Enterprise Risk Management (ERM)

- Risk and Opportunity
- Strategic
- Financial
- Operational
Recognising and managing risk is a crucial part of the role of the board and management.

A failure by a listed entity to recognise or manage risk can adversely impact not only the entity and its security holders but also many other stakeholders, including employees, customers, suppliers, creditors, consumers, taxpayers and the broader community in which the entity operates.

Good risk management practices can not only help to protect established value, they can assist in identifying and capitalising on opportunities to create value.
The board of a listed entity is ultimately responsible for deciding the nature and extent of the risks it is prepared to take to meet its objectives.

To enable the board to do this, the entity must have an appropriate framework to identify and manage risk on an ongoing basis. It is the role of management to design and implement that framework and to ensure that the entity operates within the risk appetite set by the board.

It is the role of the board to set the risk appetite for the entity, to oversee its risk management framework and to satisfy itself that the framework is sound.

ASX Corporate Governance Principles and Recommendations - Principle7 (2014)
What are the roles of board & management in risk management?

- Board is responsible for supervising risk
- Management is responsible for managing risk
- Board & management roles are complementary
- Accountable
- Responsible
Interfering  Passive  Balanced
Starting with the Executive Team...

- Review current practices
- Development of RM policy and simple framework (including a risk matrix)
- Development of a Top 6-10 list...(may be more)
- Facilitated analysis of the top few
Back to basics....

- What are your goals / objectives?
- What are the barriers to achieving them?
- Scary scenario / what keeps you awake?
Donald Rumsfeld 2002

- Known knowns
- Unknown knowns
- Unknown unknowns
Top few:

- Account responsibility for each risk
- Establish the context
- Identify the risks
- Analyse, evaluate & rate the risks
- Document current control mechanisms
- Develop action and treatment plans
- Develop ongoing monitoring and review processes

- Development of the full Risk Register
- Regular reporting structure to the Audit and Risk Management Committee
Embed risk into governance processes: risk in board meetings

- Risk analysis on all significant decisions with supporting board papers
- Principal report contains a section on risk
- Board is updated on management risk practises
- Board is notified of changes to the risk profile
- Minutes of Audit / Risk committee
What is your risk appetite to achieve your strategic goals?

- The community expectations re the School
- The School’s strategy, including mission, vision, values
- The School’s capabilities
- The environment in which the School is operating
Board involvement – headline risks?

Write down your top risk in each category:

- Strategic
- Financial
- Operational