## Government and Public Sector Enterprise Risk Management



Interest in enterprise risk management (ERM) is growing fast among federal agencies. A number of them have appointed a chief risk officer to manage their ERM efforts. Federal entities are starting to focus on enterprise solutions to manage risks that impact strategic and tactical objectives and use of resources. Along with this, a number of agencies are looking to translate the concept of ERM past the abstract framework into practical solutions that will ultimately support risk enabled performance.

There is a need for more risk intelligent management of agencies so that future opportunities and threats

to the agency's performance are recognized and addressed timely and appropriately.

The EY Government and Public Sector Enterprise Risk Management team offers a proven methodology and approach to help agencies leverage their investments in complying with Office of Management and Budget Circular A-123 Appendix A and other requirements by identifying and replacing isolated initiatives and remediation fixes with a holistic approach to integrating internal controls, compliance and risk management initiatives under an ERM framework.

### **ERM** framework

Risk governance			
Compliance and business practices			
Reporting and communications			
Integrated risk management			
Risk tolerance and analysis			
Risk-based performance management			
Coordinated risk functions			
Consistent methods and practices			
Common information and technology	<b>7</b>		
Business-level performance			
Metrics and measures			
Programs and major initiatives			
	Compliance and business practices Reporting and communications  management Risk tolerance and analysis Risk-based performance management isk functions Consistent methods and practices Common information and technology performance Metrics and measures		

Define the risk strategy and oversight responsibilities for risk management to drive accountability across the enterprise.

Integrate risk management including the identification, assessment and analysis of risk across the breadth of the enterprise within the ongoing business planning and performance management process.

Coordinate the scope, people, processes and technology necessary to sustain optimally effective and efficient risk management and compliance activities.

Enable the organization to differentially manage key risks with optimized processes and controls at the business level, embedding consistent risk activities within existing business processes.



### Benefits for clients

- A discipline that is integral to strategy formulation, operational decisionmaking and resource allocation oriented around outcomes rather than individual risks
- Costs reduced through planning, resource allocation and decisionmaking based on areas of high risk
- Consistent, agency-wide understanding and appreciation of current and emerging uncertainties and their interdependencies
- Enhanced risk analysis through data analytics, scenario analysis and stress testing to identify future trends and predictive indicators
- Integrated risk and performance management, enabling risk-adjusted real-time decision support

## Key opportunity indicators

# Organizations that have the following

- Management concerned with risk management, compliance cost and overall success
- A complex or siloed risk management and compliance organizational structure
- Multiple units responsible for risk assurance, risk management and compliance activities, leading to inefficiencies, lack of responsibility and unclear span of control
- Current tools that are manually intensive and decentralized, leading to inconsistent and inefficient monitoring and reporting
- · A highly visible, public profile

# Organizations that lack the following

- Alignment across the agency on ERM—a common view on methodology, scope, process and tools to enable line of sight into organizational risks and related work
- Consistent risk criteria and ratings across risk management, compliance and audit
- Defined risk appetite that is commonly understood across the agency
- Risk management knowledge needed to fully serve operations
- Clear understanding of the interdependencies between various risks and between various internal controls, compliance and risk management initiatives

			EY's ER	
	Rapid ERM assessment	ERM diagnostic	Enterprise risk assessment	
	Focused assessment of the adequacy, alignment and coordination of risk coverage across various risk management groups, including assurance and compliance	Assessment of governance, risk management, integration and operational-level performance     Evaluation of the design and consistency in application of the risk management process and internal controls	Identification, assessment and prioritization of the key risks to achieving the organization's objectives and intended outcomes     Incorporation of the federal agency risk universe to develop the agency's risk profile and identify remediation steps.	

## ERM maturity continuum

Integrate risk and performance Risk-enabled management to create improved outcomes and mission effectiveness performance management Leading practices Expanded focus · Expanding consideration to emerging risks Business performance Risk insight · Directly linking key risks to performance drivers and performance Using enhanced risk analysis using improvement data analytics · Integrating risk and performance management Implementing risk-adjusted real-time decision support Typical practices Foundational ERM · Formalizing the operational risk · Using an independent risk framework identification and assessment process Defining future trends and predictive Designing the process to provide risk Risk identification and indicators reporting to leadership · Allowing for scenario analysis and reporting Making the process independent stress testing of operations and performance Providing tangible value linked to risk management management Evaluating current exposures based on historical perspectives · Taking an informational and/or compliance focus Value creation

Risk governance	Risk integration	Governance, risk and compliance (GRC) implementation
Design, implementation and analysis of risk strategy and oversight responsibilities to transform an agency from a reactive to a proactive risk posture	<ul> <li>Tactical review and implementation to improve risk governance, risk management, and compliance integration and performance</li> <li>Alignment and coordination across the existing risk and compliance management groups</li> </ul>	<ul> <li>A systematic approach to transformation through integration of GRC practices</li> <li>Scope of impact that includes people and organization, processes, and technology to help derive greater value from risk management spend and improve overall business performance</li> </ul>

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SCORE no. BT0409 BSC number 1403-1225023 EC

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