

Audit and Compliance Committee

Enterprise Risk Management

What is Enterprise Risk Management?

- An organization-wide systematic approach to identify and tactically manage risk.
- A best practice to prioritize risk and implement processes to monitor risk.
- Movement from a traditional transactional risk approach to a global, strategic approach.
- A framework to manage reputational risk.

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Enterprise Risk Management (continued)



- *Strategic Risk – high-level goals aligned with the mission*
- *Operational Risk – ongoing management processes*
- *Financial Risk – protection of assets*
- *Compliance Risk – adherence to laws and regulations*

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Enterprise Risk Management (continued)

Why should VCU implement ERM?

- Improve how it actively manages not only financial and compliance risk, but also manage strategic and reputational risk.
- Focus on risks that could prevent successfully reaching the *Quest for Distinction* goals.
- Continue VCU's vision to be forward looking and future planning.

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Enterprise Risk Management (continued)

Selected universities that have implemented ERM

- Drexel University
- University System of Georgia
- NC State University
- Penn State University
- Emory University
- Ohio University
- University of North Carolina
- University of Texas
- Texas A&M University
- University of Maryland
- Notre Dame University
- University of Wisconsin

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Enterprise Risk Management (continued)

Possible ERM Approaches

- Current Risk Identification Approach
 - Top-down, try to eliminate risk, silo approach
- Process-driven Approach
 - Bottom-up, takes significant time and expense, possible failure from being too detail oriented
- **Measurement-driven Approach**
 - Middle-up, takes advantage of current experience, uses current operational staff

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Enterprise Risk Management (continued)

How would ERM progress at VCU?

1. Adopt a measurement-driven approach.
2. Establish interdisciplinary ERM Subject Matter Teams.
 - Uses experienced staff from different areas to cover subjects like HR, IT, Finance, Safety and Facilities, Research, Academics, Student Affairs
3. ERM Subject Matter Teams brainstorm possible risks.

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How would ERM progress at VCU?

4. ERM Committee prioritizes Key Risks.
 - Consists of experienced management at Assistant Vice President level.
 - May need to limit number of Key Risks to about 50 to sustain manageability.
 - Revisit risks periodically to add new risks or drop less important risks.

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Enterprise Risk Management (continued)

How would ERM progress at VCU?

5. Each Key Risk is assigned to a Process Owner.
 - Process Owners help develop plans to manage each of the Key Risks with operational managers.
6. Annually, Process Owners report on their plans and progress to ERM Executive Committee for approval.
 - ERM Executive Committee includes the President and Vice Presidents.
 - Quarterly meetings to cover $\frac{1}{4}$ of Key Risks.

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How would ERM progress at VCU?

7. Annual reports on ERM progress to Board of Visitors.
 - Discuss accomplishments and progress.
 - Discuss areas where residual risk is highest.
 - Ask for input on risk assessment.

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Enterprise Risk Management (continued)

How will ERM benefit VCU?

- A tool to successfully implement *Quest for Distinction*.
- Create quick, decisive, resilient plans to react to unexpected occurrences.
- Assurance to stakeholders that VCU is doing what it can to be ready for the future.