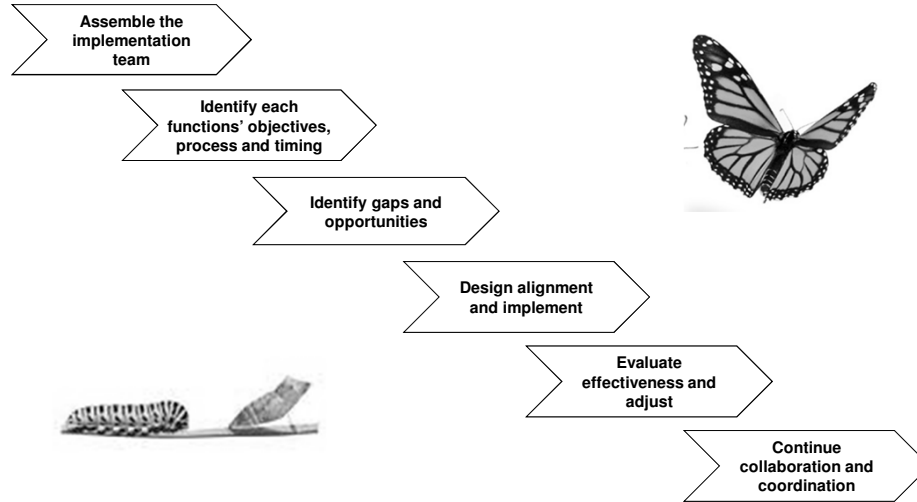
Integrated Assurance

To form, blend or incorporate into a larger unit



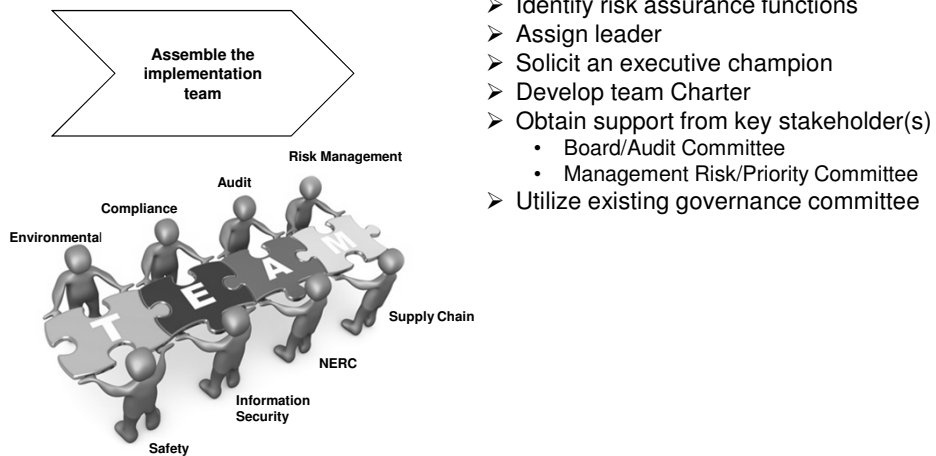
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The transformation process to aligned assurance



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The transformation process to aligned assurance



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The transformation process to aligned assurance



Identify each functions' objectives, process and timing



- Document each assurance groups' objectives
 - Internal Controls
 - Strategic, financial, operational
 - Legal/regulatory
 - Fraud
 - Cyber and privacy
 - Reputational
- Share risk assessment process documentation
- Share methodology used
 - Interviews
 - Questionnaire
 - Automated workflow
- Share project plans and timing
- Identify internal resources used
- Identify stakeholders
- Discuss terminology used, tolerance levels and report cycle time

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The transformation process to aligned assurance



Identify gaps and opportunities



- Are all risks identified?
- Do all risks have an owner?
- Is there redundancy among assurance functions?
- Is there standardization and consistency?
- How are results reported and to who?
- What is the sequence of reporting?
- Is there a centralized tracking system?

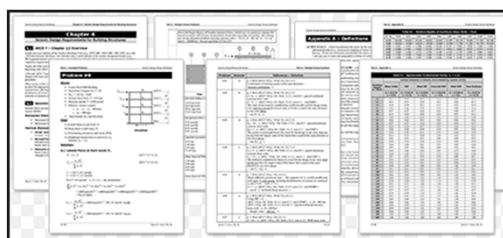


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The transformation process to aligned assurance

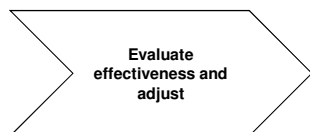


- Document agreed upon process
- Create sample report template
- Agree on consistent rating scale
- Establish timeline of assessments
- Implement a centralized tracking system
- Establish information sharing cadence



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The transformation process to aligned assurance

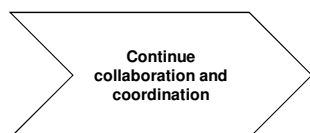


- Validate risk inventory with legal
- Evaluate that Charter objectives/goals have been met
- Solicit feedback from stakeholders
- Compare risk profile with prior years
- Identify lessons learned
- List additional enhancements and assign accountability
- Benchmark risk priorities
- Measure time and cost savings



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The transformation process to aligned assurance



- Periodic alignment meetings
- Sharing of risk reports
- Co-develop timelines
- Conduct joint assessments
- Update processes and owners
- Evaluation of tracking tools
- Discussion/agreement on emerging risks
- Co-present at meetings
- Adjust to business unit changes

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How do we measure success?

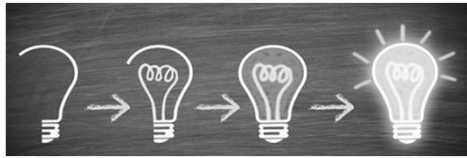


- Defined goals and objectives
- Agreed upon risk inventories with clear accountabilities
- Consistent terminology, rating scale and report format
- Coordinated risk assessments and reporting
- Documented process maps (individual and aligned)
- Centralized tracking system
- Process efficiency and cost savings
- Stakeholder feedback
- Comprehensive enterprise risk inventory
- Benchmark with peer companies
- Holistic enterprise-wide risk portfolio
- Operational decision-making based on risk
- Better oversight of risk mitigation



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Some lessons we learned.....



- Newly transitioned resources are not aligned or understand initiative
- Not all groups are committed to one centralized GRC tool
- Executive support is needed to hold teams accountable
- Needed to be more inclusive in identifying assurance functions
- Processes need to be flexible to adjust to changing environment
- Not a one-year project but a process evolution over time
- Stay focused on alignment, efficiency and quality

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Tearing down the silos leads to align assurance



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Discussion Questions