

Unlocking the Value of Enterprise Risk Management (ERM)

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ERM defined

- ▶ Enterprise Risk Management (ERM) is a discipline that addresses the full spectrum of an organization's risks, including challenges and opportunities, and integrates them into an enterprise-wide, strategically aligned portfolio view.
- ▶ ERM contributes to improved decision-making and performance management and supports the achievement of an organization's mission, goals and objectives.
- ▶ ERM provides a process and a tool set to solve problems.

Office of Management and Budget (OMB) Circular No. A-123 and Circular No. A-11, Section 270

The two circulars that form the ERM Policy framework for the Federal Government are:

- ▶ OMB Circular No. A-123: Management's Responsibility for Risk Management and Internal Controls
- ▶ OMB Circular No. A-11: Preparation, Submission, and Execution of the Budget

OMB Circular A-123:

- ▶ Defines managements responsibilities for ERM including requirements for identifying and managing risks.
- ▶ Encourages Agencies to:
 - ▶ Establish a Risk Management Council (RMC);
 - ▶ Develop "Risk Profiles" which identify risks arising from mission and mission-support operations and,
 - ▶ Consider these risks as part of the annual strategic review process.

OMB Circular No. A-11 Section 270 discusses:

- ▶ Agency responsibilities for identifying and managing strategic and programmatic risk as part of agency strategic planning, performance management, and performance reporting practices.
- ▶ Together, these circulars constitute the ERM policy framework for the Federal Government, with specific ERM activities integrated and operationalized by Federal agencies.