

Enterprise Risk Management Framework

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The Saskatchewan School Boards Association (SSBA), League of Educational Administrators, Directors and Superintendents of Saskatchewan (LEADS) and Saskatchewan Association of School Business Officials (SASBO) organizations have jointly developed the Enterprise Risk Management Framework as a common ERM system for use in all school divisions across the province. This user guide will lead the Board and it's employees through the steps required to adopt, implement and monitor an Enterprise Risk Management system within their division.

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ENTERPRISE RISK MANAGEMENT FRAMEWORK

This framework is supplementary to the Enterprise Risk Management (ERM) Administrative Procedure, and attempts to:

- Anticipate and respond to the changing business environment;
- Manage risk in accordance with leading practice and demonstrating due diligence in decision making;
- Balance the cost of controls with the anticipated benefits; and,
- Provide understanding of the need for enterprise wide risk management.

APPROACH TO RISK MANAGEMENT

Risk is to be identified, assessed, managed, monitored and reported in a thorough and systematic fashion in accordance with the risk management procedures outlined in this framework. As depicted in the diagram below, school division's ERM approach has five stages:

- 1 Risk Identification;
- 2 Risk Assessment;
- 3 Risk Responses and Action;
- 4 Risk Monitoring; and;
- 5 Risk Reporting.



1 RISK IDENTIFICATION

Identification of risks should occur on an on-going basis (at least annually) and on an ad-hoc basis as required for significant changes or new processes, programs and initiatives. The process involves identification of key risks on a functional or strategic basis which are then integrated to derive key enterprise-wide risks.

On an annual basis school division discusses and modifies, as necessary, the top risks school division faces. To help with the risk identification process, risks are considered within the following categories: Financial; Facilities; Governance; Human Resources; Information Technology & Support Areas; Operations; Reputation; and Strategy & Vision.

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When identifying risks, the school division shall consider:

- Current and future expected risks.
- Risks associated with recent internal changes in the business.
- Risks associated with external change in the business or political environment.
- The root causes for the risks (i.e., the source of the risk: why, how, and where the risks originate, either outside the organization or within its processes or activities) in order to achieve a more rigorous risk assessment and to better position school division to manage the risks.

2 RISK ASSESSMENT

Risk assessment is performed to identify the significance of events that might affect the achievement of school division’s objectives. Risk assessment includes consideration of the likelihood of a risk occurring and the impact of a risk on the achievement of the school division’s objectives.

Likelihood

The likelihood of identified risks is to be assessed by estimating the probability of the risk occurring during the planning horizon as:

Rare	Unlikely	Moderate	Likely	Almost Certain
Extremely rare in industry Once in >10 years at school division	Has happened occasionally in industry Once in 5-10 years at school division	Periodic occurrence in industry possible occurrence Once in 3 years at school division	Has occurred previously and could reasonably occur again Once in 1-2 years at school division	Extremely likely to occur Multiple times per year at school division

Impact

The impact of the identified risk is assessed by estimating how the impact would be characterized if the risk occurred:

- **Insignificant** - The consequences are dealt with by routine day-to-day operations.
- **Minor** - The consequences would threaten the efficiency or effectiveness of some aspects of school division, but would be dealt with internally.
- **Moderate** - The consequences would not threaten school division, but the administration of school division’s strategy would be subject to significant review or changed ways of operating.
- **Major** – The consequences would threaten the survival of school division in its current form or continued effective function of a strategic area, or require the intervention by the Director of Education or the Board of Trustees.
- **Catastrophic** – The consequences would likely results in significant organizational or structural changes at school division, or likely cause major problems for school division’s Stakeholders or the Ministry of Education.

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The impact of identified risks is to be assessed by considering the following impact factors:

Impact Factors	Insignificant	Minor	Moderate	Major	Catastrophic
Financial	Financial impact of event is less than \$100,000	Financial impact of event exceeds \$100K, but is less than \$500K	Financial impact of event exceeds \$500K, but is less than \$2.5M	Financial impact of event exceeds \$2.5M, but is less than \$15M	Financial impact of event exceeds \$25M
Reputational	One negative article in one publication	Negative articles in more than one publication	Short term negative media focus and concerns raised by stakeholders	Long term negative media focus and sustained concerns raised by stakeholders	Stakeholders lose faith in management or Trustees
Managerial Effort / Capacity	Impact can be absorbed through normal activity	Some management effort is required to manage the impact	Can be managed under normal circumstances with moderate effort	With significant management effort can be endured	Potential to lead to the collapse of the organization
Government Relations	Routine ministerial inquiries	In-depth ministerial inquiries	Concerns raised by Ministry of Education	School division's ability to deliver on mandate is questioned	Ministry loses faith in the organization
Legal	Legal action threatened	Civil action commenced / small fine assessed	Criminal action threatened / moderate fine assessed	Criminal lawsuit commenced / significant fine assessed	Jail term of any length for a Trustee / Director multiple significant fines assessed
Student Outcomes	Immaterial impact on student achievement	Student achievement metrics begin to show a decline	Parent's complain about student achievement	Overall student competency levels are below standards	Inability to satisfactorily deliver curriculum or key programs

3 RISK RESPONSE AND ACTION

A Risk Evaluation Matrix is used to calculate the residual risk exposure with a score of 1 – 25, based on the risk likelihood and the risk impact. The risk evaluation matrix is used to determine the top risks for school division. For each identified risk, Executive or Administrative Council should establish an appropriate “response option” in order to optimize risk management. Four possible response options are identified below.

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- **Accept** – school division accepts, manages and monitors the level of risk and takes no action to reduce the risk (e.g. cost of mitigation is greater than the benefit).
- **Mitigate** – school division accepts some risk by implementing control processes to manage the risk within established tolerances.
- **Transfer** – school division transfers the risk to a third party (e.g. obtaining insurance).
- **Avoid** - school division feels the risk is unacceptable and will specifically avoid the risk (e.g. cease the activity).

The diagrams below depict the Risk Evaluation Matrix and “response options” to residual risk ratings.

Risk Evaluation Matrix					
5 Almost Certain	5	10	15	20	25
4 Likely	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Unlikely	2	2	6	8	10
1 Rare	1	2	3	4	5
Likelihood	1	2	3	4	5
Impact	Insignificant	Minor	Moderate	Major	Catastrophic

Guidance on Response to Residual Risk Rating	
Risk Rating	Action Required
Extreme (16-25)	Mitigate, transfer or avoid. Immediate attention required. Action plan developed by risk owner
High (10-15)	Mitigate or transfer. Action plan for mitigation or transfer developed by risk owner.
Moderate (5-9)	Accept or mitigate. Action plan for mitigation developed by risk owner.
Low (1-4)	Accept and monitor. No further action

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The Risk Register

All top enterprise-wide risks identified and assessed will be listed and described in a risk register. With the risk register, school division should also identify the key risk mitigation processes or controls that are in place to address the top enterprise-wide risks. This should take the form of a succinct description of what is actually being done to manage the risk, and should only include key controls that comprise actions and processes which are demonstrably managed and clearly relate to the risk in question.

Business Planning Process Integration

School division will ensure that the top enterprise-wide risks, and corresponding action plans, mitigating processes and controls, as documented in the risk registry are formally discussed and considered during the development of school division's strategic, business and operational plans.

4 RISK MONITORING

ERM requires periodic monitoring and updating of school division's risk profile to identify and react to changes in key risks affecting the organization on a timely basis. Such a monitoring process also helps ensure that risks are being analyzed to identify patterns and accumulations of risk, and help ensure that enterprise-wide responses are effectively planned and implemented where necessary.

School division will engage in a high-level reviews of the risk register once per year (approximately six months after the last annual risk assessment) to identify whether new key risks have emerged or changes in existing key risks or mitigating processes have arisen since the last annual risk assessment.

Monitoring processes facilitate a no-surprises approach to ensuring risks are effectively assessed and appropriate risk responses and controls are in place.

5 RISK REPORTING

Internal and external ERM reporting minimum requirements are as follows:

Internal Reporting

Annual Reporting of Risk Assessment Results:

Upon the completion of the annual risk assessment process, as noted in the Roles and Responsibilities for ERM section above, the following is reported to the Board of Trustees:

- Prioritized risk register displaying the top organization-wide risks;
- The corresponding key risk mitigation processes or controls; and
- Any strategies that were developed to address key risks that were determined to be insufficiently mitigated.

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Status Reporting:

At least once per year, school division will engage in high-level reviews of the risk register. The following is reported to the Board:

- That the review has been undertaken;
- Any new risks that have been identified, including ranking the new risk based on the impact a likelihood criteria; and
- Significant changes in existing key risks or mitigations processes.

External Reporting

Any discussions of risk that occur within externally facing reports, such as the Annual Report or Strategic Plan, should be consistent with the annual risk assessment results. That is, the identification of risks for external disclosure purposes should not be a completely separate process from the regular risk management process with different key risks being identified in external reporting.