



Enterprise Risk Management Update



Carl Danner
Chief Internal Auditor

California Public Utilities Commission

August 26, 2015





Enterprise Risk Management (ERM)

- ERM is a risk-based approach to help set priorities for management attention and resources.
- ERM generally involves several steps:
 1. Identify relevant organizational objectives, and types of harm that can occur;
 2. Create a list of risks or adverse events (a risk register);
 3. Rank the risks by likelihood and severity (heat map);
 4. Assign priority risks to managerial “owners” to mitigate, monitor and update;
 5. Consider risks and mitigation opportunities in management and budgetary decisions;
 6. Repeat and keep current, as an ongoing process.





Progress to Date

- With help from staff, management and Commissioners, Internal Audit led the initial development of steps 1-3:
 1. Identify relevant organizational objectives, and types of harm that can occur;
 2. Create a list of risks or adverse events (a risk register);
 3. Rank the risks by likelihood and severity (heat map);
- Now, we are pursuing steps 4-6:
 4. Assign priority risks to managerial “owners” to mitigate, monitor and update;
 5. Consider risks and mitigation opportunities in management and budgetary decisions;
 6. Repeat and keep current, as an ongoing process.



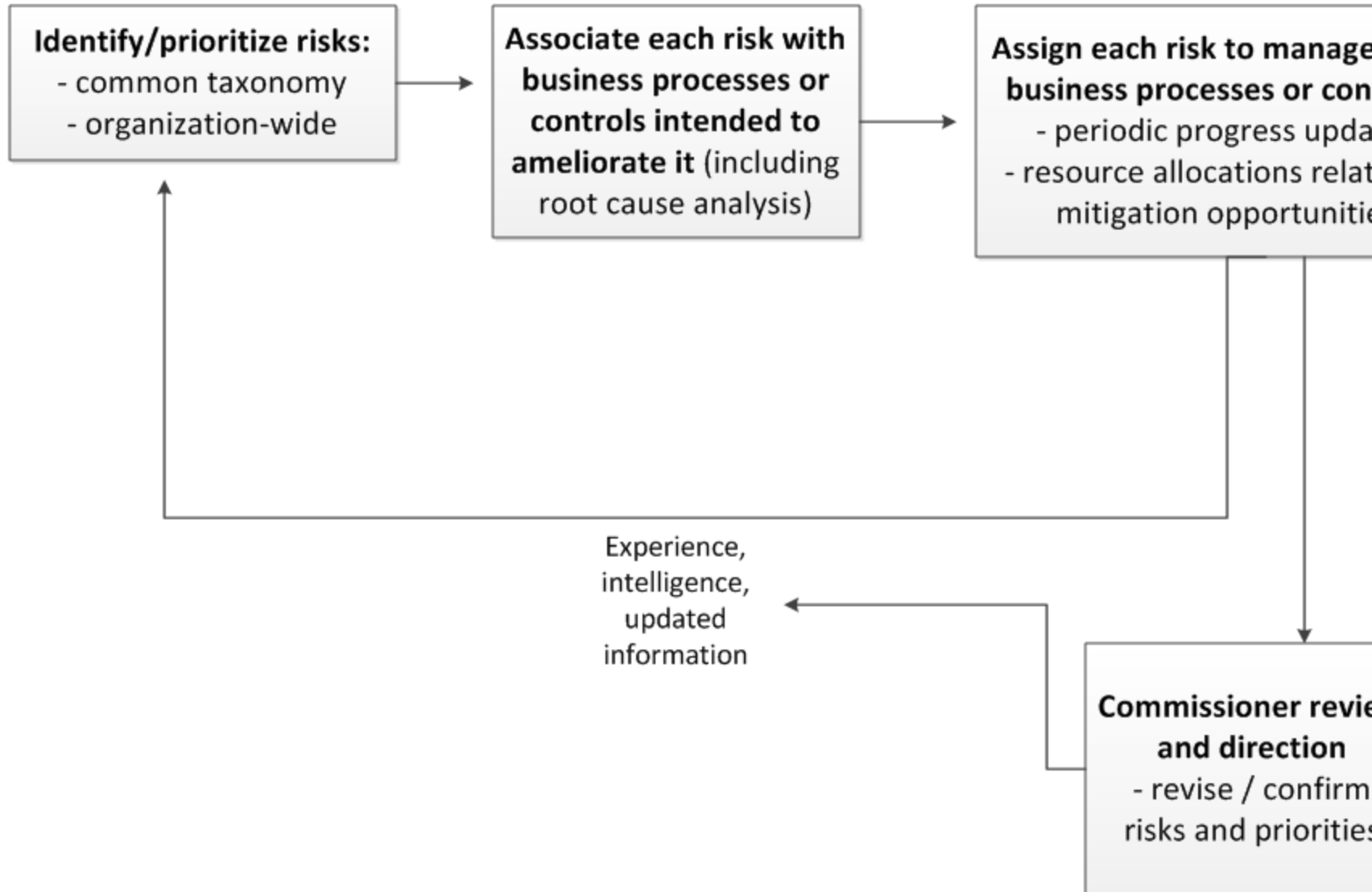


Organizational Risk / Harm Categories

- With management's help, we developed a list of six areas of concern:
 1. Physical
 2. Economic
 3. Financial / fiduciary
 4. Legal
 5. Environmental
 6. Mission integrity



ERM High-Level Steps





Next Steps

- Agency-wide ERM Working Group to be established by the end of August:
 - Representatives from each division;
 - Also requesting Commissioner office representatives.
- Initial tasks: Review, agree on common terms for descriptions of goals, risks, harms, likelihoods.
- Subsequent tasks: Update risk assessment results, assign priority risks to owners, and establish ongoing management / update responsibilities.





Concluding Observations

- CPUC organizational risks tend to break out into internal (agency-focused) risks, versus external (public and program) risks:

Concerns about the operations of the agency,

versus

risks to the public from regulated entity operations, and agency policies.

- Risks to agency operations seem well-suited to ownership by agency management.
- External or programmatic risks may have more natural owners at the Commission level.





Thank you!
For Additional Information:
www.cpuc.ca.gov

