Strategic Risk Management in Governance

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Definition of Risk

Exposure of someone or something valued to danger, harm or loss.

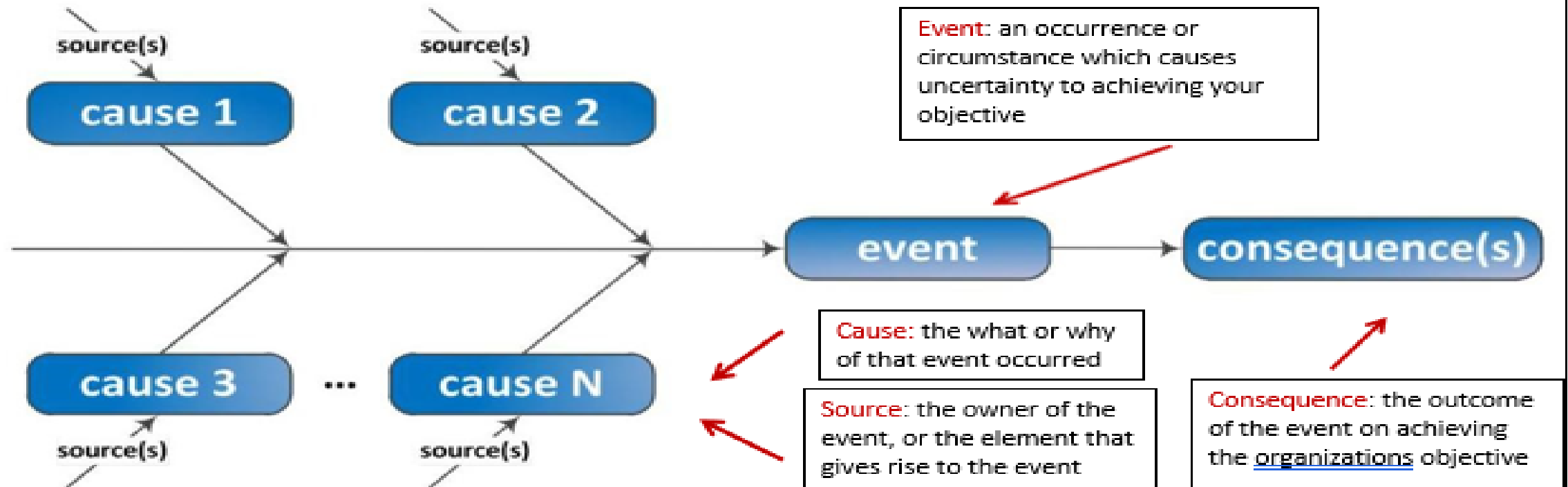# Risk Statement

Because source(s) → cause(s) , event happens, resulting in consequence(s) .

Risk Statement

Objective: Take a winter holiday.

Because **source(s)** → **cause(s)** , **event** happens, resulting in **consequence(s)** .

| Ivan | Likes to frequent Casinos | Where he loses more than he wins | He can't afford to go on a winter vacation.

- disappointment
- angry spouse
- snow shoveling instead of suntanning |

Anatomy of a Risk

Components of a risk

Event: an occurrence or circumstance which causes uncertainty to achieving your objective

Cause: the what or why of that event occurred

Source: the owner of the event, or the element that gives rise to the event

Consequence: the outcome of the event on achieving the organizations objective

Define your Key Consequence or Exposure Parameters

Consequence Area	Weighting
Program and Service Delivery	0.32
Organizational Behavior	0.17
Financial/Legal	0.17
Operational	0.17
Stakeholder and Reputation	0.17
	1.00

Definitions

Inherent risk – the risk found in the environment before any controls or mitigation strategies are applied.

Residual risk – the risk remaining after the application of controls.

Risk Score – the magnitude of a risk expressed in terms of likelihood (of occurring) and severity (how bad it may be).

Likelihood

The chance of something happening...probability and frequency

5. Certain – 99% certain it will occur and more than once a year.

4. Likely – almost certain this will occur 75% at least once a year.

3. Possible – may occur 50% and may happen once every 1-5 years.

2. Unlikely – most likely will not occur 25% and may happen once every 5-10 years.

1. Remote – most likely will never occur, and if it does would be every 10 years or more.

Define your Severity Parameters

If we did nothing, how bad would it be?

- Catastrophic - 5
- Major - 4
- Moderate - 3
- Minor - 3
- Insignificant - 1

Calculating Inherent Risk

Likelihood x Severity Score = Inherent Risk

Example:

Likelihood Possible (3) x Severity Major (4) = 12.00

Risk Scoring Matrix

Low = a score of 5 or less (RS $\leq$ 5)

Moderate = a score of greater than 5 and less than 10 (5 < RS > 10)

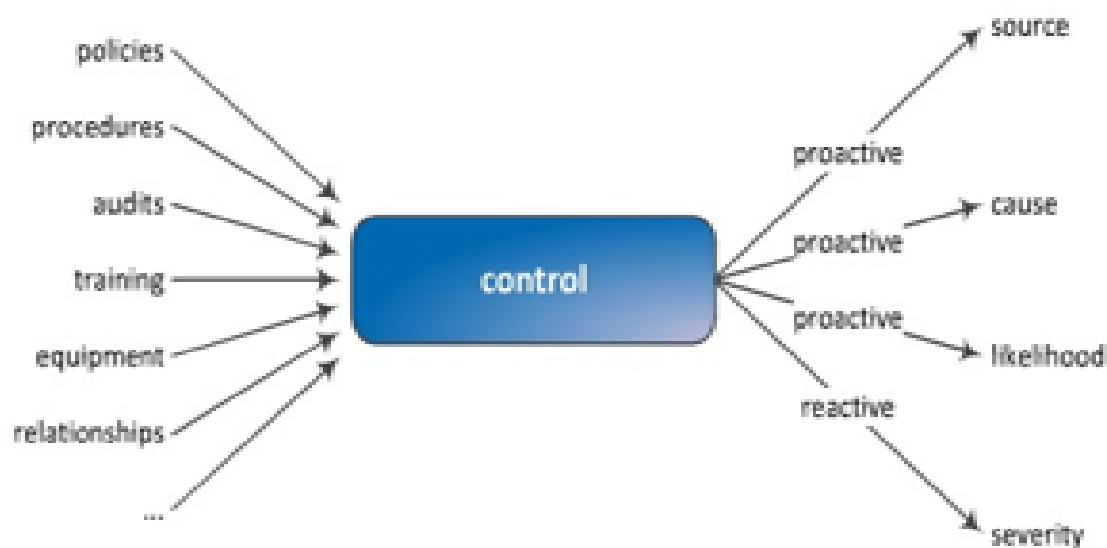**High = a score of 10 or greater (RS $\geq$ 10)**

Risk Scoring Matrix

SEVERITY						
Catastrophic	5	🟩	🟥	🟥	🟥	🟥
Major	4	🟩	🟨	🟥	🟥	🟥
Moderate	3	🟩	🟨	🟨	🟥	🟥
Minor	2	🟩	🟩	🟨	🟨	🟥
Insignificant	1	🟩	🟩	🟩	🟩	🟩
		1	2	3	4	5
		Remote	Unlikely	Possible	Likely	Certain

LIKELIHOOD

Control(s)

Any measure (s) used to control the risks.
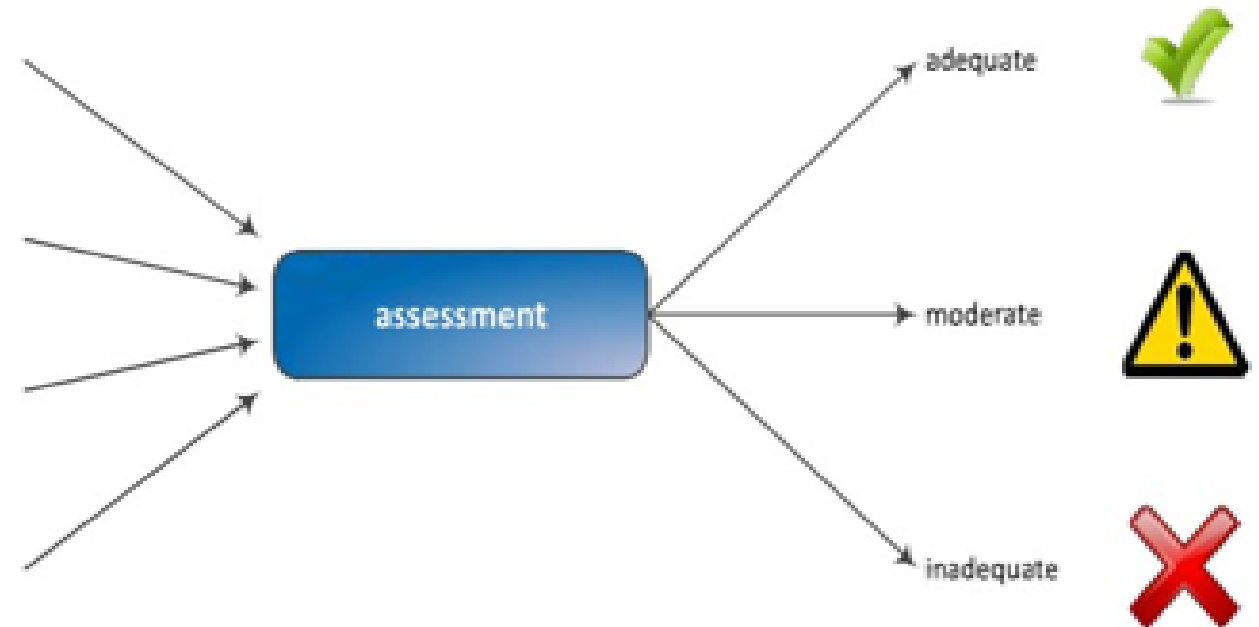
Controls

Examples of Types of Control	Objective of control
C1 Training	Avoid Risk
C2 Policies and procedures	Reduce likelihood
C3 Preventative maintenance	Reduce severity
C4 Relationships	Transfer risk
C5 Accreditation competency guidelines	Remove source
	Retain and monitor

Residual Risk

The remaining risks once you have put in the controls. How bad is it today with our controls in place?
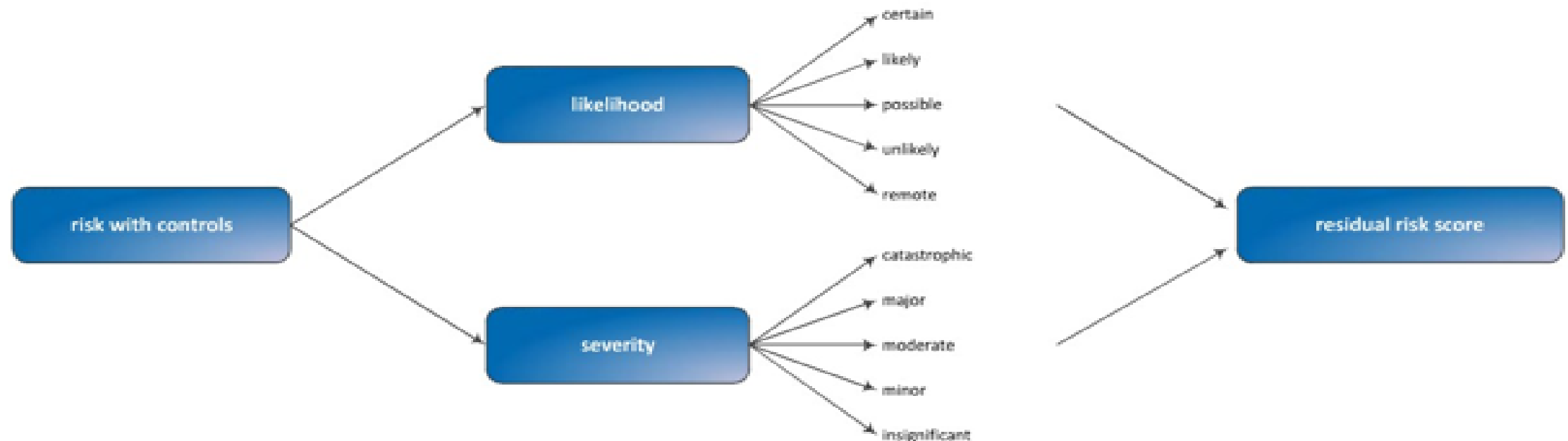
Rescore with Risk Treatments

Risk Scoring Matrix

SEVERITY						
Catastrophic	5	🟩	🟥	🟥	🟥	🟥
Major	4	🟩	🟨	🟥	🟥	🟥
Moderate	3	🟩	🟨	🟨	🟥	🟥
Minor	2	🟩	🟩	🟨	🟨	🟥
Insignificant	1	🟩	🟩	🟩	🟩	🟩
		1	2	3	4	5
		Remote	Unlikely	Possible	Likely	Certain

LIKELIHOOD

3 Types of Risk

Category I – Operational: Risks from Employees' or Board Members Undesirable and Unauthorized Actions

Category II – Strategic: Risks of Not Achieving the Enterprise's Strategic Objectives

Category III – External Events: Risks from Uncertain, Uncontrollable External Events

3 Types of Risk

Category III – "unknown, unknowns"

- Arise from events outside the organization
- Organization is unaware of such events and has little or no control over the likelihood of the event occurring e.g. pandemic, disaster
- Organization can take prior actions to mitigate the impact of these events should they occur (e.g., pandemic/disaster planning, build earthquake-proof structures; backup data centers)
- Organization can identify such events through SWOT analysis and scenario planning

Category II – "known, unknowns"

- Arise from strategy execution and prevent the organization from achieving its strategic goals or objectives
- Organizations may voluntarily take on strategic risks to achieve outcomes (risk tolerance)
- Risks can be identified and assessed for likelihood of occurring and severity of impact
- Organization can mitigate or eliminate the probability of the risk and the level of severity

Category I – "known, knowns" - avoid

- Operational risks which the organization should strive to avoid
- Arise from failure of employees or board members to perform routine standard tasks or protocols or predictable process
- Processes are well understood and documented
- Failure to perform may be:
  - unintended: lack of training, lack of awareness, communication of expectations, complexity of task, loss of information
  - intended (malice, fraud, theft, harassment, illegal or unethical behavior)

Tools for Dealing with Internal Risks to Governance:

1. Up to date Board Policy, Operating Procedures and Bylaws.

2. Governance training for all trustees that includes training as to appropriate school trustee conduct, a review and understanding of current governance policies and practices and clarification and clear communication of the trustee's role and responsibilities within the board in accordance with legislation and good governance practices.

Tools for Dealing with Internal Risks to Governance (continued):

3. Ongoing professional development to trustees throughout their term of office, including comprehensive governance orientation immediately after taking office.

4. Ensure the school board engages in regular board self-assessments and measures its performance in relation to the goals set out in a realistic written multi-year strategic board plan.

Tools for Dealing with Internal Risks to Governance (continued):

5. Review and clarify the roles and responsibilities of the Superintendent of Schools (perhaps Secretary Treasurer).

6. Provide human rights training, communication and respectful workplace training.

7. Provide training regarding on-line etiquette. There are websites that provide good examples of tips and takeaways as to proper email etiquette.

Tools for Dealing with Internal Risks to Governance (continued):

8. Develop appropriate criteria for the skills and experience required of an effective board chair, including but not limited to governance experience and training, conflict management and consensus-building skills, and demonstrated experience working on board-wide issues. The Board Chair has a responsibility to ensure that school trustees are able to monitor the implementation of the strategic plan through the receipt of regular reports. The Chair must also assist trustees in developing the means to hold the organization accountable through oversight of the Superintendent of Schools.

Tools for Dealing with Internal Risks to Governance (continued):

9. Undertake an annual assessment of the Board Chair performance in relation to their duties and responsibilities as set out in legislation, board policy and good governance practices.

10. Monitoring the adoption of newly developed policies and good governance practices on an ongoing basis is also an important component of this strategy to ensure all involved are conducting themselves effectively within the parameters of the provided training.

Questions???