

Enterprise Risk Management

Will you take the risk?

November 21, 2012

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Objectives

1. Share the Enterprise Risk Management process and learnings from a school case study
2. Show that actuaries have directly relevant skills & can add significant value
3. Challenge actuaries and aspiring actuaries to take the risk and get involved in ERM

Enterprise Risk Management

- **Risk** is the effect of uncertainty on objectives (ISO 31000 – Standards Australia)
- **Risk management** is the culture, processes and structures that are directed towards taking advantage of potential opportunities while managing potential adverse effects (ASX Corporate Governance Council – from Principle 7 – Recognise and manage risk)
- **Enterprise risk management** means an integrated focus on all risks of an organisation (AICD).

Risk Management 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.

Part 1 - The Case Study

- Siena College Ltd, Camberwell, VIC
- Catholic Girls Secondary School Years 7 – 12
- Board appointed by the Dominican Sisters of Eastern Australia and the Solomon Islands
- 730 students, 100 staff – 2/3rds teaching
- Revenue \$12 million p.a.
- School buildings, a chapel, and lands to be maintained
- 162 External learning activities excl. sport. 2 overseas.

Siena College 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.

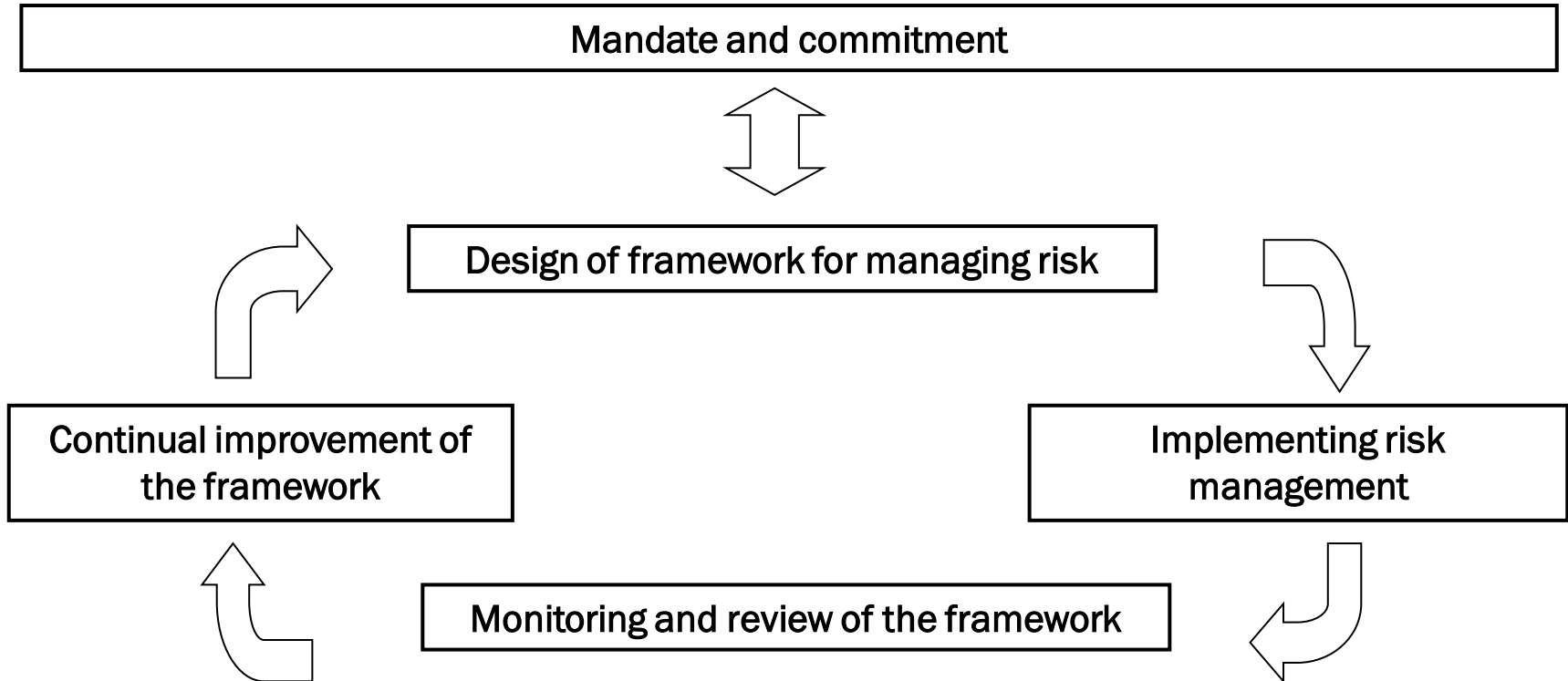
The Board brief

- Strategic Plan - Goal 4 - good governance by the Board - Item 3: ..prudent oversight.. ..risk management
- Risk Management Working Group (RMWG)
- Terms of reference
 - Draft a risk management policy
 - Draft a risk management plan

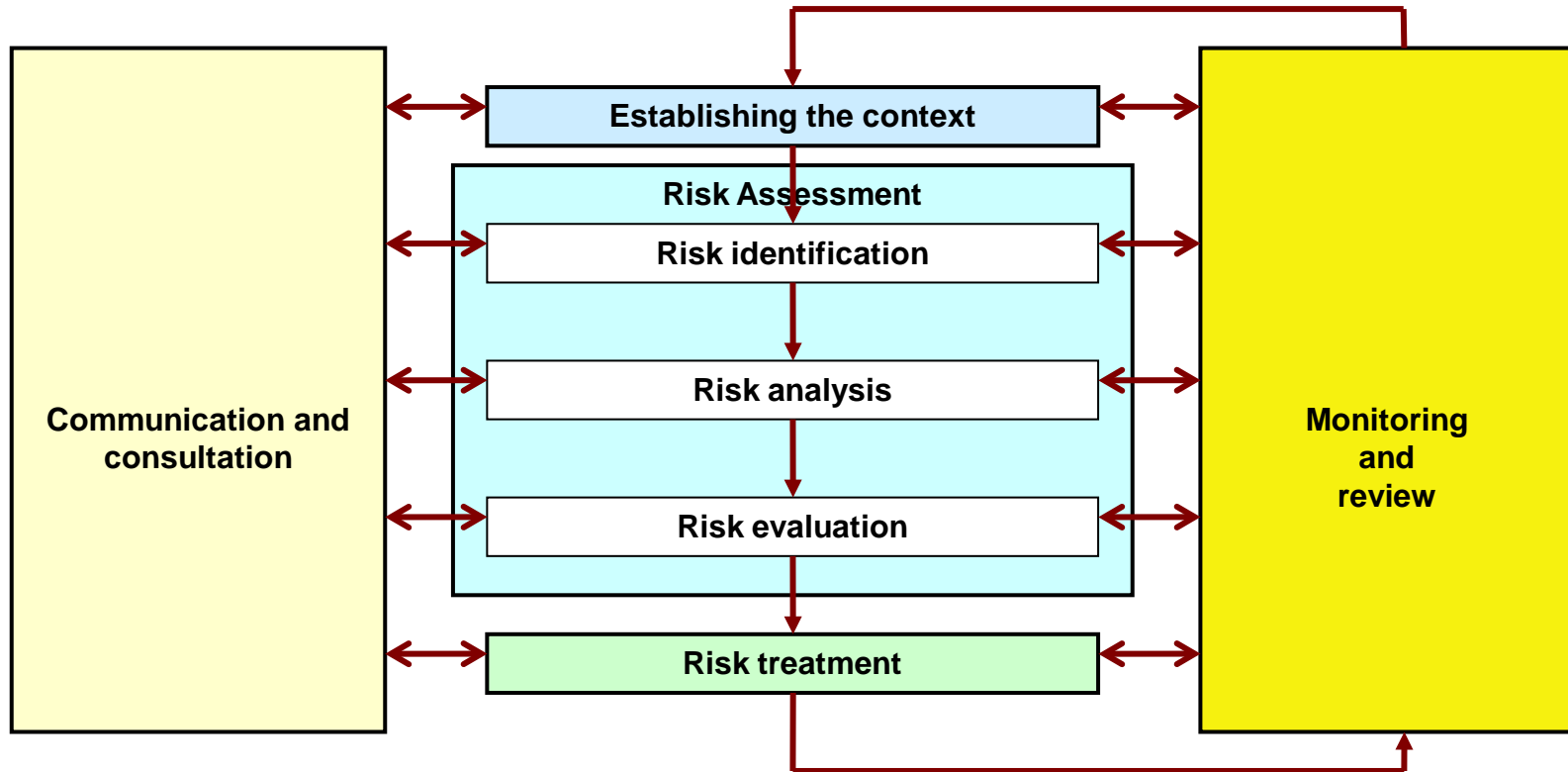
Siena College's Risk Management Governance Development Process

1. Understanding risk management
2. Risk management methodology
3. Principles for developing and implementing
4. Responsibility within college
5. Draft risk management policy
6. Identification of risk
7. Risk assessment and analysis
8. Risk appetite = VRQA minimum standards
9. Risk register software
10. Other schools
11. Risk management plan

Siena College risk management framework



Siena College risk management process



Risk Consequence Table – Risk Appetite

| LEVEL | 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 |
| 5 | Catastrophic | > 50% variation | Multiple deaths or severe permanent disablements | >\$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 |

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

Example - single risk in the ELA risk register

External Learning Activity (ELA) Risk Register *(attach to ELA applications)*

Supervising teachers/staff: M.. H...

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 | | | Treatment Priority | Treatment |
|--|---|--|--|---|---|---|
| | | Effectiveness of existing controls | Risk Consequences | Risk Likelihood | | |
| Describe the risk event, cause/s and consequence/s. For example, <i>Something occurs ... caused by ... leading to ...</i> | 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: <ul style="list-style-type: none"> • 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. |

Risk Priorities – Siena College vs Life Insurer

Siena College

1. Health & Safety
2. Charism / Identity
3. Learning outcomes
4. Financial
5. Other

Life Insurer

1. Strategic
2. Financial – Market
(Investment)
3. Financial – Insurance
4. Operational
5. Other

Current status – progressing implementation

- More comprehensive risk assessments
- Instilling of risk management culture - awareness and action
- Full population and use of Periscope Consulting's IRIS Risk software
- Making it happen
- Reporting to College Leadership and the Board

Learnings & Outcomes to date #1

1. Value of taking time to understand risk management and its language
2. Pre-existing risk management framework material excellent – 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 discussions and decisions
5. Explicit focus on avoiding too much detail – good but hard

Learnings & Outcomes to date #2

6. Importance of a positive risk culture was recognised; effort to embed that as part of normal “doing” at the College.
7. Board and RMWG/RMC – 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. A journey – Lots more learning and challenges as implementation proceeds

Part 2 The Actuarial Angle

My personal experience:

- Q1 Where was I comfortable?
- Q2 Where was I uncomfortable or challenged?
- Q3 What gave me the most satisfaction?
- Q4 What have I learned from the experience?

Actuaries' skills for Risk Management #1

- Cognitive
- Expertise
- Actuarial judgement
- Innovative and flexible
- Rigorous and holistic
- Strategic
- Integrity
- Personal Management
- Influence and interpersonal skills
- Communication
- Business acumen

Actuaries' skills for Risk Management #2

- 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

Stepping up and out of our comfort zone

- Don't waste these – your - capabilities
 - Step up and out
- We're business advisors – so have a more adventurous spirit (Goodsall 2012)
- We learn very quickly
- Apply our techniques and experience in a measured relevant way on new risk management challenges

To actuaries & aspiring actuaries...

“Go humbly forth and thou shall learn and add value.

Do not be afraid.”

Take the risk!

Conclusions – Actuaries ...

1. .. have powerful risk management skills well beyond financial services.
2. .. should believe in their inherent but hidden capabilities in risk management and take the risk of demonstrating those capabilities.
3. .. should endeavour to share those skills for the benefit of the communities in which we live.
4. .. should be higher in the consciousness of business and govt leaders when they think of risk management professionals

Acknowledgements

- Siena College Board and Risk Management Working Group – for encouraging sharing the journey
- John Muir-Smith of Periscope Corporation – for use of their I.R.I.S. Enterprise Risk Management software and advice
- Don Walkley – for his initial persuasive advice to the Board on the benefits of risk management / governance
- Wayne Brazel – for peer review of the original paper

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