

RISK SIMPLIFIED



RESOURCES

[Sample Risk Register Template - University of California](#)
(Excel Download)

QUESTIONS

Contact PRISM Risk Control
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Enterprise Risk Management (ERM)

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Enterprise Risk Management, or ERM, is a practical way for agencies to look at what might go wrong and what might go right and to prepare for both. It helps local governments identify potential problems that could disrupt services, such as wildfires, cyberattacks, or staff shortages, while also recognizing opportunities like new funding, partnerships, or technology improvements that could strengthen operations. Local governments operate in a complex environment of limited budgets, changing regulations, and growing expectations. ERM helps agencies make better decisions, protect public resources, and maintain trust by managing uncertainties in a transparent and consistent way.

How ERM Works

ERM is an ongoing process that becomes part of how an organization plans and operates. It typically involves the following activities, with participation from across the agency:

1. Identifying Risks and Opportunities:

Agencies start by asking what could affect their ability to meet goals, both positively and negatively.

- Risks might include power shutoffs disrupting emergency operations or data breaches compromising sensitive information.
- Opportunities might include new grants to address homelessness, shared regional services that cut costs, or technology upgrades that improve service delivery.

2. Assessing Impact and Likelihood:

Each risk is reviewed for how likely it is to occur (frequency) and how serious the impact would be (severity). For example, a small coastal city might view sea-level rise as a long-term but high-impact concern, while a mountain community might prioritize wildfire preparedness. This step helps decision makers focus on what matters most to the agency's mission and resources.

3. Prioritizing:

By rating and ranking items, an agency can focus time and resources to make the greatest difference. In addition to frequency and severity, the timeline to address the risk must also be taken into account. This helps clarify what needs immediate attention and what can be managed later. For example, while repairing a leaking roof is important, a broken air conditioner in peak of summer heat could become a higher priority. A grant opportunity with a submission deadline that is posted and planned for may fall somewhere in between.

4. Developing Responses:

Once risks are prioritized, agencies must decide how to handle them. Risks might be reduced through safeguards or new policies, transferred through a third-party service provider, accepted if they are minor, or avoided entirely if they pose unacceptable exposure. For opportunities, responses might involve investing in pilot programs, building partnerships, or reallocating resources to pursue high-value initiatives.

5. Monitoring and Reporting:

Items 1-4 are often centralized and documented in a risk register. A risk register is a structured inventory of the identified risks, potential impacts, likelihood, priority, and the strategies being used to manage them. Risks change over time, so agencies should maintain an updated risk register, review progress on steps taken, and report regularly to leadership.

The most effective programs link the identified risks and opportunity insights to budgeting, strategic planning, and policy development. This ensures that managing risk is part of how an agency makes decisions, not an afterthought. When considering both risks and opportunities together, an agency can balance caution with innovation to strengthen long-term resilience.

Who Is Involved

Everyone has a role in ERM. Elected officials and executives set expectations and allocate resources; department heads and managers identify and manage risks/opportunities within their operations; staff contribute insights from their day-to-day work; and auditors or oversight bodies help ensure accountability. The process works best when all levels of the organization are engaged and share a common understanding.

The Benefits

When done well, ERM helps local governments anticipate and prepare for challenges before they become crises. It encourages collaboration, supports stable financial management, and creates a culture of foresight and accountability. By managing both risks and opportunities, ERM helps agencies protect their people and programs while positioning themselves to make the most of new possibilities. For further assistance or questions about Enterprise Risk Management, contact [Risk Control](#).