Enterprise Risk Management – Standards of Practice

1.0 General

1.1 Enterprise Risk Management (ERM) is a process, affected 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.

1.2 A&M System Members (members) shall develop and implement ERM tools to effectively manage uncertainty and risk through successful identification, mitigation, and monitoring activities.

1.3 The A&M System applies the ERM philosophy to focus on the key elements of ERM to serve as a management and communication tool that assists in reducing risks and improving the changes of success in the accomplishment of goals found in a strategic plan and/or other key continuing operational programs. In many cases, risks cannot be eliminated, but ERM enables us to manage them more efficiently and effectively.

2.0 Standards

2.1 Members should include the following key elements in the application of ERM:

2.1.1 Identify and Prioritize Risk - Identify and prioritize risk associated with the achievement of strategic plan goals and/or other key continuing operational programs.

2.1.2 Determine Level of Acceptable Risk - Management determines the level of risks acceptable to the organization, including the acceptance of risks designed to accomplish the organization's objectives.

2.1.3 Develop Mitigation Activities - Develop and implement mitigation activities to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management.

2.1.4 Conduct Ongoing Monitoring - Conduct monitoring activities to periodically reassess risk and the effectiveness of controls to manage risk.

2.1.5 Report Periodically on ERM process - Report and communicate periodically on the application of the Enterprise Risk Management tools in the management of risk. Risk deficiencies should be reported upstream, with serious matters reported to top management, Chancellor, and the Board of Regents.

2.2 The above elements should be applied across the enterprise-wide level risk in accordance with the strategic plan, but can also be used as a tool to address departmental or functional unit level risk at any level of detail.

3.0 A&M System Annual Requirement
(A&M System Policy 03.01, http://tamus.edu/offices/policy/policies/pdf/03-01.pdf)

3.1 As part of the annual strategic plan progress reports (http://tamus.edu/strategicplan/) provided annually to the Chancellor, documentation on the application of ERM in regard to the strategic plan will be incorporated using a simplified and standard format.

3.2 The progress reports will require identification of:

3.2.1 Risks – key threats that may prevent accomplishment of a goal.

3.2.2 Mitigation activities – controls, programs, processes, or procedures in place to reduce the likelihood or severity of the risk.

3.2.3 Monitoring activities – systems, reports, or executive reviews use to track and analyze the risks associated to the goal and the related effectiveness of mitigation activities.

3.3 A&M System guidance and templates will be provided annually for the progress reports.