TDSB Enterprise Risk Management

Audit Committee – March 2021

What is Enterprise Risk Management (ERM)?

Now, more than ever, management boards and executive teams seek to have a greater awareness of the risks impacting their organizations, in particular, their strategic goals and objectives.

ERM is an integrated enterprise-wide process established over time, which links the management of risk to strategic objectives in order to improve organizational decision making and performance. It creates a formal process for managing the myriad of risks an organization faces.

ERM frameworks are rapidly being incorporated into organizational decision making to address the uncertainty of risks in all areas of the organization.

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ERM Alignment

Strategic Directions

- Transform Student Learning

- Create a Culture for Student and Staff Wellbeing

- Provide Equity of Access to Learning   Opportunities for All Students

- Allocate Human and Financial Resources

- Strategically to Support Student Needs

- Build Strong Relationships and

- Partnerships Within School Communities to Support Student Learning and Wellbeing

Objectives
Implicit and explicit goals/objectives that TDSB is trying to achieve. These can include (for example) strategic/reputational, financial, human resource objectives.
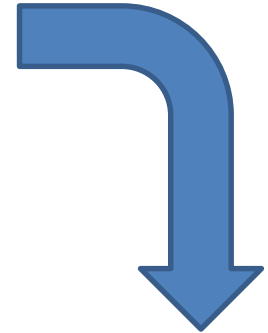
Categories of Risk
Categories are used to allocate each risk to one (most applicable) Category based on the most applicable "cause" of that risk. Only one Category is to be applied to each risk.

Risk
"Effect of uncertainty on TDSB Objectives". The uncertainty could have a positive or negative consequence. It is measured by impact and likelihood.

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Risk Tolerance

Maximum amount of residual risk that is considered acceptable to the TDSB.
Acceptable risk may be higher at the corporate level than at the department level.

Risk Rating Example	Inherent Risk	→	Risk Control Options	→	Residual Risk
High (red)	Risk 1	→	Prevent, Reduce, Transfer	→	**Medium** (yellow)
Medium (yellow)	Risk 2	→	Prevent, Reduce, Transfer	→	**Low** (green)

Risk Measurement

Impact / Consequence

Result or effect on outcomes from realization of a risk.

There may be a range of possible impacts associated with an event.

Impact Categories	Insignificant - 1	Minor - 2	Moderate - 3	Major - 4	Catastrophic - 5
Financial Risk	Financial impact of is less than $X threshold	Financial impact is between $X to $X threshold	Financial impact is between $X to $X threshold	Financial impact is between $X to $X threshold	Financial impact of is above $X threshold
Legal, Governance & Compliance Risk	Legal action threatened No regulatory/legal consequence or injury risk. Outcomes remain within risk tolerances.	Civil action commenced / small fine assessed Limited regulatory/legal consequence and minor reversible injury risk. Potential outcomes remain within risk tolerances.	Criminal action threatened / moderate fine assessed Significant regulatory/legal consequence and major reversible injury risk. Potential outcomes may or may not remain within risk tolerances.	Criminal lawsuit commenced / significant fine assessed Substantial regulatory/legal consequence and irreversible injury or death risk. Potential outcomes are outside risk tolerances.	Criminal offence/ penalties for the Board Substantial regulatory/legal consequence and irreversible multiple injury or death risk. Potential outcomes are highly unacceptable
Operational Risk	Able to deliver its academic programs and services with no disruption. Potential outcomes remain within risk tolerances.	Able to deliver its academic programs and services with limited disruption. Potential outcomes remain within risk tolerances.	Able to deliver its academic programs and services with significant disruption. Potential outcomes may not remain within risk tolerances	Unable to deliver significant aspects of its academic programs and services. Potential outcomes are outside risk tolerances.	Unable to deliver its academic programs and services. Potential outcomes are highly unacceptable
Educational or Student Outcome Risk	Immaterial impact on student achievement	Student achievement metrics begin to show a decline	Parent's complain about student achievement	Overall student competency levels are below standards	Inability to satisfactorily deliver curriculum or key programs
Strategic and Reputational Risk	One negative article in one 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

Sample Risk Register

A sample Risk Register outlined below includes one COVID-19 related risk and consideration may be given to creating an exclusive broader COVID-19 risk assessment related to all TDSB operations. The Risk Register aims to align risks to the five goals outlined in the Multi-year Strategic Plan.

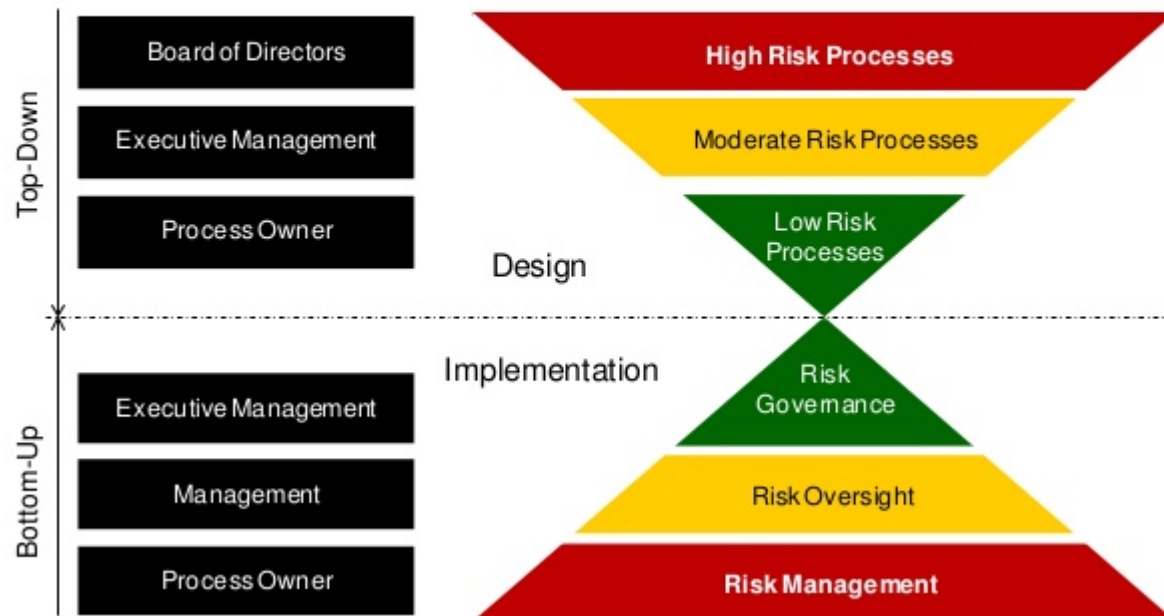| KEY Goals	Category	Risks	Description of Risks	Reference to Multi Year Strategic Plan	Likelihood Rating	Impact Rating	Inherent Risk Score	Controls	Residual Risk Rating	Residual Risk	Mitigation Strategy	Risk Owner
ID's Key Goal of Multi Year Plan	Identifies the Impact Category	Most applicable "cause" of the risk. Examples include: Equity & Inclusion, Student Well-Being, Engagement & Learning, Health & Safety, Allocation of Financial Resources, etc.	Description of risks which may impede completion of key goals as well as events that may impact service delivery.	Reference to page # and applicable section of the Multi-Year Strategic Plan.	Risk rating of probability 1 – 5	Risk rating of potential impact 1 – 5	Likelihood X Impact Ratings	Policies, Procedures, Protocols Guidelines, Monitoring Mechanism and processes that contribute to the control environment of the item being examined. Internal Audit to assist in control effectiveness for input into a Controls Score.	Inherent Risk Score Less Controls Score (#)	Statement of Residual Risk Rating score with respect to TDSB Risk Appetite. Green & Yellow items are within the risk appetite and will be monitored. Orange & Red items are to be reported to Audit Committee.	Document mitigation strategy for orange & red items.	Title of Risk Owner i.e. Associate Director, SOE etc.
5	Operational Risk	Health & Safety	Operational risks resulting from COVID-19, including the need for additional personnel and financial resources to provide improved levels of cleanliness and maintenance as well as limitations on attendance.	Page 34-38: Create a Culture for Student and Staff Well-Being	4 – Likely	3 - Moderate	12	Policies and procedures such as, Green Cleaning and Enhanced Daily Cleaning. Controls reduce the inherent risk to a level 9 rating	9	Within TDSB Risk Appetite, risk is being monitored		Associate Director Business Operations and Executive Officer of Facility Services

The Guideline – ISO31000-2018

Principles (clause 4)

Framework (clause 5)

Process (clause 6)

Mandate and Commitment

- Board of Trustees

- Audit & Risk Management Committee

- Executive Team

Top-Down Bottom-Up Risk Based Approach

Top-Down		
Board of Directors		High Risk Processes
Executive Management		Moderate Risk Processes
Process Owner	Design	Low Risk Processes

Bottom-Up		
Executive Management	Implementation	Risk Governance
Management		Risk Oversight
Process Owner		Risk Management

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Key outcomes of the ERM framework Include:

Increased preparedness, response and resiliency to the changing internal and external environments

Adopting a globally recognized risk framework to effectively and efficiently manage risk which will lead to more informed and improved decision making

Ensuring similar risks are addressed in a consistent manner

Balancing cost of controls and allocation of resources with the anticipated benefits

Increasing the value of services we deliver through innovation, continuous improvement and other positive benefits that result from enhanced risk taking

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ERM and Internal Audit

The Three Lines of Defence Model, identifies the important independent role that Internal Audit performs with the ERM process.

1st line Business units
- Involved in day-to-day risk management
- Follow a risk process
- Apply internal controls and risk responses

2nd line Risk and compliance
- Oversee and challenge risk management
- Provide guidance and direction
- Develop risk management framework

3rd line Audit
- Review 1st and 2nd lines
- Provide an independent perspective and challenge the process
- Objective and offer assurance

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Toronto District School Board