ENTERPRISE RISK MANAGEMENT FRAMEWORK

1. The Good Spirit School Division ERM Framework exists to ensure the Board can:

   1.1 Anticipate and respond to the changing business environment.

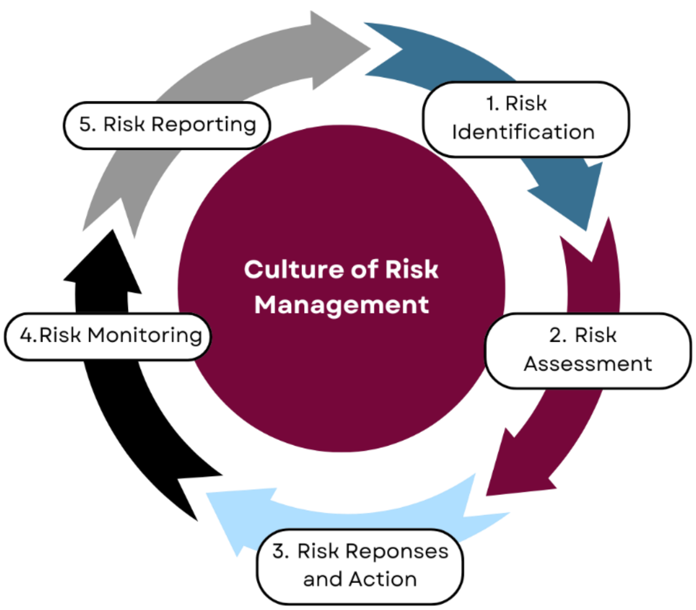
   1.2 Manage risk in accordance with leading practice and demonstrate due diligence in decision making.

   1.3 Balance the cost of controls with the anticipated benefits; and,

   1.4 Provide understanding of the need for enterprise-wide risk management.

2. The Stages of the Division ERM Framework

   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, the Division's ERM Framework has five stages:



   2.1 Stage #1 Risk Identification

   Identification of risks shall occur on an on-going basis (at least annually) and on an ad-hoc basis as required regarding 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 the Director shall identify and recommend to the Board for approval the top risks the ~~Good Spirit~~ Division faces. To assist with the risk identification process, risks shall be considered within the following categories:

Financial; Facilities; Governance; Human Resources; Information Technology & Support Areas; Operations; Reputation; and Strategy & Vision.

When identifying risks, the Director shall consider:

2.1.1 Current and future expected risks.

2.1.2 Risks associated with recent internal changes in the business.

2.1.3 Risks associated with external change in the business or political environment.

2.1.4 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) to achieve a more rigorous risk assessment and to better position the Division to manage the risks.

2.2 Stage #2 Risk Assessment

Risk assessment shall identify the significant events that might affect the achievement of the 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 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 the sector. Once in more than 10 years at the school division.	Has occurred occasionally in the sector. Once in 5 to 10 years at the school division.	Periodic occurrence in the sector; possible occurrence. Once in 3 years at the school division.	Has occurred previously and could reasonably occur again. Once in 1 to 2 years at the school division.	Extremely likely to occur. Multiple times per year at the 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 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 the Division but would be dealt with internally.
- **Moderate** - The consequences would not threaten the Division's viability, but the administration of the Division's strategy would be subject to significant review or changes in its ways of operating.
- **Major –** The consequences would threaten the survival of the Division in its current form or continued effective functioning 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 in the Division, or likely cause major problems for the Division's Stakeholders or the Ministry of Education.

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

Impact Categories	Insignificant	Minor	Moderate	Major	Catastrophic
Financial	Financial impact of the event is less than $50,000	Financial impact of the event exceeds $50,000, but is less than $150,000	Financial impact of the event exceeds $150,000, but is less than $250,000	Financial impact of event exceeds $250,000, but is less than $500,000	Financial impact of the event exceeds $500,000
Reputational	One negative article in a 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 inquires	In-depth ministerial inquires	Concerns raised by the Ministry of Education	School division's ability to mandate is questioned	Ministry of Education loses faith in the organization
Legal	Legal action threatened	Civil action commenced/ small fine assessed	Criminal action threated/ 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	Parental complaints submitted related to student achievement	Overall student competency levels are below standards	Inability to satisfactorily deliver curriculum or key programs

2.3 Stage #3 Risk Response and Action

A Risk Evaluation Matrix is to be 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 the Division. For each identified risk, the Director shall establish an appropriate recommended "response option" in order to optimize risk management. Four possible response options are identified below.

- **Accept** – The Division 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** – The Division accepts some risk by implementing control processes to manage the risk within established tolerances.
- **Transfer** – The Division transfers the risk to a third party (e.g., obtaining insurance).
- **Avoid** – The Division determines 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. This matrix is a tool only – The Director will consider matrix results in determining key risks and will use other knowledge or "reality checks" prior to finalizing a recommendation to the Board.

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 **Impact->**	1 Insignificant	2 Minor	3 Moderate	4 Major	5 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 required.

The Risk Register

All top enterprise-wide risks identified and assessed by the Director will be listed and described in a risk register. With the risk register, The Director shall 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 is to take the form of a succinct description of what is actually being done to manage the risk and shall 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

The Board 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 the Division's strategic, business, and operational plans.

2.4 Stage #4 Risk Monitoring

The Good Spirit School Division ERM framework requires periodic monitoring and updating of the Division's risk profile to identify and react to changes in key risks affecting the Division 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.

The Board will engage in a high-level review of the Director's recommended risk register once per year 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.

2.5 Stage #5 Risk Reporting

Internal and external ERM reporting minimum requirements are as follows:

Internal Reporting

Annual Reporting by the Director of Risk Assessment Results:

Upon the Director’s completion of the annual risk assessment process, the Director shall report to the Board for their review and approval:

- A 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.

Status Reporting

At least once per year, the Director will engage in high-level reviews of the risk register. The following is to be reported to the Board for their review and approval:

- That the review has been undertaken.
- Any new risks that have been identified, including ranking the new risk based on the impact and 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, must be consistent with the annual risk assessment results. That is, the identification of risks for external disclosure purposes must be consistent with the regular risk management process.

3. 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 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:

3.1 **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.

3.2 **Financial Risk:** The ability for the division to achieve its financial objectives.

3.3 **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.

3.4 **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.

3.5 **Legal, Compliance and Reporting Risk:** Compliance with applicable laws, regulations, reporting requirements and Board direction.

3.6 **Likelihood of Occurrence:** Probability that a particular risk will occur. These probabilities range from rare to almost certain.

3.7 **Manage:** To control or take charge of a risk to avoid or minimize its adverse impact on the division and to maximize its opportunity.

3.8 **Management Effort:** The use of resources and implementation of processes to support the division achieving its strategic objectives.

3.9 **Mitigate:** To lessen or minimize the adverse impact of a risk through specific management processes or internal control activities.

3.10 **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.

3.11 **Residual Risk:** Risk remaining after considering the effectiveness of management responses (i.e., processes and controls used to manage or mitigate the risks).

3.12 **Reputational Risk:** A real or perceived event that can impact the public confidence in the division.

3.13 **Risk:** An internal or external event, activity or situation that impacts the ability of the division to achieve its vision, mission, outcomes, and goals.

3.14 **Risk Identification:** The process of identifying and understanding potential risks to the division.

3.15 **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.

3.16 **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.

3.17 **Risk Opportunity:** The return which may be realized if risk is assumed but managed in a manner that maximizes its potential benefit.

3.18 **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).

3.19 **Risk Owner:** An individual that has been given the authority to manage a particular risk and is accountable for doing so.

References: Enterprise Risk Management Framework SSBA, LEADS, SASBO, 2017
Enterprise Risk Management User Guide SSBA, LEADS, SASBO, 2017

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