AUDIT COMMITTEE (PUBLIC)
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Strategic Enterprise Risk Management Framework

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PURPOSE:

1. To provide information with respect to the implementation of a Strategic Enterprise Risk Management (SERM) framework with the assistance of the Ontario School Board Insurance Exchange (OSBIE).

CONTEXT:

2. The SERM framework is described as a tool to help decision makers better manage risk in a more coherent way across the organization, centering all risk information on the district objectives. The implementation of a SERM framework will provide the District with a better understanding of risks, impacts and priorities within the District's specific environment*.*

    A SERM framework will enhance the District's strategic planning and operational processes by minimizing its risk exposure, reducing uncertainty and maximizing opportunity. It will enable the District to address risks and challenges while improving overall strategic governance and decision making.

    SERM is implemented by applying the common risk management process to key business processes involving decision making, such as: strategic planning, operations planning, budgeting, staffing, and specific projects. The common risk management process includes: identification, analysis, evaluation, treatment, monitoring and review. Identified risks are assessed based on likelihood and impact.

KEY CONSIDERATIONS:

3. Background
    Regulation 361/10, Audit Committees, established the mandate of the Audit Committee, including its role in risk management oversight.

In 2017-2018, the Council of School Business Officials of Ontario (COSBO) undertook a project to develop a Strategic Enterprise Risk Management (SERM) model and process in support of effectiveness and efficiency in Ontario school boards. The Ontario School Bboard Insurance Exchange (OSBIE) was engaged to assist the COSBO steering committee with the development of the framework. The four school districts, Conseil des écoles catholiques du Centre-Est, CSC Frano-Nord, Rainy River DSB, and Waterloo Region DSB, piloted the SERM framework and provided feedback.

The framework is aligned with the International Standards Organization (ISO) 31000 model, is customized for Ontario school districts, and is supported by an implementation guide and toolkit that was developed by the COSBO/OSBIE project team. A key project advisor to the project team was Jan Mattingly, who is a local resident and a recognized national and international thought leader on risk management.

Attached as Appendix A is the OSBIE work plan for Phase 1, Enterprise Risk Management (ERM) Readiness Assessment; Appendix B is a recent SERM presentation to the Council of Ontario Directors of Education (CODE) CEO/CFO Annual Conference on 25 January 2019.

There have been ongoing discussions over the last five years at Audit Committee highlighting the need for more focus on risk management.

4.   Current State of Risk Management
The Board of Trustees, under their fiduciary duties, has ultimate responsibility for managing all risk. The Board provides direction on the District's risk management approach towards risk. The Director of Education and senior staff is accountable for managing risk through compliance with statutes, regulations, policies, procedures, standard operating practices, processes or systems, through accountability and responsibility structures.

Currently the view of risk across the organization is varied; the responsibilities for risk management are unclear; and, there is no defined organizational risk appetite or risk tolerance. At present, risk is being managed informally, but with the implementation of SERM, an opportunity to make connections between strategic objectives and the assessment of risk will exist.

In 2014, senior staff recognized that risk was becoming more prevalent and more complex and a separate business unit was developed to assist with the management of hazard, operational, financial and reputational risks; the Risk and Supply Chain Management department was created.

While there has already been much success in the risk management area, it is time to move to a more formal ERM approach to managing risk.

5. Project Plan
   The SERM project plan consists of two phases – Phase 1, ERM Readiness Assessment and Phase 2, ERM Implementation. Phase 2 is out of scope at this time. Phase 1 will include:
   - a project briefing and kick-off meeting with the Chief Financial Officer (CFO) and Manager of Risk Management;
   - ERM assessment planning - review of strategic planning reports/documents;
   - a review of internal audit reports;
   - a review of District performance measurement reports;
   - a review of the District's top priorities;
   - an introductory and overview meeting with senior staff;
   - an analysis; and assessment of the information/findings in relation to ISO 31000:2018 Risk Management;
   - validation of the findings;
   - a presentation of the ERM readiness assessment findings; and,
   - development and presentation of project plans for Phase 2, ERM Implementation for District consideration.

   Phase 1 is expected to be completed by the end of June 2019. This work will be led by Julie Welch, Manager of Risk for OSBIE and subject matter expert, Jan Mattingly. (Details are outlined in Appendix A.)

6. Project Objectives
   Phase 1 objectives will be the completion of the SERM readiness assessment and a project plan for Phase 2, Implementation Phase including a timeline, deliverables, and budget estimate and resource requirements.

   Phase 2 objectives will consist of:
   - a SERM framework integration planning and execution;
   - development of a District SERM toolkit (including a risk appetite statement, risk rating approach, development of a risk register and risk reporting format);
   - SERM training and orientation to various stakeholders; and,
   - transition of SERM work to District staff.

7. Expected Outcomes
   The SERM framework will be tailored and scaled to the District's specific needs which will assist in addressing risks and challenges, while improving strategic governance and decision making to achieve our strategic objectives.

   The framework will assist in identifying key risks under a District-wide approach, consistent with a District-approved risk appetite policy and risk register.

   A risk-aware culture will be developed to help distinguish between risk taking and risk avoidance based on the established District risk appetite.

   Risk ownership will be assigned to appropriate individuals responsible for identifying, evaluating, mitigating and reporting risk exposures.

8. <u>Definitions and Examples</u>
   Risk appetite is the amount and type of risk that an organization is willing to pursue or retain.

   Risk tolerance is the organization's readiness to bear the risk after applying risk treatments in order to achieve the organization's objectives. In other words, it is the maximum amount of risk that the organization is prepared to allow after risk controls have been implemented.

   The risk tolerance for the diversity of risks that occur within the District may vary depending on the risk. For example, the risk tolerance for an activity where the potential for a student injury involving a scraped arm or leg would be higher than an activity where the potential for a student to suffer a broken limb or head injury, would result in a lower risk tolerance.

RESOURCE IMPLICATIONS:

4. The cost for Phase 1 will be managed within the existing operational budget.

   Phase 1, SERM Assessment phase requires staff time which will be absorbed in the Risk Management departmental time and budget.

   Phase 2, SERM Implementation will be included in the 2019- 2020 budget process. As everyone has some responsibility for risk, there will be a time commitment required of senior staff and departmental managers to assist in the implementation.

COMMUNICATION/CONSULTATION ISSUES:

5. There have been ongoing discussions with the Audit Committee with respect to a more formalized risk management approach and process.

   The Regional Internal Audit Manager (RIAM) has also communicated interest in risk management, particularly ERM, and will begin a new risk assessment plan for internal audit commencing in the spring of 2019.

   During the Phase 1, ERM Readiness Assessment phase, communication will be primarily with senior staff, Audit committee and Regional Internal Audit Team (RIAT).

   Phase 2, ERM Implementation will require the support of the Communications department as staff roll out the SERM framework to all stakeholders. A more detailed communication plan will be developed at the start of Phase 2.

STRATEGIC LINKS:

6. The objective of the SERM readiness assessment (Phase 1) is to prepare the District to implement the SERM framework (Phase 2). Implementation of SERM will enable the District to address risks and challenges while improving overall strategic governance and decision making, aligning to the stewardship pillar of the District's strategic plan.

GUIDING QUESTIONS:

7. The following questions are provided to support the discussion of this item by the Committee:
   - Why is this initiative being undertaken?
   - What are the expected outcomes of this initiative?
   - How does this work connect with the Board's strategic objectives?

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APPENDICES
Appendix A – OSBIE, ERM Readiness Assessment Work Plan
Appendix B - SERM Presentation to CODE CEO/CFO Annual Conference, Jan. 2019