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**

<table>
<thead>
<tr>
<th>Risk governance</th>
<th>Integrated risk management</th>
<th>Coordinated risk functions</th>
<th>Business-level performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk oversight and accountabilities</td>
<td>Risk identification and assessment</td>
<td>Aligned scope and coverage</td>
<td>Self-assessment and mitigation</td>
</tr>
<tr>
<td>Risk appetite and strategy</td>
<td>Risk monitoring and analytics</td>
<td>Consistent methods and practices</td>
<td>Process and control improvement</td>
</tr>
<tr>
<td>Compliance and business practices</td>
<td>Risk tolerance and analysis</td>
<td>Common information and technology</td>
<td>Metrics and measures</td>
</tr>
<tr>
<td>Reporting and communications</td>
<td>Risk-based performance management</td>
<td></td>
<td>Programs and major initiatives</td>
</tr>
</tbody>
</table>

**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 decision-making and resource allocation oriented around outcomes rather than individual risks
- Costs reduced through planning, resource allocation and decision-making 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

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<table>
<thead>
<tr>
<th>EY's ERM</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rapid ERM assessment</strong></td>
<td><strong>ERM diagnostic</strong></td>
</tr>
<tr>
<td>Focused assessment of the adequacy, alignment and coordination of risk coverage across various risk management groups, including assurance and compliance</td>
<td>Assessment of governance, risk management, integration and operational-level performance</td>
</tr>
<tr>
<td>*</td>
<td>Evaluation of the design and consistency in application of the risk management process and internal controls</td>
</tr>
</tbody>
</table>
ERM maturity continuum

**Foundational ERM**

**Risk identification and reporting**

**Integrate risk and performance management to create improved outcomes and mission effectiveness**

**Risk insight and performance improvement**

**Expanded focus**

**Risk-enabled performance management**

**Leading practices**
- Expanding consideration to emerging risks
- Directly linking key risks to performance drivers
- Using enhanced risk analysis using data analytics
- Integrating risk and performance management
- Implementing risk-adjusted real-time decision support
- Formalizing the operational risk framework
- Defining future trends and predictive indicators
- Allowing for scenario analysis and stress testing
- Providing tangible value linked to risk management

**Typical practices**
- Using an independent risk identification and assessment process
- Designing the process to provide risk reporting to leadership
- Making the process independent of operations and performance management
- Evaluating current exposures based on historical perspectives
- Taking an informational and/or compliance focus

**Value creation**

**Business performance**

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**services**

<table>
<thead>
<tr>
<th>Risk governance</th>
<th>Risk integration</th>
<th>Governance, risk and compliance (GRC) implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design, implementation and analysis of risk strategy and oversight responsibilities to transform an agency from a reactive to a proactive risk posture</td>
<td>Tactical review and implementation to improve risk governance, risk management, and compliance integration and performance</td>
<td>A systematic approach to transformation through integration of GRC practices</td>
</tr>
<tr>
<td></td>
<td>Alignment and coordination across the existing risk and compliance management groups</td>
<td>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</td>
</tr>
</tbody>
</table>
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