



Enterprise Risk Management Dictionary

This dictionary is provided to facilitate understanding and enable individuals engaged in enterprise risk management to be able to speak a common language and communicate more effectively.

Consequence

The affect upon the institution when a risk becomes a reality. An example of a consequence is “the loss of a significant asset”. The risks leading to that particular consequence could be fire, theft, negligence, etc. An organization has no ability to directly manage a consequence, but can manage the cause-based events that lead to the consequence.

Control

A process effected by our board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to identified risks.

Controls, Execution – Level 1 controls;

These are the policies and procedures applied by employees or systems to every transaction or event.

Controls, Supervisory – Level 2 controls;

These are policies and procedures applied by supervisors or representatives of supervisors to ensure employees are properly performing and documenting the execution (level 1) controls.

Controls, Oversight – Level 3 controls;

These are policies and procedures applied by middle and upper management or their representatives to ensure that supervisory (level 2) controls are being properly performed and documented.

COSO

Committee of Sponsoring Organizations of the Treadway Commission

Cost of Risk

The financial impact to an organization from undertaking activities with an uncertain outcome. The cost of managing risks and incurring losses.

Enterprise Risk Management (ERM)

ERM is an integrated forward-looking approach to evaluate and manage risks and opportunities

Event

Occurrence or change of a particular set of circumstances.

Executive Risk Assessment

Conducted periodically by the chancellor and president with his/her direct reports. The executive risk assessment (ERA) is submitted to Statewide Risk Services for compilation of the university risk register. Areas that are assessed as high risk are suggested for the performance of more detailed 'Major Activity Area' risk assessments. Identified risk areas are used to facilitate the development of Internal Audit's annual audit plan, which is presented to the Board of Regents Audit Committee. This facilitates audit coverage of the areas identified as high risk by management.

Exposure

Extent to which an organization and/or stakeholder is subject to an **event**

IIA

Institute of Internal Auditors

IIA

Insurance Institute of America

Impact

Result or effect - there may be a range of possible impacts associated with an event. The impact of an event can be positive or negative relative to the entity's related objectives.

Inherent Risk

The risk in the absence of any actions management might take to alter either the risk's likelihood or impact.

Internal Environment

Encompasses the tone of an organization and sets the basis for how risks and internal controls are viewed and addressed by an entity, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which the organization operates.

ISO

International Organization for Standardization

Major Activity Area

A collection of major business processes of which the responsibility ultimately rolls up to a direct report of the chancellor or president. For example, the processes of financial reporting, accounts receivable, accounts payable, and cash management may be part of the Finance major activity area. A risk assessment at this level becomes the foundation for determining the strategies and controls necessary to either minimize or optimize the risks and opportunities identified.

Monitoring

The entirety of risk management is monitored and modifications are made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

NACUBO

National Association of College and University Business Officers

Opportunity

The possibility that an event will occur and positively affect the achievement of objectives.

Probability

The likelihood that a risk will become a reality.

Process

A set of linked tasks that are controlled by a common set of policies and procedures, and generate a common set of risks. In the major activity area of Finance, for example, processes may include financial reporting, accounts receivable, accounts payable, and cash management.

Residual Risk

The remaining risk after management has taken action to alter the risk's likelihood or impact.

RIMS

Risk and Insurance Management Society

Risk

The chance of loss or gain; the possibility that an event will occur that affects the achievement of an organization's mission or objectives.

Risk Acceptance

The decision to accept the consequences and likelihood of a risk.

Risk Analysis

A process of identifying, describing and measuring the risks associated with different courses of action in order to inform the decision making process.

Risk Appetite

An organization's tolerance for risk; the amount of risk an organization is willing to accept in pursuit of its mission/vision.

Risk Assessment

The consideration of the extent to which potential events have an impact on achievement of objectives. Assessment is done from two perspectives; likelihood and impact. Includes positive and negative impacts of potential events. Risks are assessed on both an inherent and a residual basis.

Risk Avoidance

Avoiding the activities giving rise to risk.

Risk Categories

Assists in sorting and organizing; examples include:

Safety: Includes life and health exposures arising out of university operations, events, and activities.

Strategic: Exposure to uncertainty related to long-term policy directions of the institution—the “big picture” risks.

Financial: Exposure to uncertainty regarding the management and control of the financial resources and physical assets of the institution.

Operational: Exposure to uncertainty related to day-to-day business activities.

Reputational: Exposure to uncertainty related to brand, perceived value, organizational status, and public perception and trust. Employee and educational integrity and a clear statement of the ethics and moral values emanating from the top are important components of this risk.

Compliance: Includes external regulatory agencies, internal and external reporting, financial and non-financial information.

Risk Control

The technique of minimizing the frequency or severity of losses by any number of means such as training, safety and security measures, a regulation, policy, or procedure

Risk Estimation

The use of a tool or system (quantitative or qualitative) to determine probability of occurrence and consequences of risks.

Risk Evaluation

Comparing the results of Risk Estimation to established criteria for the purpose of determining the significance of risks and whether to accept them or treat them (see also Risk Mitigation and Avoidance).

Risk Financing

The mechanisms for funding risk mitigation strategies and/or funding the financial consequences of risk (i.e., insurance).

Risk Identification

The determination of risks that are material; i.e., that potentially can impact the achievement of objectives.

Risk Management

Coordinated activities to direct and control an organization with regard to risk.

Risk Management Plan

Specifies the issues, approach, management component and resources to be applied to the management of risk.

Risk Management Policy

Statement of the overall intentions and direction of an organization related to risk management

Risk Mapping

The visual representation of risks (which have been identified through a risk assessment exercise) in a way that easily allows priority ranking them.

Risk Matrix

Tool for ranking and displaying risks by defining ranges for probability and impact (or consequence and likelihood).

Risk Mitigation

Actions which reduce a risk or its consequences (see Risk Strategies).

Risk Owner

Person(s) with the accountability and authority to manage a risk

Risk Portfolio

A list of risks identified and evaluated by an organization (also called Risk Register) that represent our portfolio of risks at a certain time.

Risk Prioritization

The ranking of material risks on an appropriate scale, such as frequency and/or severity (see also Risk Mapping)

Risk Reduction

Action is taken to reduce risk likelihood or impact, or both. Measures to reduce the frequency or severity of loss.

Risk Register

A compilation of risk assessment results (also called Risk Portfolio).

Risk Response

Management selects risk responses-avoiding, accepting, reducing or sharing risk-developing a set of actions to align risks with the entity's risk tolerances and risk appetite.

Risk Reporting

Publishing information on risks to internal or external stakeholders.

Risk Retention

Acceptance of the potential benefit of gain, or burden of loss, from a particular risk.

Risk Sharing

Reducing risk likelihood or impact by transferring or otherwise sharing a portion of the risk.

Risk Strategies (see Risk Mitigation)

Possible responses to risk situations such as: Avoidance, Acceptance, Sharing, Reduction

Risk Tolerance

The acceptable variation relative to the achievement of an objective.

Risk Treatment

The process of selecting and implementing measures to modify the risk.

Silo

Describes divisions, departments or other groups and individuals in organizations that tend to act in isolation.

Stakeholder

Person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity.

URMIA

University Risk Management and Insurance Association

Work Unit

A unit responsible for one major business process that, when broken down, is a specific set of linked tasks. Typically, a major activity area would consist of several work units responsible for specific business processes. A risk assessment at this level would consist of the manager (supervisor, director, etc) of the work unit and all of the employees of the work unit. The purpose is to capture the work unit staffs' understanding of the execution risks associated with the activities that they perform.