WHAT IS ENTERPRISE RISK MANAGEMENT?

The Committee of Sponsoring Organizations (COSO) of the Treadway Commission (an initiative developing frameworks and guidance on ERM, internal control and fraud deterrence), defines Enterprise Risk Management (ERM) as:

“a process, effected by an entity’s board of directors, management and other personnel, applied in strategy-setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, to provide reasonable assurance regarding achievement of entity objectives.”
SIMPLY STATED

ERM is a process by which the major risks facing an organization’s strategic goals are identified and evaluated.
WHY IS ERM IMPORTANT TO NDUS?

- Inherently risky environment
- Various types of risk exist
- Strategically managing risks:
  - Helps ensure NDUS can continue to serve the students, faculty and staff of our system
  - Can reduce the chance of loss
  - Help ensure scarce resources are directed to the risks that matter the most
- Address risk assessment concerns raised by the SAO
ANOTHER IMPORTANT REASON

HB 1173 passed and goes into effect August 1, 2017. The bill relates to the Legislative Audit and Fiscal Review committee (LAFRC), and among other things says,

“...Whenever the committee (LAFRC) may determine that a state agency, department, or institution has failed to correct an audit finding within two biennia which the committee determines critically important, the committee may recommend the legislative assembly reduce the state agency, department, or institution's appropriation as compared with the amount appropriated to the agency, department, or institution for the previous biennium ...”

In the most recent (2016) audit of NDUS, the State Auditor’s Office has again included a Prior Not Implemented audit recommendation with regard to fraud and internal control risk assessment. This has been a recommendation since 2008.
WHAT IS THE BASIS FOR ERM?

To assist with the implementation of the ERM process, COSO developed the ERM Integrated Framework (2004), also known as the COSO Cube. This cube is an update to the internal control COSO framework developed in 1992:
There are eight key components to ERM that work in a continuous cycle:

- Internal Environment
- Objective Setting
- Event Identification
- Risk Assessment
- Risk Response
- Control Activities
- Information & Communication
- Monitoring
ERM AT NDUS – STARTING SIMPLY

- As an organization that is just beginning the formalized ERM approach, the goal is to get started!
- It is important to note that the NDUS approach will have at its core a component of simplicity…we are going to……
NDUS ERM – SUCCESS FACTORS

ERM is primarily dependent on complete commitment from senior management and the board, who will set the “tone at the top”.

Other key factors include:

- Start simply! Start small, keep it understandable and work to improve it over time
- Identify an ERM “champion” to monitor progress and address any challenge
- Develop understanding among risk owners and ensure that clear accountabilities are assigned to those who are managing risk(s)
- Communicate to all stakeholders on a regular basis regarding status and risk mitigation plans and ensure that a system of regular follow up in in place
TIMELINE...AND WHAT THE INSTITUTIONS NEED TO DO BY 6/30/17

Complete  **Internal Environment** (Support from the Top) and **Objective Setting** (Strategic Plans & Vision 2030)

By 5/12/17  **Event (Risk) Identification** – Institution senior leaders identify top 10-15 risks to assess

By 5/19/17  **Risk Assessment (step 1)** - NDUS Audit Services to distribute risk assessment survey to institutional stakeholders

By 6/2/17  **Risk Assessment (step 2)** - Institutional stakeholders to complete Qualtrics risk assessment survey

By 6/23/17  **Risk Response (step 1)** - NDUS Audit Services to compile and distribute risk assessment scores

By 7/31/17  **Risk Response (step 2)** - Institutions assign risk response to identified and scored risks

By 10/31/17  **Control Activities** - Institutions document existing/recommended control activities

By 12/31/17  **Information & Communication** - ERM Coordinator to provide communication regarding risks and progress

Jan.-Mar. 2018  **Monitoring** - Institutional monitoring of risks and control activities

April 2018  ERM cycle begins again as institutions identify top risks currently facing the institution
Event (Risk) Identification
Institutions identify top 10-15 risks to assess

- ERM coordinator
- Institutional Senior Leadership to identify no more than 10-15 top risks, focusing on Fraud and Control risk
- Additional resources to assist with risk identification
  - 2011 Larson Allen Risk Assessment (specific to each institution)
  - ACUA Higher Education Risk Dictionary (general)
- Dedicated institutional time
Risk Assessment (step 2)
Identified institutional stakeholders to complete Qualtrics risk assessment survey

- Qualtrics survey
- Identify additional survey respondents
- Assess Impact & Likelihood for each identified risk
- Minimal institutional time
POST 6/30/17

By 7/31/17  **Risk Response (step 2)** - Institutions assign risk response to identified and scored risks

By 10/31/17  **Control Activities** - Institutions document existing/recommended control activities

By 12/31/17  **Information & Communication** - Institutional ERM Coordinator to provide communication regarding risks and progress

Jan.-Mar. 2018  **Monitoring** - Institutional monitoring of risks and control activities

April 2018  ERM cycle begins again as institutions identify top risks currently facing the institution
ERM is done right when leaders at every level use the information to make decisions.
While the ERM evaluation and assessment process needs to be owned by the management and stakeholders of each individual institution, NDUS Audit Services can assist as needed with clarification or guidance.

Thank you for your time!