Is Your Board At Risk?

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Risk is usually associated with something wrong.

The effect of uncertainty on an organization’s objectives. It includes potential threats to achieving objectives (negative risks) and potential opportunities (positive risks).
Opportunity for improvement and advancement cannot be achieved without taking risk.
The key challenge for boards is to treat risks in an appropriate and cost effective manner so as to protect the school and its stakeholders without significantly limiting the commitment and inspiration of volunteers or employees through excessive rules and procedures.
The process of managing an organization’s potential exposure to liabilities, preventing them, or providing the resources to meet the liabilities if it occurs.
Risk Management

- Anticipates risks

- Aims to prevent negative risks or minimize impact

- Aims to capitalize on opportunities.
Risk Management System

- Risk management policy
- Risk management framework
- Risk management tools and processes.

Integral element of good governance and good business practice.
Key Processes of Risk Management

1. Establish the Context
2. Identify Risks
3. Analyse Risks
   - Likelihood
   - Consequence
4. Estimate Level of Risk
5. Risk Assessment
6. Evaluate Risks
7. Treat Risks
8. Communicate and Consult
9. Monitor and Review

Source: The Australian/New Zealand ISO 3100:2009
Some Key Risk Areas Within A School

- Student safety and welfare
- Staff, contractors and volunteers safety and welfare
- Financial risk
- Legal risks
- Legislative and regulatory risks
- Physical risks
- Reputational risks
- Community engagement risks.
Some Key Risk Areas Within A School

Operational risks could include:

- Security
- Information technology
- Business continuity
- Insurance
- WH&S compliance
- Environmental sustainability.
Risk Appetite

The amount of risk on a broad level an organization is willing to accept in pursuit of its vision and objectives.

Reflects entity’s risk management philosophy and influences culture and operating style.
Oversight role: Finding the right balance:

*How do we execute our fiduciary responsibilities while continuing to support management’s strategies to move the organization forward?* (Deloitte)
Role of School Boards

Risk Oversight: Process by which the board determines that the school has in place robust procedures for identifying, prioritising, sourcing, managing and monitoring critical risks and that processes are improved continuously as the context changes.
Role of School Boards

- Driving a strong risk management culture

- Obtain an understanding of the risks inherent in the school’s strategies, the risk appetite of management in implementing plans

- Ensuring management has processes in place for identifying risks and approaches to mitigate them to an acceptable level
Role of School Boards

- Engage in robust dialogue about critical risks
- Ensure oversight of these risks are allocated to the appropriate committee
- Ensuring management undertakes risk analysis in investigating new and emerging opportunities and in the implementation of the current strategic plan.
Risk oversight can be delegated; however the entire board is ultimately accountable, even if the board has a risk and audit committee.
Principal’s Role

- Ultimate responsibility for implementing risk management plan
- Directly accountable to the board
- Developing risk management culture among staff
- Monitoring risk appetite and risk profile of the school.
Key Governance Areas in Risk Management Plan

- Strategic and business planning
- Succession planning: board members
- Conflict of interest
- Selection and appraisal of principal
- Risk Reporting
- Legal and regulatory compliance
- School reputation
Risk Register

- Tool for managing and reducing risk
- Record of identified risks
- Grading in terms of likelihood of occurring
- Seriousness of the impact on the organization
- Initial plan for mitigating each risk
- Identification of significant costs.
Risk Management Matrix

The Risk Management Matrix is a tool used to assess and prioritize risks based on their likelihood and potential consequence. It categorizes risks into four levels: Low, Medium, High, and Rare, each with different methods of management.

- Low Risk: The risk can be managed through normal operational management practices.
- Medium Risk: Risk management plans must be developed to reduce to as low as reasonably practicable (ALARP).
- High Risk: Must have appropriate management controls to ensure risk is managed and minimized.
- Rare Risk: Must be given immediate senior management attention.

The risk matrix is further divided into five levels of consequence:

- 1: Insufficient
- 2: Minor
- 3: Moderate
- 4: Major
- 5: Catastrophic

Each level of likelihood and consequence is color-coded to indicate the level of risk and the appropriate management action.