

Enterprise Risk Management (ERM)
Implementing ERM in the Government of Alberta
February 23, 2007

Introduction

Implementation of the Enterprise Risk Management Framework was approved by the Deputy Ministers' Committee. ERM processes are to be implemented and documented in all ministries as soon as possible as part of the 2008-11 business planning cycle.

Requirements

1. In implementing the ERM Framework, Ministries are to focus on the few key strategic risks to the organization. (These might be described as those things that "keep the minister or deputy minister awake at night".)
2. The ERM process is to be integrated into the business planning process with risks identified, assessed and evaluated as part of that process.
3. Ministries are to demonstrate a link between key strategic risks and mitigation strategies that may be included in the ministry business plan.
4. Key strategic risks are to be monitored and reviewed as part of the ongoing implementation of the ministry business plan.
5. Each ministry ERM process must be documented and the process must involve the senior executive team in each ministry as they are ultimately responsible for developing and implementing risk mitigation strategies.
6. The internal ministry ERM report will consist of a prioritized list of identified risks and include: a brief description of the risk; an assessment of both the likelihood and impact of the risk before mitigating actions taken; the mitigating actions to be taken for each of the risks; and the likelihood and impact of each risk after the mitigating strategies/actions are taken into account (see example A in the ERM Reference Guide).
7. The risks, mitigating strategies/actions, and the effectiveness of the mitigating strategies/actions should be reviewed at least once a year. Frequency of risk review should be flexible and appropriate to the ministry's response to a particular risk.
8. These requirements are to be applied within the high level steps identified in the Government of Alberta Enterprise Risk Management Framework and ERM Reference Guide or in an established ERM framework (for example; Committee of Sponsoring Organizations of the Treadway Commission (COSO), or Guidelines for Managing Risk in the Western Australian Public Sector), except where otherwise stated in these requirements (see Requirement 9). Ministries have the flexibility to implement the detailed actions within these high level steps they deem necessary to effectively manage their ministry's enterprise risk.
9. A fiscal quantification of the impact of the key strategic risk is not required, nor is the formal setting of levels of risk tolerance for the ministry as recommended in ERM Frameworks.

In summary, at a minimum, the ERM process must be:

- Developed at the ministry level, and integrated with the business planning process;
- Documented, providing evidence that the senior executive team had considered and approved the key risks and that risk mitigating strategies/actions are implemented in conjunction with the business planning process; and
- Supported by an internal ERM report that provides a brief description of the risk; an assessment of both the likelihood and impact of the risk before mitigating actions are taken; the key mitigating actions to be taken for each of the risks; and the likelihood and impact of each risk after the mitigating strategies/actions are taken into account.

To assist ministries in implementing ERM processes, the framework documents identified above can be found on the following website: http://internal.gov.ab.ca/finance/enterprise_risk_mgmt/index.html