

# ENTERPRISE RISK MANAGEMENT IN THE PUBLIC SECTOR

The importance of strong governance practices has been increasingly acknowledged as critical to organizational success. Government organizations are under increasing pressure to identify all risks they face: social, ethical and environmental as well as reliability of reporting (financial or otherwise), compliance, and operations. In addition, they must be able to explain how they manage risks to an acceptable level. Meanwhile, the use of enterprise risk management (ERM) frameworks has expanded, as governments recognize their advantages over less coordinated approaches to risk management.

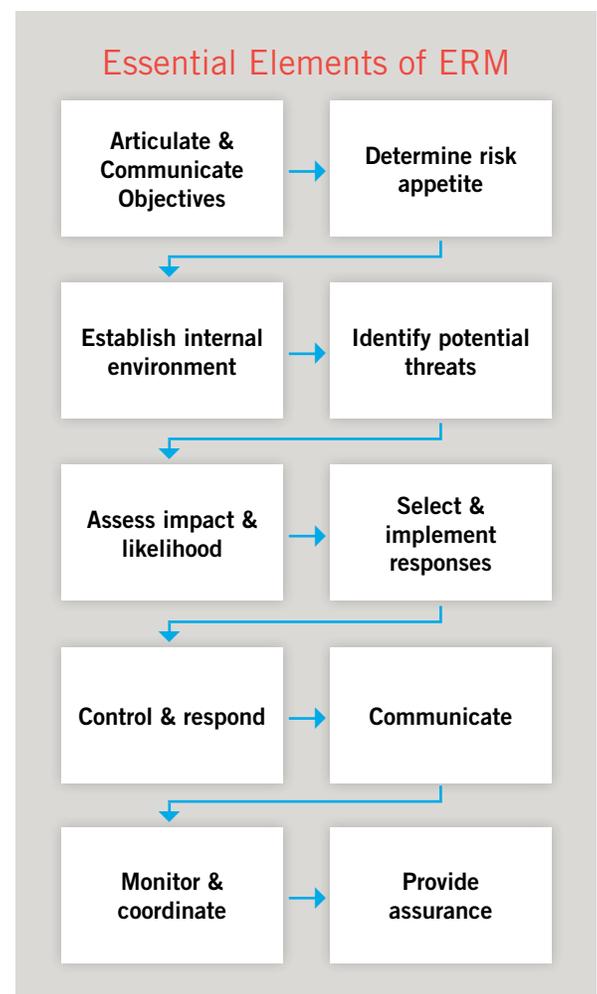
## WHAT IS ENTERPRISE RISK MANAGEMENT?

Organizations undertake risk management activities to identify, assess, manage, and control all kinds of events or situations. These can range from single projects or narrowly defined types of risk, such as information security risk, to the threats and opportunities facing the organization as a whole. ERM is a structured, consistent, and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of its objectives.

### Benefits of ERM

ERM will contribute to an organization's success by providing:

- A greater likelihood of achieving objectives.
- Consolidated reporting of disparate risks at the governing body level.
- An improved understanding of the key risks and their wider implications.
- Greater management focus on issues that matter.
- Fewer surprises or crises.
- More focus internally on doing the right things in the right way.
- Providing assurance to the public.

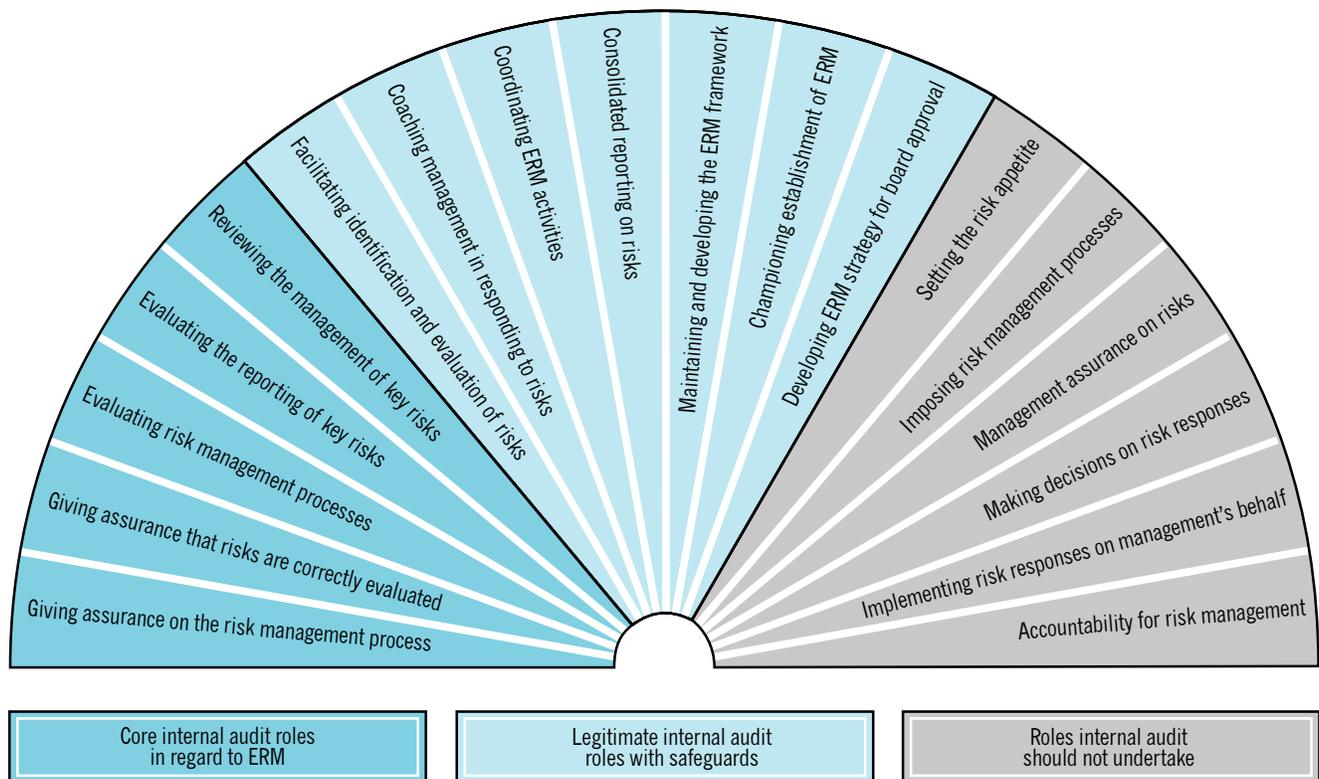


## Responsibility for ERM

The governing body of the government entity has overall responsibility for ensuring that risks are managed. In practice, the governing body will delegate the operations of the risk management framework to the management team, who will be responsible for implementing the selected ERM framework. Some organizations may choose to establish a separate risk management function to coordinate and project-manage these activities, bringing to bear expert skills and knowledge.

## Role of Government Auditors in ERM

Auditing is an independent, objective assurance and consulting activity. The role of government auditors in regard to ERM is to provide objective assurance to the governing body on the effectiveness of risk management. The following illustration presents a range of ERM activities and indicates which roles an effective professional audit activity should and, equally importantly, should not undertake.



Sources: IIA Position Paper: *The Role of Internal Auditing in Enterprise-Wide Risk Management*, 2009.  
*The Value Agenda*, IIA-UK and Ireland and Deloitte & Touche, 2003.

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For more, see *The IIA Position Paper: The Role of Internal Auditing in Enterprise-Wide Risk Management*, available at:  
[www.theiia.org/goto/position-papers/](http://www.theiia.org/goto/position-papers/)

