13.1 Assess substantial change

13.1.1 Internal and external changes that may impact strategic and operational objectives are part of day-to-day operations. Therefore, monitoring substantial change, which may lead to new or changed risks, should be built into operational processes and performed continually. Management practices can identify substantial changes in the ordinary course of running the business.

For instance, reviewing the plan for integrating a newly acquired financial costing system may prompt the need for future enhancements of information technology.

13.1.2 Substantial changes such as implementing a new system could potentially change the portfolio view of risk or impact how ERM functions. Implementing a new system could present new exposures related to protection of personal information and cyber-security, which could influence how data is captured and managed. Some examples of substantial change are highlighted below:

Table 19: Changes originating from external and internal environment

External Environment	Example
Changing regulatory or economic environment can result in increased competitive pressures, changes in operating requirements and different risks.	If a large-scale failure in operations, reporting and compliance occurs in one entity, regulators may introduce broad regulations that affect all entities within an industry. For instance, if toxic material is released in a populated or environmentally sensitive area, new industry-wide transportation restrictions may be introduced that affect transport logistics.
Internal Environment	**Example**
Rapid growth	When operations expand quickly, existing structures, operational processes, information systems, or resources may be affected. Information systems may not effectively meet risk information requirements because of the increased volume of transactions. Risk oversight

	roles and responsibilities need to be redefined considering entity and geographical changes due to an acquisition. Resources may be strained to the point where existing risk responses and actions break down.
New technology	Whenever new technology is introduced, risk responses and management actions will likely need to be modified. For example, a new system of using mobile devices that captures previously unavailable information on potholes in the road gives management the ability to monitor maintenance programs and performance, forecast potential maintenance dates and make real-time inventory decisions.

13.1.3 Identifying substantial changes, evaluating their impact and responding to the changes are iterative processes that can affect several components of ERM. It can be useful to conduct a "post-mortem" after a risk event to review how well the entity responded and to consider what lessons learned could be applied to future events.