

Administrative Procedure 158 – Appendix A

SRPSD ENTERPRISE RISK MANAGEMENT FRAMEWORK

ENTERPRISE RISK MANAGEMENT FRAMEWORK

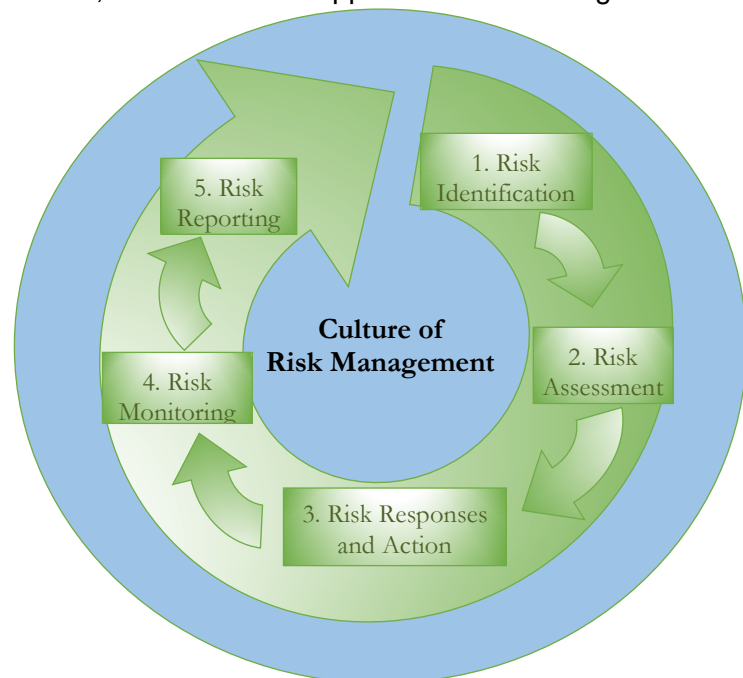
This framework is supplementary to the Enterprise Risk Management (ERM) Administrative Procedure, and attempts to:

- 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, SRPSD'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 SRPSD discusses and modifies, as necessary, the top risks SRPSD faces at the system/organizational level. The top risks are enterprise level risks that may

prevent or restrict the division from achieving its Strategic Plan goals. To help with the risk identification process, risks are may be categorized into various operational areas.

When identifying risks, SRPSD 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 SRPSD to manage the risks.

2 RISK ASSESSMENT

Risk assessment will identify the significant of events that might affect the achievement of SRPSD's objectives. Risk assessment includes consideration of the **likelihood** of a risk occurring and the **impact** of a risk on the achievement of the SRPSD'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 |
|--|--|---|---|---|
| <p>Event may occur in exceptional circumstances:</p> <ul style="list-style-type: none"> • The event has not yet occurred in the past, but has occurred elsewhere. <p>OR</p> <ul style="list-style-type: none"> • The event is likely to occur once in a 5-year period. <p>OR</p> <ul style="list-style-type: none"> • The event has less than 10% chance of occurrence. | <p>Event is expected to occur infrequently:</p> <ul style="list-style-type: none"> • The event has not yet occurred in the past, but might occur. <p>OR</p> <ul style="list-style-type: none"> • The event is likely to occur once in a 3- to 4-year period. <p>OR</p> <ul style="list-style-type: none"> • The event has 10% - 29% chance of occurrence. | <p>Event is expected to occur occasionally:</p> <ul style="list-style-type: none"> • The event has occurred in the past and could occur again. <p>OR</p> <ul style="list-style-type: none"> • The event is likely to occur once in a 2-year period. <p>OR</p> <ul style="list-style-type: none"> • The event has 30% - 59% chance of occurrence. | <p>Event is expected to occur in some circumstances:</p> <ul style="list-style-type: none"> • The event has occurred in the past and is likely to occur again. <p>OR</p> <ul style="list-style-type: none"> • The event is likely to occur once in a 1-year period. <p>OR</p> <ul style="list-style-type: none"> • The event has 60% - 89% chance of occurrence. | <p>Event is expected to occur frequently in most circumstances:</p> <ul style="list-style-type: none"> • The event has occurred in the past and is expected to occur frequently. <p>OR</p> <ul style="list-style-type: none"> • The event is likely to occur more than once in a one-year period. <p>OR</p> <ul style="list-style-type: none"> • The event has more than 90% chance of occurrence. |

Impact

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

- **Insignificant** - The consequences might be meaningful, but are dealt with by normal day-to-day operational actions and procedures.
- **Minor** - The consequences would threaten the efficiency or effectiveness of some aspects of SRPSD, but would be dealt with internally.

- **Moderate** - The consequences would not threaten SRPSD's viability, but the administration of SRPSD's strategy would be subject to significant review or changed ways of operating.
- **Major** – The consequences would threaten the survival of SRPSD in its current form or continued effective function of a strategic area, or require the direct intervention by the Director of Education or the Board of Trustees.
- **Catastrophic** – The consequences would likely result in significant organizational or structural changes at SRPSD, or likely cause major problems for SRPSD's Stakeholders or the Ministry of Education.

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

| | 1: Insignificant | 2: Minor | 3: Moderate | 4: Major | 5: Catastrophic |
|------------|--|--|---|--|--|
| Financial | <ul style="list-style-type: none"> • Revenue impact of less than \$50K • Budgeted expense variance less than 2% • Accumulated surplus impact less than \$50K | <ul style="list-style-type: none"> • Revenue impact between \$50K and \$250K • Budgeted expense variance between 2% and 5% • Accumulated surplus impact between \$50K and \$100K | <ul style="list-style-type: none"> • Revenue impact between \$250K and \$500K • Budgeted expense variance between 5% and 8% • Accumulated surplus impact between \$100K and \$500K | <ul style="list-style-type: none"> • Revenue impact between \$500K and \$1M • Budgeted expense variance between 8% and 10% • Accumulated surplus impact between \$500K and \$1M | <ul style="list-style-type: none"> • Revenue impact of more than \$1M • Budgeted expense variance of more than 10% • Accumulated surplus impact of more than \$1M |
| Operations | <ul style="list-style-type: none"> • Interruption to technology and / or data resulting in negligible disruption to normal operations less than one day. • Disruption at one facility that does not require closure or evacuation of a building. | <ul style="list-style-type: none"> • Interruption to technology and / or data resulting in minor disruption to normal operations up to two days. • Disruption at one facility that requires closure or evacuation of a facility for up to one day. | <ul style="list-style-type: none"> • Interruption to technology and intermittent loss of access to important data resulting in disruption to normal operations up to one week. • Disruption at one facility that require closure or evacuation for up to three days or multiple facilities for up to one day. | <ul style="list-style-type: none"> • Interruption to technology and prolonged loss of access to important data resulting in disruption to normal operations up to two weeks. • Disruption at one facility for up to a week or multiple facilities that require closure or evacuation for up to three days. | <ul style="list-style-type: none"> • Interruption to technology and permanent loss of critical data resulting in disruption to normal operations for more than two weeks. • Disruption at one facility for more than a week or multiple facilities that require closure or evacuation for more than three days or all facilities for two days or more. |

| | 1: Insignificant | 2: Minor | 3: Moderate | 4: Major | 5: Catastrophic |
|-------------------|--|---|--|--|--|
| Students | <ul style="list-style-type: none"> • Disruption to normal delivery of instructional programs and other services resolved within less than a day • Insignificant impact on students' needs, experience, or achievement. Less than 10% of high school or elementary students impacted. | <ul style="list-style-type: none"> • Disruption to normal delivery of instructional programs and other services up to two days. • Minor impact on students' needs, experience, or achievement. 10% to 30% of high school or elementary students impacted. | <ul style="list-style-type: none"> • Disruption to normal delivery of instructional programs and other services up to one week. • Moderate impact on students' needs, experience, or achievement. 30% to 60% of high school or elementary students impacted. | <ul style="list-style-type: none"> • Disruption to normal delivery of instructional programs and other services up to two weeks. • Major impact on students' needs, experience, or achievement. 60% to 90% of high school or elementary students impacted. | <ul style="list-style-type: none"> • Disruption to normal delivery of instructional programs and other services for more than two weeks. • Catastrophic impact on students' needs, experience, or achievement. More than 80% of high school or elementary students impacted. |
| Staff | <ul style="list-style-type: none"> • Unexpected leave of absence of a single admin council team member. • Unexpected loss of a single school administrator. • Single short-term non-disabling injury requiring medical attention. | <ul style="list-style-type: none"> • Unexpected loss of a single admin council team member. • Unexpected loss of two school administrators at different schools. • Multiple short-term non-disabling injuries requiring medical attention. | <ul style="list-style-type: none"> • Unexpected loss of up to two admin council team members. • Unexpected loss of three school administrators at different schools or two at a single school. • Single short-term disabling injuries. | <ul style="list-style-type: none"> • Unexpected loss of up to three admin council team members. • Unexpected loss of four school administrators at different schools or two school administrators at two schools. • Multiple short-term disabling injuries. | <ul style="list-style-type: none"> • Unexpected loss of more than three admin council team members. • Unexpected loss of more than five school administrators. • Single long-term disabling injury or fatality. |
| Reputation | <ul style="list-style-type: none"> • Event has limited impact on reputation and stakeholder confidence • Limited attention in local news or social media | <ul style="list-style-type: none"> • Modest impact on reputation and impact on stakeholder confidence fades over time • Short-term (1-2 days) negative attention in local news or social media only | <ul style="list-style-type: none"> • Moderate impact on reputation and stakeholder confidence • Short-term negative attention in national news or medium-term (3-4 days) negative attention in local news or social media | <ul style="list-style-type: none"> • Major impact on reputation and stakeholder confidence that is challenging to regain • Long-term (more than 5 days) attention in local and national news or social media | <ul style="list-style-type: none"> • Serious, sustained, impact on reputation and stakeholder confidence. Viability is at risk. • Long-term, intense negative attention in the local and national news or social media |

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 SRPSD. For each identified risk, Admin Council should establish an appropriate “response option” in order to optimize risk management. Four possible response options are identified below.

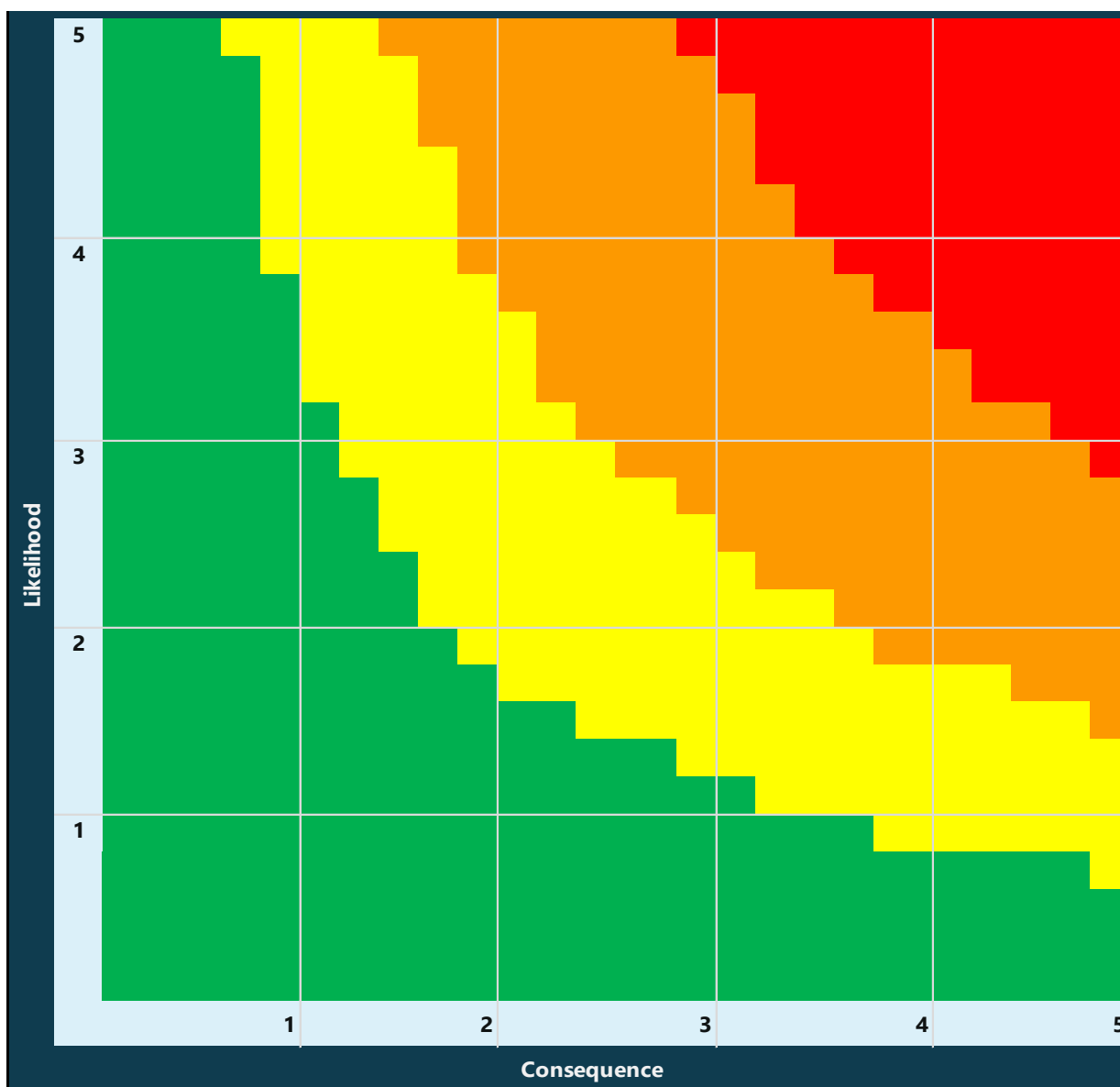
- **Accept** – SRPSD accepts, manages and monitors the level of risk and takes no action to reduce the risk (e.g. cost of mitigation is great than the benefit).
- **Mitigate** – SRPSD accepts some risk by implementing control processes to manage the risk within established tolerances.
- **Transfer** – SRPSD transfers the risk to a third party (e.g. obtaining insurance).
- **Avoid** – SRPSD 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. SRPSD’s Senior Management will consider matrix results in determining key risks and will use other knowledge or “reality checks” prior to finalization.

Risk Rating Matrix Legend

| Risk Rating | | Risk Treatment Guidelines |
|-------------|---------------|---|
| 1 to 3 | Low Risk | Accept and monitor. Manage by routine procedures |
| 4 to 7 | Moderate risk | Accept or mitigate. Risk Owner to review specific monitoring procedures at least every 12 months |
| 8 to 14 | High Risk | Mitigate or transfer risk. Risk owner to develop and implement appropriate risk mitigation strategies and plans within 12 months |
| 15 to 25 | Extreme Risk | Mitigate, transfer or avoid. Immediate risk treatment action is required with collective leadership team involvement. Appropriate risk treatment strategies and mitigation plans should be developed and implemented within six months. |

Risk Heat Map Template



The Risk Register

All top enterprise-wide risks identified and assessed will be listed and described in a risk register. With the risk register, SRPSD will also identify the lead person (Risk Owner) accountable for managing that risk as well as key risk mitigation processes or controls that are in place to address the top enterprise-wide risks. This will 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

SRPSD 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 SRPSD's strategic, business and operational plans.

4 RISK MONITORING

ERM requires periodic monitoring and updating of SRPSD'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.

SRPSD will engage in a high-level review 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.

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 portion of the ERM Admin Procedure, 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
- Strategies developed to address key risks that were insufficiently mitigated.

- **Status Reporting:**

At least once per year, SRPSD 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.

6 ENTERPRISE RISK MANAGEMENT TERMINOLOGY

Enterprise Risk Management (ERM) is an integrated enterprise-wide risk process established over time which links the management of strategic objectives to risk in order to improve organization performance. It creates a formal process for managing the myriad of risks an organization faces. ERM is not the same as a risk assessment but, the assessment of risk is an integral part of an ERM process. Specific terminology related to ERM includes:

1. **Enterprise-wide Risks:** For identification purposes, risks may occur in any one of the following categories: financial, facilities, governance, human resources, information technology & support areas, operations, reputation and strategy & vision. Risks rated as high using division tolerance levels will be deemed enterprise-wide risks.
2. **Financial Risk:** The ability for the division to achieve its financial objectives.
3. **Inherent Risk:** The possibility that risks will prevent an organization from achieving its objectives before the consideration of processes and controls are in place to manage or mitigate the risks.
4. **Impact:** Significance of a particular risk to the entity. The significance of a particular risk can range from insignificant to severe/catastrophic. Magnitude of impact is determined with respect to an organization's risk appetite, risk capacity, and organizational objectives.
5. **Legal, Compliance and Reporting Risk:** Compliance with applicable laws, regulations, reporting requirements and Board direction.
6. **Likelihood of Occurrence:** Probability that a particular risk will occur. These probabilities range from rare to almost certain.
7. **Manage:** To control or take charge of a risk in order to avoid or minimize its adverse impact on the division and to maximize its opportunity.
8. **Management Effort:** The use of resources and implementation of processes to support the division achieving its strategic objectives.
9. **Mitigate:** To lessen or minimize the adverse impact of a risk through specific management processes or internal control activities.
10. **Optimize:** To balance potential risks versus potential opportunities within the division's stated willingness or appetite and capacity to accept risk. This may require an organization to increase or decrease the amount of risk relative to the potential opportunity.
11. **Residual Risk:** Risk remaining after considering the effectiveness of management responses (i.e., processes and controls used to manage or mitigate the risks).
12. **Reputational Risk:** Real or perceived event that has the ability to impact the public confidence in the division.
13. **Risk:** An internal or external event, activity or situation that impacts the ability of the division to achieve its vision, mission, outcomes and goals.
14. **Risk Identification:** The process of identifying and understanding potential risks to the division.
15. **Risk Management:** The process of identifying, evaluating, selecting and implementing an action plan to avoid or mitigate threats and to leverage and maximize, where possible, risk opportunity.
16. **Risk Monitoring:** The process of reviewing and evaluating the effectiveness of the

action plan implemented through the risk management process and identifying opportunities to minimize future reoccurrence of similar risk.

17. **Risk Opportunity:** The return which may be realized if risk is assumed but managed in a manner that maximizes its potential benefit.
18. **Risk Appetite:** Level of risk an organization is prepared to accept to achieve its goals and objectives (i.e., the level of tolerance for risk in a company).
19. **Risk Owner:** An individual that has been given the authority to manage a particular risk and is accountable for doing so.