Developing Risk Management Governance at a Not for Profit – A Case Study

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Abstract

This paper explores the process and value add of bringing the actuarial skill set in risk management and corporate governance to a not for profit. It is a case study based on my experience as a board member and actuary, guiding the development and implementation of risk management for a secondary school.

My experience with this case suggests:

1. A school is a good example of an enterprise requiring wide and deep risk assessments based on the materiality of the risks involved.

2. The nature and relative size of a school's risks are very different to those of a financial institution but the core risk governance process is similar and works well.

3. The ISO 31000 methodology provides a sound methodology to guide any enterprise risk management task. It is a great glide path for actuaries – we tend to be good at having and following structured frameworks.

4. As with financial services, being pragmatic / commercial about implementation actions is the difference between success and delay or failure as resources are limited and outcomes are critical.

5. Key skills involved were listening, sharing, and application of actuarial and risk management principles in a non technical way.

6. Actuaries' skills in risk management can add value beyond one's expectation in areas outside our traditional financial services areas.

7. The holistic, balanced assessments that are a feature of most actuaries work styles are perhaps less present in many other professionals, which means those people and the enterprises they work for can benefit from our input and leadership. In particular, those who have not dealt with risk management before are unsure and uncomfortable with the potential wild sea of risks out there, fearful of the consequences and unsure about where to start "eating the elephant." We can guide them through the maze.

The paper concludes that actuaries' have powerful risk management skills from our education and from our day to day work experience applying our actuarial skills in any field. It encourages actuaries to believe in their inherent but hidden capabilities in risk management and take the risk of demonstrating those capabilities in their current or wider fields. We should not hold back from sharing those skills for the benefit of the communities in which we live, on both a "not for profit" and "with profit" basis.

To my fellow actuaries I say:

"Go humbly forth and thou shall learn and add value. Do not be afraid."

Keywords: Risk management, enterprise risk management (ERM), corporate governance, not for profit, education, secondary school, actuary, case study

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1 Introduction

1.1 Objectives of paper

The objectives are:

1. Share the learnings of undertaking a risk management governance process from scratch at a non-financial services not-for-profit entity (a school).

2. Demonstrate that actuaries can add value in risk management outside the financial services sector and consider what drives this benefit.

3. Encourage actuaries and aspiring actuaries to get involved even if they have had no direct experience of formal risk management work to date.

1.2 Risk management serenity prayer

"God grant me the serenity
to accept the things I cannot change;
courage to change the things I can;
and wisdom to know the difference[1]."

What better way to introduce our case study than with a prayer! Our not-for-profit institution is a Catholic secondary school. I grew up in Catholic Ireland with this gem of wisdom on plaques and posters well before I had any aspirations for an actuarial career. With or without God as the first word, it is a wonderful encouragement and core focus for any risk management journey of discovery.

1.3 The case for study – Siena College Ltd

Siena College Ltd[2] is a medium sized independent Catholic Girls Secondary School teaching years 7 to 12 in Camberwell in Melbourne. It was founded in 1940 by the Dominican Sisters. It has an 800 year tradition back to St Dominic and was named after St Catherine of Siena, a Dominican mystic of the fourteenth century, who, by her charitable works, her gifts of discernment and prayer and her diplomatic skills, played a leading role in the history of Italy and the Church.

The College's Board, currently including the author, is appointed by the Dominican Sisters of Eastern Australia and the Solomon Islands.

Some sense of the level of risks that may arise can be gleaned from the college statistics:

- Around 730 students and 100 staff of whom two thirds teach and one third has support roles.
- Revenues mostly comprising school fees and grant income are $12 million p.a.
- School buildings including a chapel, and lands, to be maintained.
- In 2011 there were 162 external learning activities (excursions) excluding sport fixtures, of which two were overseas.

1.4 School Mission, Vision, Values and Strategy

Best practice risk management is driven from, and integrated with strategy. See McGing (2012)[3]. The College's strategy is firmly based on its mission, vision and values. These drive its strategic priorities and risk management starting point of retention and enhancement of its Dominican charism. Charism

is the word used to describe the spiritual orientation and the special characteristics of the mission and values of the Dominicans.

The school's mission:

- "Siena College, a Catholic school in the Dominican tradition, offers young women an education which encourages them to make intelligent and responsible use of their personal gifts.
- The College bases its teachings on the gospel commitment to justice and compassion.
- Students are taught to value learning, to strive for excellence, to think critically, to appreciate beauty and to respect the diversity of cultures.
- By word and action they are nourished in faith and encouraged to embrace the future with hope."

1.5 Board addressing risk governance

The board had come to realise over a number of years that it had a limitation in its governance, in its understanding and oversight / management of the College's risks. Other priorities and some uncertainty around how best to address the issue, delayed action until 2010, but the Board put the issue firmly on the table when it set its Strategic Plan for 2009-2013. Goal 4 of the Strategy is "Maintain good governance by the Siena College Board" and within this item 3 states: "Exercising prudent oversight of compliance to meet with all legislative compliance requirements of the financial affairs and risk management of the College."

To drive this forward an expert on board governance in the Australian community sector, Don Walkley[4], was invited to make a presentation on "The School Board and Risk" at the board in-service day in May 2010. Don was convincing in his material and delivery and at his encouragement a Risk Management Working Group (RMWG), consisting of three volunteer Board Directors including the Chair of the Board and the author as well as the Principal, was formed on that day. The Director of Staff and Administration, was co-opted to the RMWG soon after. The author was appointed Chair of the Risk Management Working Group and in late 2011 as Chair of its replacement Risk Management Committee.

1.6 Terms of Reference of Risk Management Working Group

On the basis of the risk management expectations of the Board, as expressed at the in-service day, the RMWG drafted the following Terms of Reference, which were approved by the Board:

The Risk Management Working Group will:

1. Draft a Risk Management Policy by which Siena College will manage its risks, to be presented to and ultimately adopted by the Siena College Board.

2. Draft a Risk Management Plan by which the College will implement the Risk Management Policy. As an integral part of the process of drafting the Risk Management Plan, the RMWG will:
    a. Identify the range of risks that might affect Siena College across all its areas of operation, including preservation of the Dominican charism
    b. Assess each risk in importance, size and likelihood
    c. Identify how to mitigate and manage each risk, including responsibilities
    d. Establish reporting mechanisms
    e. Establish monitoring of effectiveness of the Risk Management Plan.

2 The risk management governance development process

The steps taken by the RMWG were as follows:

1. Developed understanding

   All members of the RMWG developed an understanding of the concepts of Risk Management, including Risk, Risk Management Framework, Policy, and Plan, by examining and discussing the following:

   a. Donald Walkley's presentation on "The School Board and Risk"

   b. ASX Corporate Governance Principle 7 (2010)[5] – "Recognise and manage risk" (see Appendix 1)

   c. AS/NZS ISO 31000: 2009 – Risk Management – Principles and Guidelines[6] (see Appendix 2 for Overview Diagram). This Standard is used globally in risk management.

   d. Examples of other entities' Risk Management Frameworks, including insurers and Education Departments.

   e. Risk identification and risk assessment at Siena College.

   f. Sharing members' experience of risk and risk management across the Healthcare, Financial Services and Education sectors.

2. Establishment of a Risk Management Methodology – principles, guidelines and implementation.

   We agreed to adopt and abide by the principles and guidelines in ASX Corporate Governance Principle 7 and to implement as per the methodology set out in ISO 31000.

3. Set Principles for developing and implementing risk management

   We agreed that it is most important for Siena College to keep a sense of perspective in developing and implementing risk management and undertook to:

   a. Develop an awareness of risk and a risk management culture among the staff, based on common sense and doing the right thing.

   b. Avoid overcomplicating matters and spending too much time and scarce resources on risk management systems and related documentation in setting up and ongoing monitoring.

   c. Start with a solid but relatively limited base and, over time, enhance that base. This is particularly important in terms of the number of risks to cover, which could rapidly become confusing, unmanageable and discouraging, while not providing the reduced risk outcome required.

4. Assign Responsibilities and Ownership

   The Director of Staff and Administration was assigned responsibility by the Principal, for the practical implementation of the policy and plan when approved, and to pursue the day to day aspects, including the sourcing of risk register software and assessing how to use that tool to best advantage.

5. Draft Risk Management Policy

We developed for Siena College a draft Risk Management Policy based on a policy for a non profit organisation, originally supplied by Don Walkley. The policy covered rationale, definitions of risk, risk management, the risk management framework and the risk management plan, guiding principles, procedures and responsibility.

The Risk Management Policy is attached as Appendix 3.

6. Identify Risks

We reviewed and customised for Siena College a working template for carrying out a Risk Analysis, as supplied by Don Walkley. We identified the main sources (areas) of risk at Siena College, including new sources such as identifying the risk to Dominican Charism.

7. Assess and analyse Risks

We carried out initial risk identification and assessments:

a. In the Board & Board Committee areas of responsibility. This occurred in the Board, Finance Committee and Building & Grounds Committee. Only limited risk analysis discussions took place at the Policy Review and Marketing and Communications Committees. Their view was that their risks were minor and secondary to the underlying College risks which would be dealt with directly.

b. For the other major risk categories, a high level risk analysis was conducted by the RWMG.

We refined our risk analysis template to incorporate the risk categories (=sources of risk) in the Government of Western Australian Department of Education School framework[7]. We used this template as our core school risk reference list.

The Director of Staff and Administration completed a more detailed risk assessment for an External Learning Activity (ELA), directly involving the school staff with responsibility in this area.

These risk assessments identified a range of specific risks. For each individual risk it identified:

1. The risk impact
2. Existing measures to mitigate the risk
3. An assessment of the likelihood of the risk
4. An assessment of the consequences of the risk
5. An overall risk assessment indicating if action is required.

8. Initial Risk Appetite - The Victorian Registration And Qualifications Authority (VRQA) Minimum Standards

We agreed that, for the first couple of years of our risk management implementation at Siena College, we should limit our scope to those risks that might prevent the College from achieving the VRQA Minimum Standards, as outlined in the *Catholic Education Commission of Victoria Ltd (CECV) Guide to Meeting the Minimum Standards for Registration for Catholic Schools (July 2008)*. This assigns an objective prioritisation to the risks requiring mitigation and avoids the risk of inefficient use of scarce school resources.

9. Creation of Risk Register

   We agreed that the large number of risks to be managed at Siena, as for any other school, demands the use of tools to organise the risk information and automate, to some extent, the monitoring of those risks and associated actions, including reporting to the College Leadership and the Board.

   For this purpose the College is using risk register / risk management software provided by Periscope Consulting® [8].

   The Director of Staff and Administration populated the system with an initial set of around fifty risks comprising the information from the initial risk assessments referred to above, expanded as required to meet the system input data requirements. He worked with the relevant College senior staff to collect this additional information for some of the risks. He is continually learning how best to use the system to further risk management for Siena College and has shared his findings with the RMWG.

10. Sought to Benchmark the Risk Management Framework

    Through informal contact with a number of other schools, the RMWG found that there appears to have been limited practical experience of implementing risk management to date in the sector in which Siena College operates.

11. Developed Implementation Timeline

    We set a timeline with tasks.

Phase	*Dates*	*Description*
1	May 2010 – June 2011	Production of Risk Management Policy and Risk Management Plan, including path to future and governance structure. Board awareness and approvals. Initial risk assessments. Initial identification of risk management tool(s).
2	July 2011 – Nov 2012	More comprehensive risk assessments and actions around processes, controls and reporting, while still balancing benefit vs appropriate level of resources. Instilling of risk management culture across the College – awareness and action learning. Making it happen.
3	Dec 2012 on	Mature risk management environment – continuous monitoring and improvement.

Table 1: Timeline

3 The risk management implementation process

3.1 Risk Management Framework

The Risk Management implementation process effectively started with our adoption of the agreed terms of reference and our agreement on the use of ISO 31000 as our methodology.

ISO 31000 defines Risk Management Framework as:

- The set of components that provides the foundations and organisational arrangements for designing and implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

It is set out schematically in Figure 1:

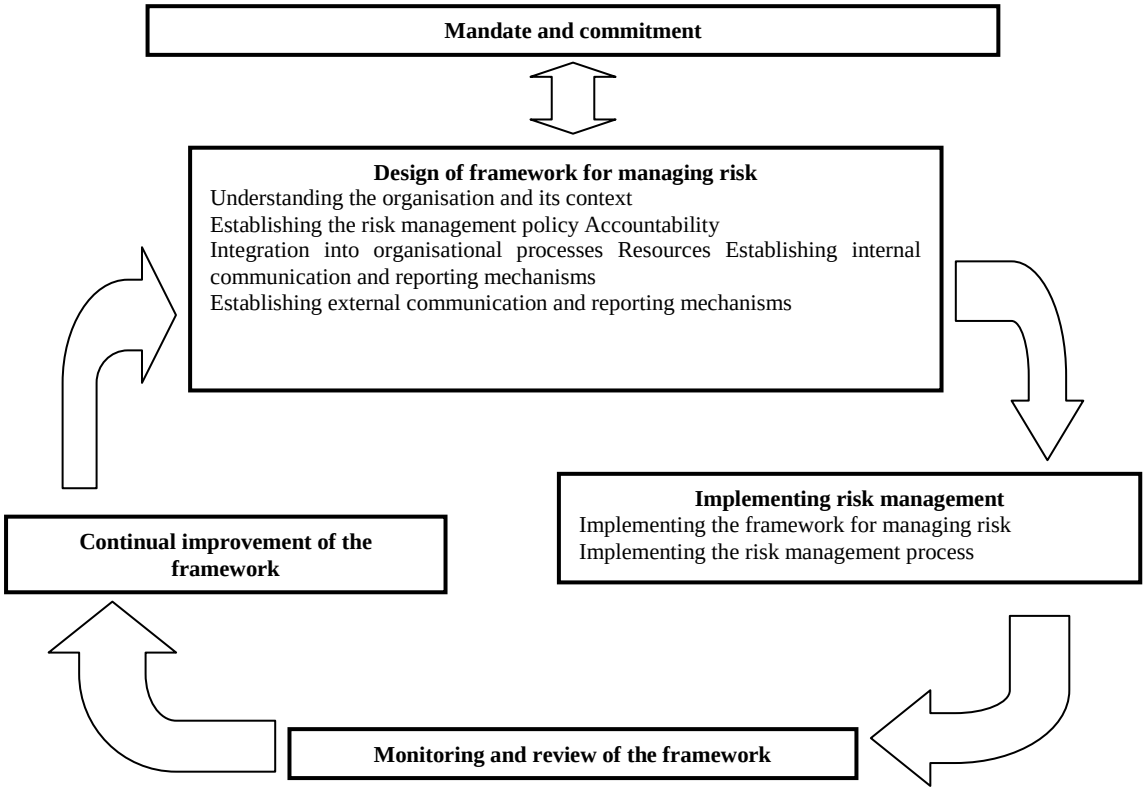

Figure 1. A Risk Management Framework
Based on Figure 2- Relationship between the components of the framework for managing risk, AS/NZS ISO 31000:2009, p.9, section 4.1

3.2 Risk Management Plan

ISO 31000 defines Risk Management Plan as:

- The scheme within the Risk Management Framework that specifies the approach, the management components and the resources to be applied to the management of risk

The Siena College Risk Management Plan was developed to implement the Risk Management Policy recommended to the Siena College Board in June 2011. This Risk Management Plan was written subsequent to: adopting the initial Risk Management Framework; carrying out the initial Risk Assessments; documenting those risks and related findings in the Risk Register established using the IRIS software (system) from Periscope Consulting®; and identifying an initial monitoring and reporting regime.

This plan established how Siena College acts to manage and minimise the adverse impacts of the risks that may potentially affect the College going forward. It also sets out the related governance, including the framework for monitoring and reporting, so that the College Leadership and the Board can check and determine whether the College's risks are being identified, managed effectively, and acted upon, where appropriate, to ensure compliance.

The plan was written close to the end of the RMWG's deliberations. It documents College required actions by systematically addressing each of the items in ISO 31000's Framework (Figure 1) as expanded in Section 4 Framework of ISO 31000.

See Appendix 5: Siena College Risk Management Plan – Extract – "Implementing the Risk Management Framework" for further details.

3.3 Risk Management Process

We worked through the RMWG Terms of Reference for the drafting of the Risk Management Plan which were to:

a. Identify the range of risks that might affect Siena College across all of its areas of operation, including preservation of the Dominican charism

b. Assess each risk in importance, size and likelihood

c. Identify how to mitigate and manage the risk, including responsibilities for management

d. Establish reporting mechanisms

e. Establish monitoring of effectiveness of the Risk Management Plan.

These are specific components within the process for managing risk adopted by the College and identified in the following schematic, based on the model proposed in ISO 31000.

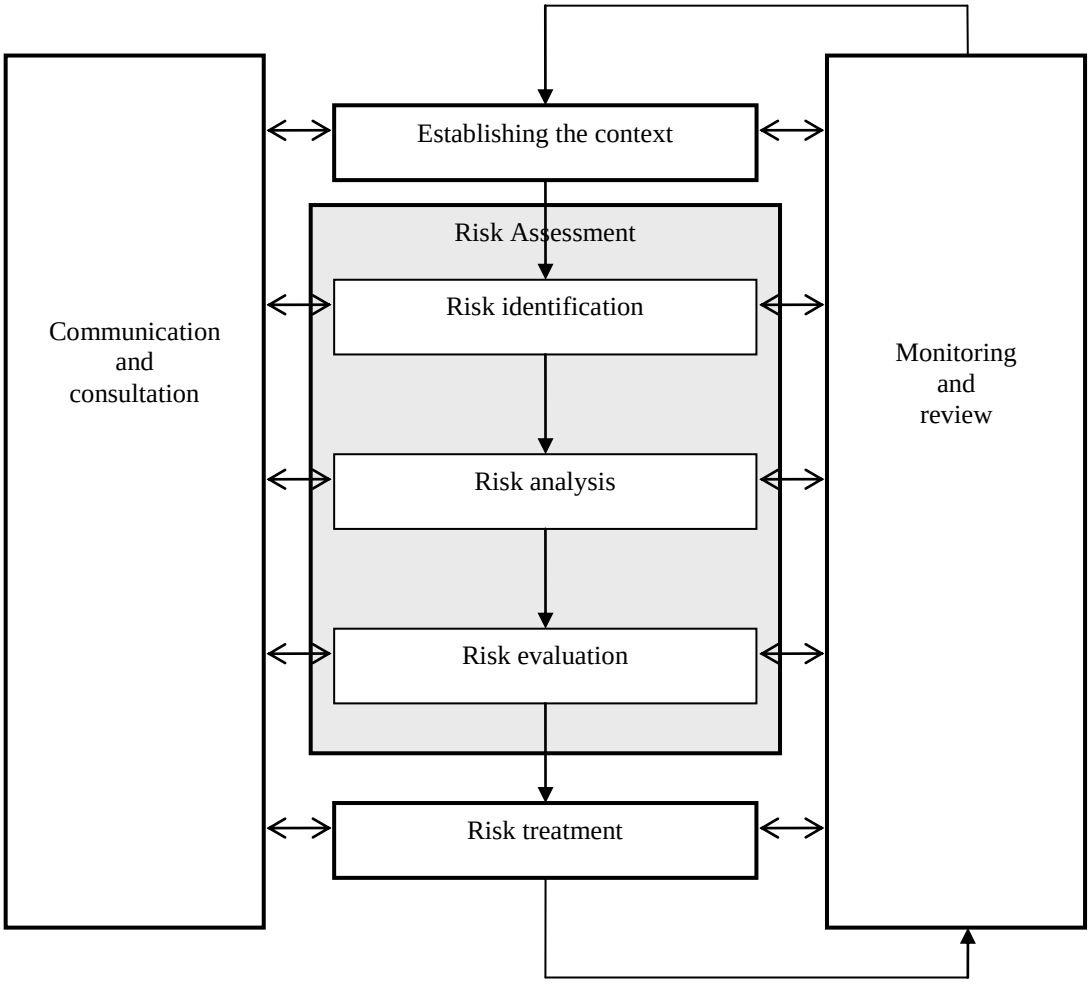

Figure 2. A Risk Management Process
Based on Figure 3- Risk Management Process, AS/NZS ISO 31000:2009, p.14, section 5.1

We recognised that the RMWG and the College were in learning mode to a greater or lesser extent and, as in many not for profits, had limited time and resources. So we carried out the steps as a first pass through the process, learning from that and getting a sense of materiality and relative importance. We did this in the full knowledge that, post delivery of the RMWG's Risk Management Policy and Plan recommendations, Phase 2 would involve deeper and by then more knowledgeable individual risk assessments and could amend, where appropriate, mitigation actions on controls and related procedures.

It was important for the RMWG to start with effectively blank pieces of paper, and work through the adopted risk management framework methodology. This shared the education practitioners' knowledge and understanding of the school and education, with the actuary and medical professional members providing their experiences of identifying, assessing and mitigating risk through implementation of controls and supporting procedures. It was an enriching, experiential learning experience for all the RMWG members.

See Appendix 6: Siena College Risk Management Plan – Extract – "Implementing the Risk Management Process" for further details.

3.4 Risk Appetite and Risk Consequence

The largest element of the risk management process is the risk analysis. See Section 3.7 for an example of a single risk assessment. A key element of this is determining the consequence of the risk, ranging from insignificant to catastrophic. Starting with the template from the Western Australia Department of Education we agreed parameters for risk consequence according to each risk category as set out in the following table.

Lvl	*Rank*	*Student Achievement Targets*	*Safety of People*	*Financial Loss*	*Charism, Reputation and Image* *(Siena Brand, Including industry and community expectations)*	*Operational Efficiency & Governance*	*Service Interruption School*
1	Insignificant	< 5% variation	No injuries	<$10,000	Unsubstantiated, suggested improvements, contained within the school, district or central office, no news item. Manager / School teacher involvement.	Little impact	1 class
2	Minor	5 - 10% variation	First aid treatment	$10,000 - $50,000	Substantiated, low impact, local press news item. Manager / School teacher involvement.	Inconvenient delays	1 course / unit
3	Moderate	10 - 25% variation	Medical treatment required	>$50,000 and up to $250,000	Substantiated, public embarrassment, multiple news reports, state press. Senior Management /Principal involvement.	Delays in achieving major outcomes	1 year level
4	Major	25 - 50% variation	Death or extensive injuries	>$250,000 and up to $1 million	Substantiated, public embarrassment, high impact, national news profile, third party actions, public Ministerial involvement, political embarrassment. Director General/ Director Schools involvement.	Non-achievement of major key outcomes	1 sub-school

Lvl	*Rank*	*Student Achievement Targets*	*Safety of People*	*Financial Loss*	*Charism, Reputation and Image* *(Siena Brand, Including industry and community expectations)*	*Operational Efficiency & Governance*	*Service Interruption School*
5	Catastrophic	> 50% variation	Multiple deaths or severe permanent disablemen ts	>$1 million	Substantiated, public embarrassment, high widespread multiple national/ international news profile, third party actions, public Ministerial involvement, Government censure.	Non-achievement of major deliverables	Whole school

Table 2: Risk Consequence

Note: Template based on WA Department of Education Risk Register List.

This risk consequence table effectively became our proxy for risk appetite which the board could consider in a practical way, and change if necessary as time passes and as experience with risk management governance increases.

3.5 Risk contrast - Siena College vs Life Insurer

For those who work predominantly in financial services, it is instructive to contrast the high priorities of Siena College's risks with say for example a life insurance company.

Siena College		*Life Insurer*	
Priority	*Risk category/type*	*Priority*	*Risk category/type*
1	Health & Safety	1	Strategic
2	Charism / Identity	2	Financial – Market (Investment)
3	Learning outcomes	3	Financial – Insurance
4	Financial	4	Operational
5	Other	5	Other

Table 3 Risk priorities comparison – Siena College vs Life Insurer

Each of these risk categories / types covers a multitude and will vary by entity even within a sector. The "Other" category includes legal risks and governance risks. There is also considerable overlap and interaction. For example for a life company product risk, there will be insurance risks around mortality / longevity, market risks around investment guarantees or expectations set, and operational risks around supporting information technology systems. The key is not to over complicate the selection of categories and allocation of risks to them, as long as you ensure that each risk is covered somewhere.

For most commercial / for profit enterprises getting the strategy right is key to long term survival. For a life insurer, financial risks are particularly important - they are the core business so rightly get most of the attention. For a school, having a safe environment for students and staff is the fundamental pre-requisite with maintaining the charism at the heart of the raison d'être of the school so critical for long term viability.

Similarities are the risks around:

(a) The legal expectations (license) to operate

For a school the safety of children and staff; for a life insurer the political, regulatory and market environment – that allows operation.

(b) Fulfilling the charter

Charism, learning outcomes etc. for Siena College. Sustainably profitable products in the case of a life insurer.

(c) Operational efficiency

Both need to operate as effectively and efficiently as possible albeit with different relative risk profiles for their operational activities and supporting systems.

3.6 Risk - threat vs opportunity

For those not familiar with the concepts of risk management, the natural reaction to risk is to see a threat, particularly a fear of the unknown. They have in their minds cases where a school is sued for breach of the duty of care – for example if a child drowned on an improperly supervised adventure camp activity.

Working through the risk management process opens up the realisation that risk is two sided. Most risks can be either threats or opportunities - the latter can sometimes be hard to find but it is important to look for them to ensure management and board decisions are based on the full facts and a balanced assessment. This is particularly true when considering risk as an integral part of strategy and the tactics and actions used to implement that strategy.

With a life insurer, the concept of risk versus reward is deeply embedded - whether the institution is a not-for-profit (mutual) or for profit. The ability to quantify such financial risks generally makes decisions easier as they are more objective than the relatively more subjective nature of qualitative risks.

In a school setting there are project, operational and financial risks in considering a new capital works program to improve facilities. But there are also opportunities – or the risk of *not* taking an action. If the school does not enhance facilities the opportunity to improve learning outcomes is lost. Also there is a risk over time of a decline in image and reputation and losing current and future potential students which puts extra stress back on the financials – always tight when running a school.

3.7 Single risk assessment example

The initial risk assessment by the RMWG identified around 50 risks. The following table illustrates the elements considered for each risk evaluation.

External Learning Activity (ELA) Risk Register (attach to ELA applications)
Supervising teachers/staff:
Program/Excursion as appears on ELA or Camp notice: Visit to city
Year Level: 10 Date: 23/11/2012 Location(s): Federation Square

Risk Description	*Existing Controls*	*Rating (after application of existing controls)*			*Treatment Priority*	*Treatment*
Describe the risk event, cause/s and consequence/s. For example, *Something occurs … caused by … leading to …*	Describe any existing policy, procedure, practice or device that acts to minimise a particular risk	Effectiveness of existing controls	Risk Consequences	Risk Likelihood	If effectiveness of existing controls is poor or unknown provide further treatment.	For those risks requiring treatment in addition to the existing controls. List: • What will be done? • Who is accountable? • When will it happen?
Eg. A student is left behind on the train station because of tardiness. She is consequently without supervision jeopardising her safety.	Roll call at train station. Head counts as train approaches.	***Satisfactory*** Poor Unknown	Insignificant Minor ***Moderate*** Major Catastrophic	Almost certain Likely ***Unlikely*** Rare	Treat ***Monitor with Existing Controls*** Low	Use existing controls.

Table 4 Single risk assessment example

3.8 Recommendations made to Siena College Board

The RMWG presented its recommendations to the June 2011 meeting of the Siena College Board for consideration with decisions to be made at the July 2011 Board meeting, at which meeting the recommendations were approved.

1. That the Siena College Board approve the Draft Risk Management Policy

2. That the Siena College Board approve the Draft Risk Management Plan

   The Risk Management Plan is the means by which Siena College will implement its Risk Management Policy, as approved by the Board.
   This approval recognises that the plan will be refined in its implementation as new challenges arise.

3. That the Siena College Board establish a Risk Management Committee to replace the Risk Management Working Group.

   Rationale: With the completion of Phase 1, a permanent governance mechanism is required, recognising the ongoing importance of risk management monitoring and reporting to the Board.

   Protocols of the Risk Management Committee will be developed as in other Board Committees and will set out the Terms of Reference.

3.9 Current status – progressing implementation

The Risk Management Committee (RWC) was established later in 2011 with its initial members being the RMWG members and augmented by another Board member. Another non Board member with a different work skillset and experience including project management has been added in 2012 to

further enhance diversity. Final terms of reference were approved by the Board later. See Appendix 4.

Since Board approval in July 2011 we have proceeded with Phase 2 as set out in the timeline in Table 1.

4 Case Study - Learnings & Outcomes to date

Education was the theme in more ways than one. Those with "formal" risk management skills and experience – actuarial and clinical medical - teaching the educators on risk management concepts, frameworks and processes. And those with "formal" teaching and school administration skills and experience teaching the rest of us on the real life issues, challenges and related risks of preparing 730 young women to take on the world.

The journey required the investment of considerable time and effort from all members of the working group. Sharing helped form our views and the discussions on Siena College's risks in the context of the framework, helped the understanding.

ISO 31000 required several readings, explanation of the terminology and discussion, but provided a great focus, roadmap and checklist.

The key learnings and outcomes were:

1. The value of taking time to understand risk management and its language at the start.

2. Pre-existing risk management framework material provided an excellent point from which to lever – ASX Corporate Governance Principles and ISO 31000.

3. Open and willing hearts and minds made for a great co-operative team dynamic and good communication.

4. Diversity of backgrounds enhanced decisions through the different perspectives brought to the discussions.

5. The value of deliberately avoiding too much detail and its resultant complexity – good but hard.

6. The importance of having a positive risk culture was recognised and the associated effort to embed that as part of normal "doing" at the College.

7. Board and RMWG/RMC – the process has increased understanding and oversight of the College's risks; reduced fear of unknown.

8. Board was pleased with and thankful for the RMWG's work.

9. Just started on a journey – lots more learning and challenges as implementation proceeds.

5 The Actuarial Angle - Skills for Risk Management

5.1 My personal experience and reflections as an actuary

To communicate my personal experience and reflections I completed a post project analysis on my experience as an actuary. Here are those reflections:

Q1 Where was I comfortable?

- Explaining risk management concepts and terminology to the group.
- Applying the ISO 31000 methodology structured framework to Siena College.
- Systematically working through each of the ISO 31000 points to check we had considered each point.
- Learning from examining publicly available, predominantly Australian Government education, and other sector based risk management material.
- Doing the risk assessments as a team.
- Chairing our RMWG meetings and guiding our next steps.
- Communicating back to the Board.

Q2 Where was I initially uncomfortable or challenged?

- Truly understanding how the dynamics of a school gives rise to non financial risks and how to assess those risks.
- The difficulties and compromises around the fitting of our identified risks into the ERM software database so as to maximise the value of the software for the College in providing effective and efficient risk documentation.
- Balancing thorough analysis with preventing any of us getting drowned in the detail.

Q3 What gave me the most satisfaction?

- The sense of achievement and satisfaction from presenting the final recommendations to the Board knowing they were based on a thorough, sound assessment and that they would benefit Siena College, its students and staff.
- Seeing each of us learn a lot from one another's knowledge and experience.

Q4 What have I learned from the experience?

- I made the right decision to volunteer into what I knew would be a challenge and would be new ground for me personally.
- I discovered I had more risk management knowledge and capabilities than I had realised beforehand. In retrospect this should have been obvious (see next sections) – but it wasn't at the time.
- My confidence around applying my risk management skills outside financial services has increased markedly.
- How clever schools can be with limited financial resources by being resourceful with their network of people, applying their minds and sharing ideas and thoughts openly, and disciplined in their financial management.

In summary, in the classic approach of an actuary, I saw the challenge was a problem to solve which required:

1. Identification and collection and analysis of data – what a school does, how it does it.

2. Identification and analysis of risk in a systematic way
   - What risks could arise at a school?
   - How likely were they? (I.e. what probability could be associated with them? / What frequency of occurrence?)
   - If they arose, what would the consequences be? (Parallel is what would be the size of claim both quantitative and qualitative?)
   - If they arose what would the cumulative impact be? (Sum of frequencies multiplied by claims).

3. Determination of business response / management action
   - What action was required to avoid or mitigate these risks?
   - What controls & procedures to be added / changed to achieve this?

4. Monitoring of effectiveness of the controls, new risks and change in level of risks.

5. Use feedback based on results of monitoring to amend actions and/or refine controls to further mitigate risks.

6. En route use sound business acumen and management, and communicate well with relevant stakeholders – in summary be a good business advisor actuary:
   - Have a holistic view; think wide and deep
   - Consider materiality – don't sweat the small stuff
   - Prioritise by importance and consider urgency
   - Listen, share, think, understand, consider, balance
   - Be pragmatic (commercial in a for profit).

5.2 "Actuarial" and actuaries' other skills for Risk Management

My personal experience commentary in section 5.1 above informally captures the capabilities of actuaries in risk management. A more formal and rigorous assessment can be made by examining the actuarial literature on the subject.

Jules Gribble (2003)[9] identified the following core attributes of effective actuarial practitioners:

- **Cognitive** - Make decisions, articulate reasoning, think through issues, analyse.
- **Expertise** - Technical understanding and skills for required analysis; knowledge.
- **Actuarial judgement** - Identify and frame the problem and determine a legal, ethical and practical solution that draws on sound actuarial theories, principles and techniques.
- **Innovative and flexible** - Identify, use or create new tools and techniques to solve problems, identify potential impacts of innovative approaches, be adaptable.
- **Rigorous and holistic** - Thorough, disciplined, rigorous and systematic detailed analysis; evaluate implications and relate detail to the big picture; consider materiality, focus on key drivers, assumptions and issues.
- **Strategic** - see issues in context, understand the interplay of external and internal factors on actions and decisions; deal with ambiguity and change; long-term horizon.
- **Integrity** - a clear set of particular ethical values that can be of particular interest to stakeholders; act with integrity and consistency in complex and challenging situations.
- **Personal Management** - understand own limitations, seeks support/advice when it is needed, plan tasks, monitor performance, reflect on practice and learn and develop.
- **Influence and interpersonal skills** - identify where others are coming from and understand the point of view; get others to your point of view; foster collaborative approaches.
- **Communication** - communicate clearly and appropriately through written and oral communication, particularly in relation to risks and possible options and consequences.

- **Business acumen** - see business implications in issues and decisions and articulate the possible risks and benefits for stakeholders; identify the key issues and implications.

John Shepherd[10] (2007) acknowledged Gribble's list and provided another based on an Actuaries Institute survey of employers:

- Quantitative skills
- Markets & institutions
- Regulatory & industry
- Environment
- Problem solving
- Attention to detail
- Business acumen
- Financial reporting
- Communication
- Leadership
- Advisory skills
- Proactive capacity
- Ethical behaviour
- Teamwork skills
- Innovative thinking
- Project management skills
- Aware of "big picture"
- Risk management skills
- Can take informed risks

Jules Gribble (2011)[11] noted the following actuarial paradigms which are the essence of an actuary:

- **Equity** Macro, time, groups
- **Judgement** Use of tools, sense of consequence
- **Materiality** Prioritisation and focus
- **Perspective** Long term, accept uncertainty
- **Synthesis** Breadth, bridging, balance
- **Assumptions** Best Estimate + margin
- **Quantification** Modelling - financial impacts, reflect uncertainty
- **Advisor** Professional advice to decision makers
- **Process** Actuarial practice and control
- **Public interest** Trusted for 'greater good'

The attributes from all these lists add value in risk management work.

Roger Dix (2008)[12], a UK based actuary, in an interview on enterprise risk management stated "Actuaries are well placed to be leaders in risk management. Our core training and where we think of the world are consistent with the needs of risk management. Actuaries have a structured way of thinking ... risk managers need the hard facts to justify their opinions, but they also need to be able to interpret data and communicate the knowledge at a variety of different levels. .. Risk managers act as facilitators rather than just telling managers an answer."

5.3 The Chartered Enterprise Risk Actuary/Analyst (CERA) designation

The recognition of the suitability of the actuary's capabilities for risk management has been taken a step further in recent years with the creation by the Society of Actuaries in the U.S. of the CERA designation which is recognised and globally supported by the major Actuarial bodies including the Actuaries Institute in Australia[13]. Existing qualified actuaries are granted the designation if they successfully pass an exam on completion of one further specialist course in Enterprise Risk Management (ERM) and a two day ERM workshop.

5.4 Stepping out of the comfort zone

But all of these wonderful capabilities are wasted if we don't step out of our comfort zones and challenge ourselves to apply our capabilities in different circumstances such as risk management in a non-financial entity. The current president of the Actuaries Institute David Goodsall[14], in an interview in the March 2012 Actuaries magazine laments that actuaries are often perceived as technical experts

rather than business advisors with powerful technical skills. He encourages us - the actuarial profession's members - to have a more adventurous spirit.

We have the capabilities. We have the ability to learn very quickly and to apply our techniques and experience in a measured relevant way when we take on a new risk management challenge. We need to actively convince more potential users of our services of our capabilities in risk management. Expanding the track record by helping a not for profit is just one such way.

Having started this paper with a prayer, I shall end it with a biblical type exhortation: to actuaries and aspiring actuaries I say:

"Go humbly forth and thou shall learn and add value.
Do not be afraid."

6 The Actuarial Angle – Conclusions

1. Actuaries' have powerful risk management skills from our education and from our day to day work experience applying our actuarial skills in any field. These are applicable well beyond insurance and financial services.

2. Actuaries not directly working in a designated risk management role should believe in their inherent but often hidden capabilities in risk management and step up to take the risk of demonstrating those capabilities in their current or wider fields.

3. As actuaries we should endeavour to share those skills for the benefit of the communities in which we live, on both a not for profit and "with profit" basis.

4. Australia's commercial, government and not-for-profit leaders - board members, and senior public servants and management - should be made more aware of actuaries' risk management capabilities, to the point that they think of actuaries when they think of risk management in its widest sense - and use actuaries to a greater extent, to benefit from their range of directly relevant risk management skills.

7 Acknowledgements

Thanks to the Siena College Board and Risk Management Working Group and Committee members for their encouragement to openly share Siena College's risk management journey with the aim of helping others learn from our experience.

A special thanks to the other Risk Management Working Group members – Dr. Beverly Begg, Mrs. Gaynor Robson-Garth, Mr. Michael Hanrahan and Ms. Suzanne Sinni for their active participation, ideas, work appetite and enthusiasm.

Thanks to John Muir-Smith of Periscope Consulting - for extensive use at Siena College of the I.R.I.S. Enterprise Risk Management software and his valued advice to the College.

Thanks also to Don Walkley of Governance, Board & Directors – for his initial persuasive advice to the Siena College Board on the benefits of risk management governance.

Thanks to Wayne Brazel for his sharing of thoughts and peer review of this paper.

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Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control. [25]

Risk management is the culture, processes and structures that are directed towards taking advantage of potential opportunities while managing potential adverse effects.[26]

Risk management should be designed to:

- identify, assess, monitor and manage risk
- identify material changes to the company's risk profile.[27]

Risk management can enhance the environment for identifying and capitalising on opportunities to create value and protect established value.

The company should address risks that could have a material impact on its business (material business risks) as identified by the company's risk management system. The board should regularly review and approve the risk management and oversight policies.

Recommendation 7.1:

Companies should establish policies for the oversight and management and management of material business risks and disclose a summary of those policies.[28]

Commentary

Each company will need to determine the "material business risks" it faces. When establishing and implementing its approach to risk management a company should consider all material business risks. These risks may include but are not limited to: operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product or service quality, human capital, financial reporting and market-related risks.[29]

The board is responsible for reviewing the company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.[30]

Risk management policies

Risk management policies should reflect the company's risk profile and should clearly describe all elements of the risk management and internal control system and any internal audit function.

When developing risk management policies the company should take into account its legal obligations. [31] A company should also consider the reasonable expectations of its

25 For the purposes of Principle 7 a reference to a "company" will also include references to a "subsidiary" and an "associate" as defined in AASB 128 *Investments in Associates*.

26 There is a range of guidance available on risk management. Frameworks for risk management include the Australian/New Zealand *Standard for Risk Management* – ANZ 4360 at www.standards.org.au and COSO *Enterprise Risk Management – Integrated Framework*, published by the Committee of Sponsoring Organisations of the Treadway Commission at www.coso.org.

27 Companies should be aware of their obligations under section 299A of the Corporations Act [Annual directors' report – Additional requirement for listed public companies].

28 The ASX Corporate Governance Council has issued *Supplementary Guidance to Principle 7* which is at www.asx.com.au

29 Financial reporting risk is the risk of a material error in the financial statements.

30 There is a range of guidance available on internal control. Frameworks for internal control include the COSO Internal Control Integrated Framework at www.coso.org. Additional guidance is available through the Institute of Chartered Accountants in England and Wales – Internal Control, Guidance for Directors on the Combined Code at ww.icaew.co.uk and Australian/New Zealand Standard for Compliance - ANZ 3806 at www.standards.org.au.

31 Legal obligations include but are not limited to requirements dealing with trade practices and fair dealing laws, environmental law, privacy law, employment law, occupational health and safety, equal employment and opportunity laws.

stakeholders. Stakeholders can include: shareholders, employees, customers, suppliers, creditors, consumers and the broader community in which the company operates.

Failure to consider the reasonable expectations of stakeholders can threaten a company's reputation and the success of its business operations. Effective risk management involves considering factors which bear upon the company's continued good standing with its stakeholders.

A company's risk management policies should clearly describe the roles and accountabilities of the board, audit committee, or other appropriate board committee, management and any internal audit function.

Recommendation 7.2:

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Commentary

Risk management and internal control system

Internal controls are an important element of risk management. Management should design, implement and review the company risk management and internal control system.

As part of its oversight for the risk management and internal control system, the board should review the effectiveness of the implementation of that system at least annually. The board retains responsibility for assessing the effectiveness of the company's systems for management of material business risks. It may be appropriate in the company's circumstances for the board to make additional enquiries and to request assurances regarding the management of material business risks.

Internal audit function

An internal audit function will generally carry out the analysis and independent appraisal of the adequacy and effectiveness of the company's risk management and internal control system. A company should therefore consider having an internal audit function.[32] An alternative mechanism may be used to achieve the same outcome depending on the company's size and complexity and the types of risk involved.

The internal audit function should be independent of the external auditor. The internal audit function and the audit committee should have direct access to each other and should have all necessary access to management and the right to seek information and explanations.

Risk management committee

A board committee is an efficient mechanism for focusing the company on appropriate risk oversight, risk management and internal control. The appropriate committee may be the audit committee, a risk management committee or another relevant committee.

Ultimate responsibility for risk oversight and risk management rests with the full board, whether or not a separate risk management committee exists.

For smaller boards, the same efficiencies may not be derived from a formal committee structure. Companies without a risk management committee should have board processes in place which raise the issues that would otherwise be considered by a risk management committee.

Recommendation 7.3:

The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal

[32] Guidance on the internal audit function is found in the Technical Information and Guidance section at www.iia.org.au.

control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Commentary

Unlike Recommendation 7.2 this Recommendation only addresses financial reporting risks directly because the Corporations Act requires a declaration in relation to a listed entity's financial statements by the chief executive officer and/or the chief financial officer.[33]

The integrity of the company's financial reporting depends upon the existence of a sound system of risk oversight and management and internal control. The requirement to provide this assurance encourages management accountability in this area.

The assurance under this Recommendation forms part of the process by which the board determines the effectiveness of its risk management and internal control systems in relation to financial reporting risks.[34]

Recommendation 7.4:

Companies should provide the information indicated in the Guide to reporting on Principle 7.

Guide to reporting on Principle 7

The following material should be included in the corporate governance statement in the annual report:

- explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4.
- whether the board has received the report from management under Recommendation 7.2
- whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- a summary of the company's policies on risk oversight and management of material business risks.

Application of Principle 7 in relation to trusts and externally managed entities

References to "board" and "directors" should be applied as references to the board and directors of the responsible entity of the trust and to equivalent roles in respect of other externally managed entities.

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33 Section 295A [Declaration in relation to listed entity's financial statements by chief executive officer and chief financial officer] into *Part 2M – Financial Reporting* of the Corporations Act. The directors' declaration under s295(4) can now only be made once the directors have received a declaration from the CEO and CFO, or equivalents that: (a) the financial records have been properly maintained, (b) the financial statements comply with accounting standards and (c) the financial statements and notes give a true and fair view. Any company not required to comply with section 295A of the Corporations Act should consider the range of means by which it may achieve the same ends and should include in its annual report a statement disclosing the extent to which it has achieved the aims of section 295A during the reporting period and provide reasons for not doing so.

34 The G100 has published guidance to assist companies to meet their obligations under Principle 7 in *Principle 7 – Guide to Compliance with ASX Principle 7 – Recognise and Manage Risk* at wwwgroupof100.com.au.

Appendix 2: AS/NZS ISO 31000: 2009 – Risk Management – Principles and Guidelines: Overview Diagram

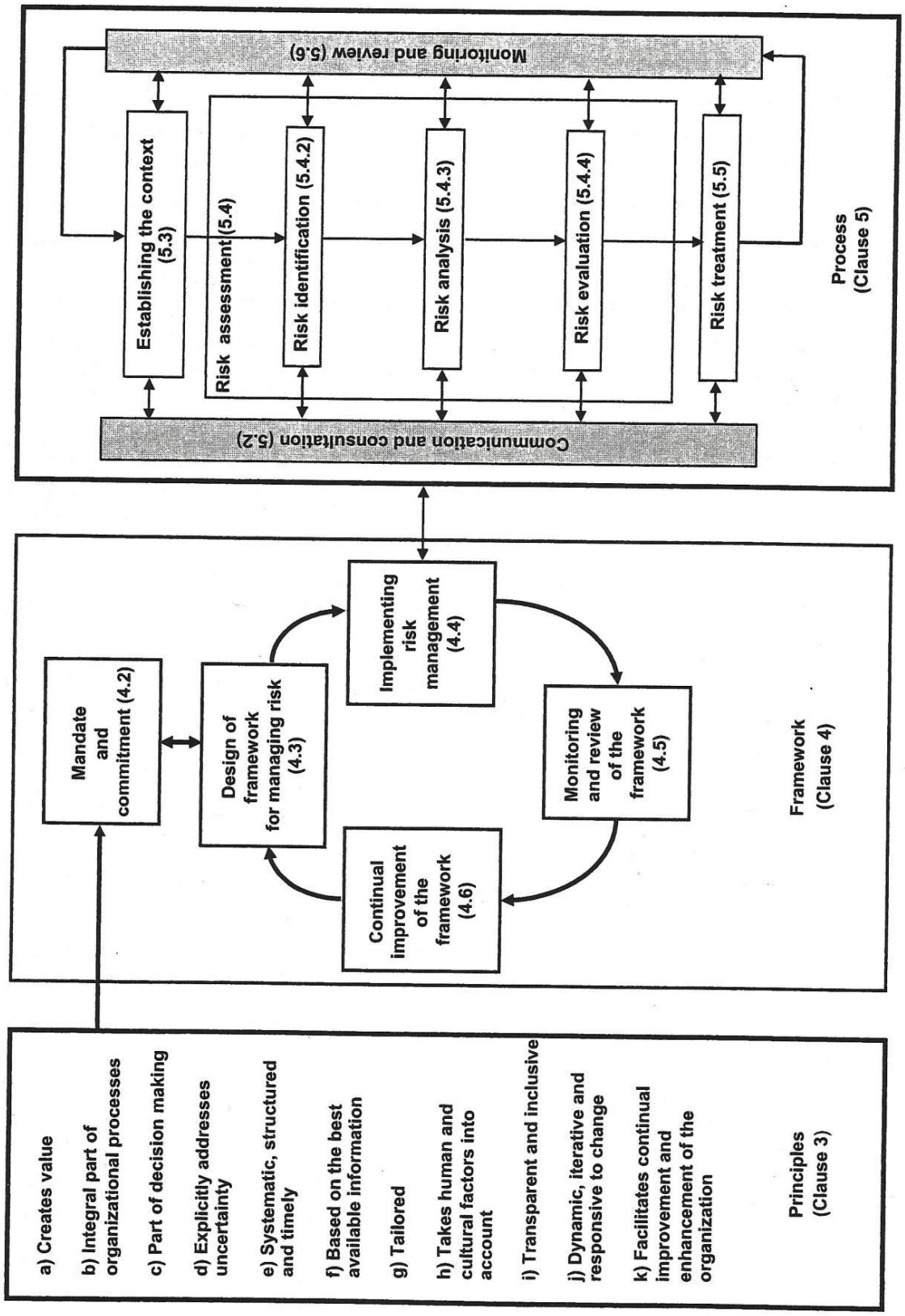

Figure 1 — Relationships between the risk management principles, framework and process

Siena College Camberwell

Appendix 3 Siena College Risk Management Policy

POLICY TITLE: **RISK MANAGEMENT POLICY**

RATIONALE:

Siena College Board recognises that risk is inherent in all its activities and endeavours; however, it also accepts responsibility both to minimise and manage risk. A proactive Risk Management Framework, inclusive of a Risk Management Policy and a Risk Management Plan, will assist the Siena College Board to understand risk better, identify the risks associated with the operations of Siena College Ltd, and subsequently manage these risks. This policy also serves to guide the Principal and Leadership Team in the management and reporting of risks, as well as serving to guide the development, approval and implementation of a Risk Management Plan.

DEFINITIONS:

Risk:	The chance of something happening that has the potential to affect the achievement of the College's objectives, goals, targets and priorities. Risk is assessed in terms of consequence, likelihood and control effectiveness.
Risk management:	Coordinated activities to direct and control the activities of the College with regard to risk.
Risk management framework:	Set of components that provide the foundations and organisational arrangements for designing and implementing, monitoring, reviewing and continually improving risk management throughout the College organisation.
Risk management plan:	Scheme within the risk management framework specifying the approach, the management components and the resources to be applied to the management of risk.

GUIDING PRINCIPLES:

The Siena College Board:

1. is responsible for the oversight of risks associated with the operations of Siena College, in accordance with the principles of good governance
2. acknowledges and supports the Australian Stock Exchange Corporate Governance Principle 7 to "recognise and manage risk"; that is, to develop a sound framework of risk oversight, risk management and internal control
3. is committed to processes and procedures in managing risk that are based on the risk management principles and guidance set out in Standard AS/NZS ISO 31000:2009 Risk management – Principles and guidelines. Specifically (from #3 Principles):
    a. Risk management creates and protects value.
    b. Risk management is an integral part of all Siena Colleges organisational processes.
    c. Risk management is part of decision making.
    d. Risk management explicitly addresses uncertainty.
    e. Risk management is systematic, structured and timely.
    f. Risk management is based on the best available information.
    g. Risk management is tailored to the specific circumstances of Siena College.
    h. Risk management takes human and cultural factors into account.

i. Risk management is transparent and inclusive.
j. Risk management is dynamic, iterative and responsive to change.
k. Risk management facilitates continual improvement of the organisation.

PROCEDURES:

- Siena College shall operate a Risk Management Framework in accordance with section 4 of Standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines, which is illustrated as follows: (Number references are to ISO 31000)

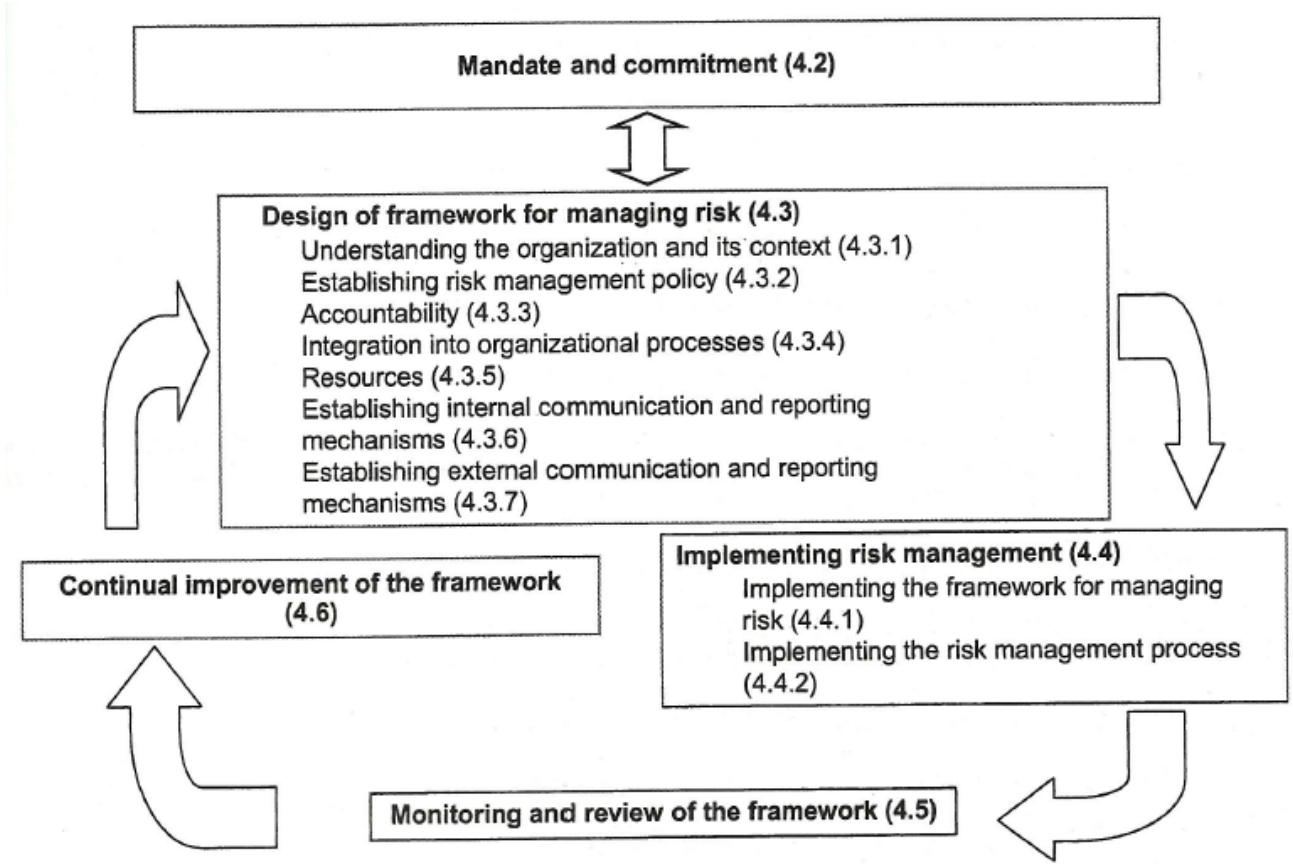

Figure 2 — Relationship between the components of the framework for managing risk

AS/NZS ISO 31000:2009, p.9, section 4.1

- Siena College will employ a Risk Management Plan based on this Risk Management Framework

RESPONSIBILITY:

- Board – Oversight of Risk Management.

- Principal - Implementation of the Risk Management Policy via the Risk Management Plan developed within the designated Risk Management Framework.

RELATED LEGISLATION:

- No legislation related specifically to Risk Management in Schools

RELATED POLICIES:

- All Siena College policies – consider each policy from a risk management perspective.

RELATED DOCUMENTS:

Siena College Mission Statement (2009)

Standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines

Siena College Risk Management Plan

Siena College Strategic Plan (2009)

CECV Guide to Meeting the Minimum Standards for Registration for Catholic Schools (July 2008)

DOCUMENT TRACKING:

POLICY TITLE: RISK MANAGEMENT POLICY	**DATE EFFECTIVE:**	**CREATED BY:** Siena College Board Risk Management Working Group
LAST UPDATED: 14 June 2011	**UPDATED BY:** **Siena College Board Risk Management Working Group**	**APPROVAL BODY/AUTHORISED BY:**
LOCATION:	**ATTACHMENTS:**	**RATIFIED BY SIENA COLLEGE BOARD: (DATE)**

Appendix 4 Siena College Risk Management Policy

Terms of Reference (ToR)

Background

The Siena College Board established a Risk Management Working Group to support and advise the Board on issues relating to risk management at Siena College. In recognition of the ongoing work identified, working group members recommended that it become a permanent Siena College Board Risk Management Committee in 2011. This was accepted by the Board at the July meeting, 2011.

Scope

The Committee's function is to:

- assist the work of the Board, Principal and Director of Staff and Administration on all matters relating to risk and risk management
- meet periodically prior to Siena College Board Meetings
- identify priority issues that fall within its ToR
- report regularly on the work of the Committee to the Siena College Board
- submit recommendations to the Siena College Board.

Responsibilities

The Siena College Board Risk Management Committee will

1. espouse the Catholic and Dominican ethos and mission of Siena College in its functions
2. review and advise the Siena College Board on risk management and related practices in light of relevant policy and trends within congregation and church sectors
3. oversee the implementation of the Risk Management Plan developed by the Interim Risk Management Working Group approved by the Board at the July meeting of the Board
4. monitor indicators of compliance with the Siena Risk Management Plan
5. address any related matter(s) referred to it by the Siena College Board.

Membership

Members of the Siena College Board Risk Management Committee include

- the Principal of Siena College or delegate
- Chairs of all Siena College Board Committees (or their delegates),
- A Siena College Board member who will be the Chair of the Risk Management Committee who is not the Chair of another Committee
- at least one member of Siena College teaching staff
- external persons agreed by the Principal and a member of the Siena College Board, each of whom agree to the function as described in the ToR.
- any other persons (including staff) who have particular interest may attend and participate as agreed by the Principal and Chair.

- delegation between members is permissible.
- members must be available to attend 75% annual scheduled meetings.
- in lieu of attendance at meetings, members can contribute by communicating feedback through the Chair between meetings.

Protocols of the Siena College Board Risk Management Committee.

1. If any member of the Committee has a conflict of interest with a matter being considered by the Committee, the member must disclose that conflict of interest to the Chair as soon as the member becomes aware of the conflict. The Chair shall decide a course of action prior to the consideration of the matter by the committee.
2. Members should be cognisant of the Committee's business and function, enhanced as necessary by appropriate formation, or access to expert advice.
3. A quorum shall comprise not less than 50% membership and must include either the Chair or the Principal or their respective delegate.
4. Members should value and respect diversity and differing views.
5. Decision making by the Committee will be by consensus. Where agreement cannot be reached the Chair (or their delegate) will have the ultimate decision.
6. Committee reports and submissions shall be presented to the Siena College Board by the Chair and if necessary, assisted by the Principal. An annual report to the Siena College Board will be prepared ahead of the Siena College Annual General Meeting which coincides with State legislative reporting requirements for inclusion in relevant publications.
7. Meetings will be recorded as "minutes" by a person designated by the Principal. The minutes will be distributed within one week of the meeting and re-circulated with the agenda for the following meeting. After final approval by the Committee, minutes will be signed by the Chair. The Chair is responsible for submitting the agreed minutes to the Siena College Board.
8. The meeting agenda is to be prepared by the Principal's delegate with approval from the Chair or the Chair's delegate.
9. The agenda will be distributed one week in advance of the next meeting. Where a meeting occurs in the week beginning a new term, the agenda will be forwarded as soon as is practicable.

Meeting Schedule

- At least 4 and up to 8 meetings will be scheduled between February and November.
- The meetings will be face to face, in person. Alternative meeting requirements will be approved by the Chair in consultation with the Principal.

Appendix 5: Siena College Risk Management Plan – Extract – "Implementing the Risk Management Framework" [pages 3 to 6 of plan]

2.3 Implementing the Risk Management Framework

2.3.1 Mandate and commitment

Strong commitment by the College Board and College Leadership and all levels of the College Staff is required, in order to ensure the introduction and effective implementation of the Risk Management Framework within the College. A mandate to improve risk management at the College and its governance was established at the Siena College Board in-service day on 15 May 2010.

An initial Risk Management Working Group (RMWG), consisting of volunteer Board members, the Principal and the Director of Staff and Administration has operated in 2010-2011 - to be replaced by a Board Risk Management Committee (RMC), which will support and monitor the implementation of the Risk Management Framework and reporting to the Board in 2011-2013.

2.3.2 Design of framework for managing risk

2.3.2.1 Understanding of the organisation and its context

Ongoing continuous learning for all Staff and Board members is necessary to develop a culture of risk management.

2.3.2.2 Establishing the risk management policy

A draft Risk Management Policy was developed in 2010 and is awaiting approval by the Board in July 2011. It will be reviewed, as required.

2.3.2.3 Accountability

The College Leadership, Staff and College Board should ensure that there is accountability, authority and appropriate competence for managing risk within the College.

The Principal has authority and responsibility for developing a culture of risk awareness and the implementation of risk management throughout the College, in accordance with this Plan, as amended through appropriate channels in the future. The Principal can delegate accountabilities and responsibilities to suitably qualified members of staff at appropriate levels within the College organisation.

The Principal's delegate, the member of the College Leadership team with responsibility for Risk Management, is responsible for the practical day to day implementation of the Risk Management Policy and Plan, including the management of the Risk Register and reporting.

Staff members are accountable to the Principal, through her/his delegated member of the College Leadership team with responsibility for Risk Management, and for their own management of risk in their teaching and operational practice. Risk identification, assessment and mitigation actions must be documented in the Risk Register, specifying who is responsible and accountable for that action (see Figure 2 Lines of Communication and Reporting in Risk Management at Siena College, p 5).

The Risk Management working Group (RMWG) and Risk Management Committee (RMC) are accountable to the College Board.

The Board is responsible for oversight of risk management in the College.

2.3.2.4 Integration into organisational processes

The Plan incorporates compliance with the minimum standards for Victorian schools, as set out by the Victorian Registration and Qualifications Authority (VRQA) and documented in the *Catholic Education Commission of Victoria Ltd (CECV) Guide to Meeting the Minimum Standards for Registration for Catholic Schools (July 2008)*. These minimum standards form the core of Siena College's educational and operational processes and procedures. Demonstration of these minimum standards is reviewed every four years, as a requirement for registration of the College.

2.3.2.5 Resources

Appropriate resources allocated for risk management include:

- People - The College is determining an allocation of time to the College Leadership Group member with responsibility for Risk Management and a three hours per week allocation for administrative support.
- IT System – The IRIS (Integrated Risk management Information System) software has been purchased from Periscope Consulting®.

2.3.2.6 Establishing internal communication and reporting mechanisms

The College is small, so internal communication is direct, when useful or required.

Reporting mechanisms will be established using the IRIS system's built-in reporting. Further avenues for reporting are considered in the next chapter.

2.3.2.7 Establishing external communication and reporting mechanisms

Refer to Figure 2 Lines of Communication and Reporting in Risk Management at Siena College, p 6.

External communication and reporting required is limited and can be direct when useful or required.

Reporting to the College Board occurs through verbal reports and minutes of the Risk Management working Group (RMWG) and Risk Management Committee (RMC) at College Board meetings. An annual Risk Review will be presented to the College Board by the Risk Management Committee.

Trustees receive copies of the Minutes of the Board Committees distributed with Board meeting documents. Written reports by the Board Chair, the Principal and the College Business Manager are tabled and discussed with the Trustees at the Annual General Meeting. The annual Risk Review for the College Board will be tabled also and discussed at the Annual General Meeting.

Written reports by the Board Chair, the Principal and the College Business Manager are provided in an Annual Report to the School Community, to the Catholic Education Office Melbourne (CEOM) and disseminated to members of the College community through the College website.

2.3.3 Implementing Risk Management

2.3.3.1 Implementing the framework for managing risk

In implementing the framework for managing risk in Siena College:

- The Siena College Risk Management Policy and the Siena College Risk Management Plan will be proposed to the College Board for approval in July 2011
- The Risk Management Committee of the College Board will, if the recommendation is approved, be ratified and established in July 2011
- In semester 2 College Leadership and Staff will be informed of the Siena College Risk Management Policy and expectations of the risk management culture in the College and accountability, and the organisation and processes for identifying and managing risks in Siena College.
- In order to facilitate the implementation of the Risk Management Process an organisational structure to manage this process in the College will be established by the Principal
- In semester 2 onwards the organisational processes for identifying and managing risks in the College will be established and implemented by the Leadership, Staff and Board.
- Lines of communication and reporting will be established (see figure 2 Lines of Communication and Reporting in Risk Management at Siena College, p.6).

2.3.3.2 Implementing the risk management process

The Siena College Risk Management Process is explained in Section 3.

2.3.4 Monitoring and review of the framework

Monitoring and reporting to the College Leadership, the Risk Management Committee (RMC) and the Board will provide evidence of the effectiveness of the Risk Management Framework and where the framework can be improved.

In particular, the annual Risk Review will include an assessment of the effectiveness of the implementation of risk management on risk levels, the risk management culture and on operational aspects of the process.

2.3.5 Continual improvement of the framework

Decisions will be made about how the Risk Management Framework, Policy and Plan can be improved, based on the monitoring, reporting and review.

The College is committed to ongoing improvement in risk management and the risk management culture. The implementation of the Risk Management Plan is the mechanism to make this continual improvement happen.

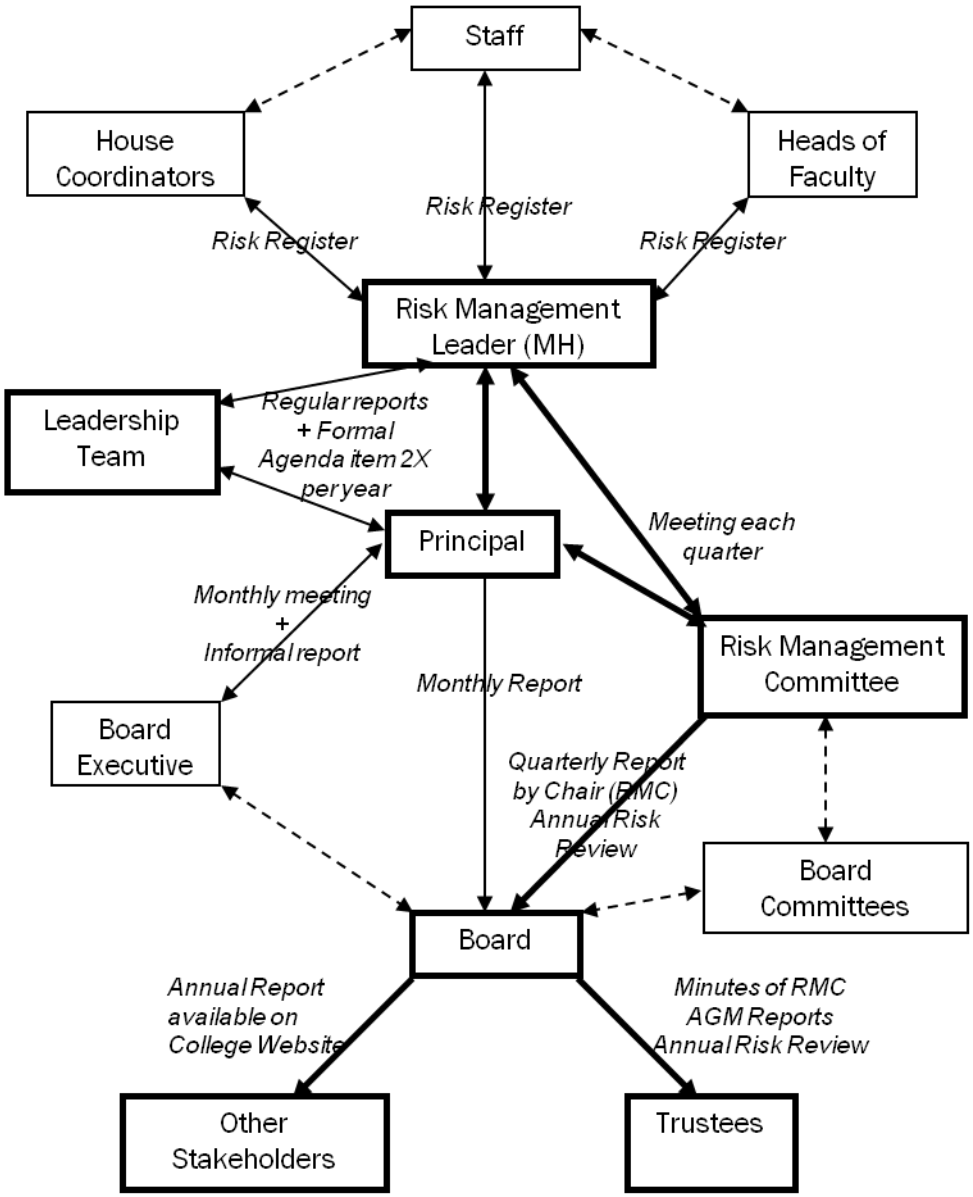

Figure 2 Lines of Communication and Reporting in Risk Management at Siena College

Appendix 6: Siena College Risk Management Plan – Extract – "Implementing the Risk Management Framework" [pages 8 to 11 of plan]

3.2 Implementing the Risk Management Process - Communication and consultation

Refer to Figure 2 Lines of Communication and Reporting in Risk Management at Siena College, p 6.

Wide input by all stakeholders about relevant risks and their causes, their potential impacts, measures being taken to mitigate them and reporting them is needed in order to ultimately mitigate risk. This communication is to be achieved throughout all stages of the Risk Management Process by:

1. Direct involvement of relevant staff in reviewing and improving the risk assessments for the 50 priority risks identified in the initial phase. This will occur as part of the annual review of risk management. The member of the College Leadership team with responsibility for Risk Management will organise this as part of the regular and ongoing continuous improvement program for risk management.
2. The member of the College Leadership team with responsibility for Risk Management will report to the College Leadership team on a regular basis, as needed. The College Leadership team will include an explicit agenda item on risk management at least twice a year:
    a. In a first meeting early in the school year, to discuss any potential new risks and risk priorities.
    b. In the second meeting, to review the draft annual Risk Review report for the College Board.
3. The Principal's report to the Board should include a report on risk management, where appropriate, but at least twice a year, corresponding to the timing above.
4. The Principal will notify the members of the Board Executive of any risk management concerns, as established in the Siena College Delegation Authority.
5. The Risk Management Committee will communicate directly with the Board four times per year via the written Risk Management Committee meeting minutes and verbal reports by the Risk Management Committee Chairperson.
6. The Business manager will discuss financial risks and their management with
    a. The Auditors annually when the audit is conducted
    b. The insurance broker when the College insurances are being reviewed.
    c. The Finance Committee and the Board via the Chairperson of the Finance Committee
    d. The Trustees through the AGM report and reports of College financial audits.

Key in this communication and consultation is the principle of widening the conversation to increase awareness of risk and improve understanding and ability to mitigate risk by having a wider perspective. Such risk conversations will be just a component of wider more general conversations with those stakeholders.

3.3 Implementing the Risk Management Process - Establishing the context

3.3.1 Strategic and operational goals and risk

The core context is essentially the Siena College Strategic Plan, particularly its Mission and its current Strategic Goals. The core risk being managed is the risk of not

achieving its Mission and Strategic goals. Underlying these goals is a core requirement for the school to operate effectively and efficiently and the risks therein must also be explicitly addressed.

Both internal and external contexts, or environments in which the College seeks to achieve its objectives, must be considered in identifying and assessing operational risks. Knowledge of the internal context is gained from the Principal and College Leadership and input from the Staff, while knowledge of the external context will come primarily from external stakeholders such as the Government and Education authorities through the Risk Management Committee, which includes the College Principal and the member of the College Leadership team with responsibility for Risk Management.

3.3.2 Risk culture, risk appetite and risk criteria

An important part of any risk assessment is determining the level of risk appetite of the Board and communicating that to the College Principal. The Board needs to be confident that excessive risks are not being taken and that opportunities to further the achievement of the College's goals are not being missed because of an over-cautious approach.

For a not-for-profit organisation such as Siena College, this is particularly difficult to determine, quantify and communicate. Non-quantifiable areas such as charism, values and non academic educational improvements of the College are important, as well as, quantifiable areas such as academic achievement and financial aspects.

In the initial Risk Assessments, the Risk Management Working Group has tried to build an expectation of risk culture and risk appetite in a qualitative way, based on what "feels right" for the College. This approach has enabled the completion of the Risk Assessments and identification of those risks with the highest potential impact and the actions to mitigate those risks to acceptable levels.

This topic of risk culture and risk appetite should be reconsidered in future risk management reviews, when the College and other schools have had more risk management experience. In the longer term, the College needs to develop more objective and, where possible, more quantitative, explicit risk criteria that can be used to evaluate the significance of risk.

3.4 Implementing the Process – Risk Assessment

Risk Assessment is the core action process. It consists of the overall process of risk identification, risk analysis and risk evaluation

The College has purchased the Integrated Risk Management Information System (IRIS) software supplied by Periscope Consulting® to facilitate its risk assessment. This software contains a database Risk Register with related data input and reporting capability.

3.4.1 Risk identification

The Risk Management Working Group identified risk categories applicable to Siena College, based on the Government of WA Department of Education School framework and the requirements of the Victorian Registration and Qualifications Authority (VRQA). These are listed in Attachment 1, Risk Categories used for Siena College.

Within these categories, the Risk Management Working Party identified specific risks – a total of 50 across all eight risk categories. These are listed in Attachment 2, Initial List of Siena College Risks.

The annual Risk Review will consider whether there are additional risks to be added and where new risks should be included as a subset of an existing risk.

3.4.2 Risk analysis

Each of the initial 50 risks was assessed and later reassessed. The data have been entered into IRIS database. The process of entering the data prompted additional information or subjective assessment where they were not provided by the initial assessment.

For each risk identified within each Risk Category in the Risk Assessments, the following aspects were questioned:

- What are the controls currently in place to mitigate the risk?
- Sufficiency of existing controls: Are such controls Excellent/ Adequate/ Inadequate? (see Attachment 2, Initial List of Siena College Risks).
- What categories are affected by the risk?
- What is the level of Consequence of the risk? Insignificant to Catastrophic, (1 to 5) (see Attachment 3, Consequence Table).
- What is the level of Likelihood of the occurrence of the risk? Rare to Almost Certain (1 to 5) (see Attachment 4, Risk Likelihood).
- What is the final Risk Rating (= Consequence * Likelihood)? Minor, Moderate or Major (see Attachment 5, Risk Rating).

3.4.3 Risk evaluation

The outcomes from the analysis of each of the risks are examined to see which risks require mitigation treatment and to assess the relative priority of such treatments. This is based on the final Risk Rating from the analyses.

The IRIS software combines the data from each risk and summarises these results in a "heat map" (see Attachment 6, Initial Risk Heat Map for Siena College).

The risks are listed in decreasing Risk Rating order, thus clearly showing the priority risks that need addressing (see Attachment 7, Example of Risk Assessment in ELA).

3.5 Implementing the Process - Risk treatment

The College has established initial guidelines regarding treatment, based on its priorities:

- Any risk with a Risk Rating of Major requires immediate attention and the specific determination of additional controls to reduce risk or operational changes to avoid or reduce the risk.
- Any risk with a Risk Rating of Moderate requires attention – over the next quarter.
- Risks with a Risk Rating of Minor require no action.

3.6 Implementing the Process – Monitoring and review

Monitoring and review should be a planned part of the Risk Management Process. It should be regular and purposeful, encompassing all aspects of the Risk Management Process. Monitoring and review at Siena College includes:

- Ongoing monitoring, reviewing and reporting, as required
- Regular reporting to the College Leadership team by the member of the College Leadership team with responsibility for Risk Management and reviewing risk management in Siena College through explicit agenda items at least twice a year (see Section 3.2 p.8)
- Regular (quarterly) reporting to Risk Management Committee by the member of the College Leadership team with responsibility for Risk Management.
- An annual Risk Review with a Risk Review Report for the Risk Management Committee and then to the College Board.

Illustrations of the type of reports available for monitoring and reviewing the management of risk in the College are included (see attachment 8, Examples of Reports from IRIS Software).

The management of risk in the College will be determined further by the Risk Management Committee in phase 2.

The effectiveness of the Risk Management Plan including the Risk Management Framework and Risk Management Process will be reviewed by the Risk Management Committee in phase 2 and reported in December 2012.