

ENTERPRISE RISK MANAGEMENT (ERM) BACKGROUND and STATUS UPDATE

ERM as defined by the Treadway Commission¹, “Enterprise risk management is 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 its risk appetite**, to provide reasonable assurance regarding the achievement of entity objectives.”

Various risk areas across the enterprise (i.e. strategic, operational, compliance, and financial) can impact our most precious resource, VCU’s reputation. ERM is a holistic organization-wide approach to risk management and **integrates risk management with strategic planning**. Additionally, ERM program can help position an organization to not only **identify and mitigate traditional risks**, but also to **manage risk** and, whenever possible, **turn risk into opportunities**.



ERM focuses on an institution’s achievement of its objectives or mission in the following four areas:

- *Strategic – high-level goals that are aligned with and support the institution’s mission*
- *Operational – ongoing management process*
- *Financial – protection of the institution’s assets*
- *Compliance – the institution’s adherence to applicable laws and regulations*

Progress to date:

- ERM White Paper presented to the Audit and Compliance Committee (May 2012)
- ERM Committee established to provide oversight, guidance, and implementation
- Committee has conducted additional research with universities that have existing ERM programs
- Timeline has been established
- Decision to use outside consultant to assist with designing an ERM framework and resource augmentation
- Statement of work developed; Request for Proposal issued, pre-proposal conference held (August 2012)
- ERM website planning has begun

¹ The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a voluntary private-sector organization dedicated to providing thought leadership to executive management and governance entities on critical aspects of organizational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting.