



ERM Assessment for School District No. 83 – North Okanagan – Shuswap

Summary Report

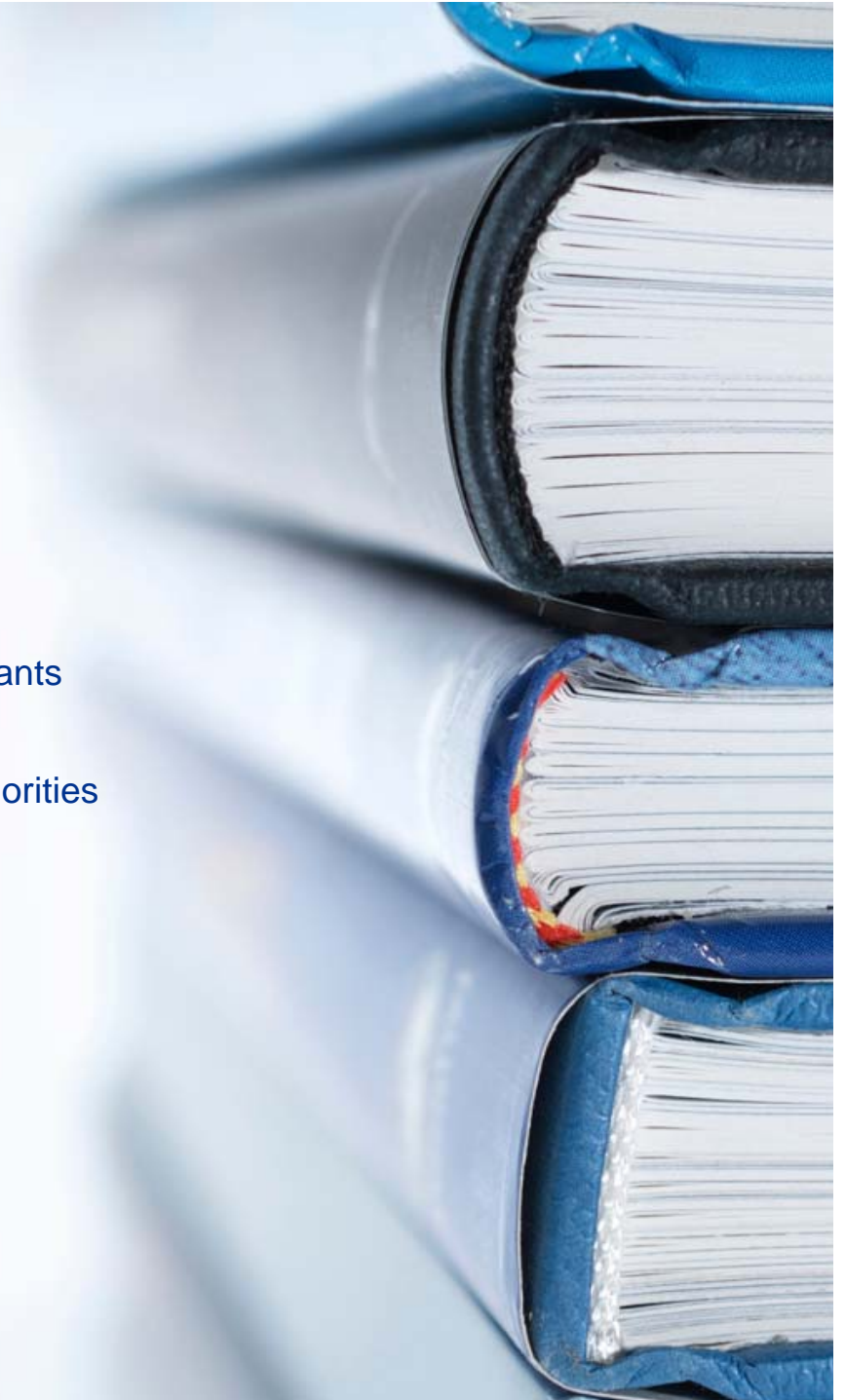
August 2017

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Background and Objectives

Background and Objectives

- School District No. 83 – North Okanagan-Shuswap has a number of strategic initiatives for the coming year that the organization wishes to achieve.
- Both the District Leadership Team and the Official Trustee perceive value in the process of identifying and prioritizing the key risks that may inhibit School District No. 83 from successfully completing these initiatives.
- In addition, the Office of the Auditor General has recommended that all School Districts in British Columbia conduct an Enterprise Risk Management (ERM) assessment. In line with good practice, School District No. 83 wishes to institute an ERM program that will help the organization:
 - Identify significant risks
 - Prioritize these risks
 - Implement appropriate risk mitigation strategies and monitoring procedures



Approach and Deliverables

Approach



Phase	Key Activities
Phase 1 - Project planning & review of documentation	<ul style="list-style-type: none"> Confirm the project scope, timeline, milestones, deliverable format, and establish cadence for progress updates. Conduct a high-level stakeholder assessment to develop a list of management and board members to be interviewed. Obtain and review relevant artifacts (e.g. strategic plan) in order to prepare for stakeholder interviews. Develop pre-read material and tailored questions for interview preparation packages and in turn, schedule interviews.
Phase 2 – Conduct Management & Board interviews	<ul style="list-style-type: none"> Conduct 8 stakeholder interviews with Management and the Official Trustee. Prepare interview summary notes (working papers only) and develop draft risk categories and statements for workshop. Schedule ERM workshop.
Phase 3 – Prepare & develop materials for ERM workshop	<ul style="list-style-type: none"> Finalize draft risk categories and statements for ERM workshop participants to vote on. Finalize appropriate criteria and definition for quantification of risks – e.g., impact, likelihood of occurrence etc., as well as prioritization of risks. (e.g., High, Medium, Low). Finalize list of workshop participants. Develop and circulate pre-read material for workshop.
Phase 4 – Conduct ERM workshop	<ul style="list-style-type: none"> Conduct 2-3 hour workshop with identified board members and management. Participants anonymously vote on the impact and the likelihood of occurrence for each risk. KPMG to facilitate discussion for each risk area and note potential risk owners and mitigating factors.
Phase 5 – Finalize ERM artifacts	<ul style="list-style-type: none"> Formalize outputs from the ERM workshop including: <ul style="list-style-type: none"> A high-level risk register that summarizes risk rankings as well as mitigating factors for each risk. A high-level summary presentation that includes heat maps for each of the risk categories. Provide the organization with guidance on maintaining/refreshing its ERM program.

Deliverables

The primary outputs / deliverables for this ERM project include:

- **An overview of work performed and results thereof** (included in the body of this report);
- A **Risk Assessment Framework**, including risk definitions, categories, ranking criteria as well as likelihood and impact assessment guidelines (included in the body of this report);
- A **risk trend summary** and heat map outlining the results of the risk prioritization workshop in which key stakeholders voted on key risks identified by the District's Management and Official Trustee during the risk identification interviews (included in the body of this report);
- A high-level **Risk Register** including the risk ranking, potential risk drivers as well as a high-level summary of current mitigation activities / compensating controls for each risk (note: the mitigation activities / controls information is meant to be iterative and may not outline all of the mitigation activities School District No. 83 has in place for each identified risk) (included herein in Appendix D);
- A listing of **Risk Identification interviewees and Risk Assessment Workshop participants** (Appendix A).

We did not conduct testing or other procedures to verify the implementation and effectiveness of the identified risk mitigation activities or compensating controls. Our work was advisory in nature and not intended to provide assurance regarding School District No. 83's risks, risk management, or internal control processes.



ERM Framework

Risk Assessment Framework – Likelihood Assessment Guidelines

DEFINITIONS:

- **Objectives** – The implicit and explicit goals/objectives that School District No. 83 is trying to achieve. These can include (for example) strategic/reputational, financial, human resource objectives. Objectives exist at the School District No. 83-wide level and at divisional, departmental, project, process, & other levels.
- **Risk** – A potential action or event that could adversely affect the achievement of objectives if it occurs or does not occur. Measured as a combination of likelihood of occurrence of the event (or of failure of occurrence of the event), and impact (consequence) if it does occur (or fails to occur).
- **Impact (Consequence)** – Result or effect on outcomes from realization of a risk. There may be a range of possible impacts associated with an event.
- **Likelihood (Probability)** – The probability that a risk will occur (or fail to occur), and/or the frequency of occurrence of the risk event.
- **Inherent Risk (Gross Risk)** – The level of risk to the entity in the absence of any actions management is taking or might take to alter the risk's likelihood and/or impact.
- **Residual Risk (Net Risk)** – The level of risk to the entity given the actions management is taking to alter the risk's likelihood and/or impact, considering the effectiveness of those management responses (i.e., processes and controls used to manage or mitigate the risks).
- **Risk Management Processes** – The processes applied during strategy setting and divisional activities across the organization to identify, assess, and manage risks through risk management actions that avoid, reduce, transfer, or accept risk.
- **Risk Tolerance** – The maximum amount of residual risk that is considered acceptable. Acceptable risk tolerance varies depending on the nature and level of the objective, and is generally higher at the entity level than at Divisional unit, project, process, and other levels.

Ranking and Response Framework: The following provides guidance on School District No. 83's response to risk rankings

4 - Extreme	Immediate attention required, risk treatment plan to be developed and monitored.	2 - Moderate	Active monitoring and response procedures required.
3 - High	Detailed planning and review by senior management.	1 - Low	Managed through routine procedures.

LIKELIHOOD ASSESSMENT GUIDELINES:			RISK EVALUATION AND PRESENTATION				
>95 %	Almost Certain Occurrence / Very High Frequency – Very high probability that risk will occur (multiple times a year), or a very high % of transactions or frequency of transactions whereby incidents occur.	5					
71% to 95%	Likely Occurrence / High Frequency – High probability that risk will occur (once annually), or a high % of transactions or frequency of transactions whereby incidents occur.	4					
31% to 70%	Moderate Occurrence / Moderate Frequency – Moderate probability that risk will occur (once in 2-3 years), or a moderate % of transactions or frequency of transactions whereby incidents occur.	3					
5% to 30%	Unlikely Occurrence / Low Frequency – Low probability that risk will occur (once in 5-7 years), or a low % of transactions or frequency of transactions whereby incidents occur.	2					
≤5%	Rare Occurrence / Very Low Frequency – Very low probability that risk will occur (once in 10 years), or a very low % of transactions or frequency of transactions whereby incidents occur.	1					
		Likelihood	1	2	3	4	5
		Impact					

Risk Assessment Framework - Impact Assessment Guidelines

		Severity of Impact				
Risk Category	Description	1. Negligible	2. Minor	3. Moderate	4. Major	5. Extreme
Strategic / Reputation	Impacts School District No. 83's reputation and/or ability to execute on current and/or future strategic directions.	No adverse publicity. The strategic direction, and/or the nature and/or activities of School District No. 83, may be forced to change in an undesired but negligible way, or be prevented from changing in a desired but negligible way. Potential outcomes remain within risk tolerances.	Minor adverse publicity. The strategic direction, and/or the nature and/or activities of School District No. 83, may be forced to change in an undesired but minor way, or be prevented from changing in a desired but minor way. Potential outcomes remain within risk tolerances.	Localized adverse publicity. The strategic direction, and/or the nature and/or activities of School District No. 83, may be forced to change in an undesired moderate way, or be prevented from changing in a desired moderate way. Potential outcomes may or may not remain within risk tolerances.	Adverse publicity in the media. The strategic direction, and/or the nature and/or activities of the School District No. 83, may be forced to change in an undesired major way, or be prevented from changing in a desired major way.	Sustained adverse publicity in the media. Potential outcomes are highly unacceptable. Existence of School District No. 83 in recognizable form may be terminated.
Financial Resources	Impacts School District No. 83's financial resources.	Financial impact of event is less than \$20,000	Financial impact of event exceeds \$20K, but is less than \$150K	Financial impact of event exceeds \$150K, but is less than \$750K	Financial impact of event exceeds \$750K, but is less than \$5M	Financial impact of event exceeds \$5M
Human Resources	Impacts School District No. 83's achievement of a high performance, safe work environment that results in satisfactory employee involvement, development, and engagement.	No impact on employee engagement, retention, performance or other Human Resources objectives. Potential outcomes remain within risk tolerances.	Limited impact on employee engagement, retention, performance or other Human Resources objectives. Potential outcomes remain within risk tolerances.	Significant impact on employee engagement, retention, performance or other Human Resources objectives. Potential outcomes may or may not remain within risk tolerances.	Substantial impact on employee engagement, retention, performance or other Human Resources objectives. Potential outcomes are outside risk tolerances.	Sustained impact on employee engagement, retention, performance or other Human Resources objectives. Potential outcomes are highly unacceptable.
Operational Efficiency & Effectiveness (includes IT-related risks)	Impacts School District No. 83's ability to achieve operating efficiencies while maximizing student and stakeholder satisfaction.	School District No. 83 is able to deliver its academic programs and services with no disruption. Potential outcomes remain within risk tolerances.	School District No. 83 is able to deliver its academic programs and services with limited disruption. Potential outcomes remain within risk tolerances.	School District No. 83 is able to deliver its academic programs and services with significant disruption. Potential outcomes may not remain within risk tolerances.	School District No. 83 is unable to deliver significant aspects of its academic programs and services. Potential outcomes are outside risk tolerances.	School District No. 83 is unable to deliver its academic programs and services. Potential outcomes are highly unacceptable.
Student Outcomes	Impacts School District No. 83's ability to deliver a strong educational experience with high levels of student achievement.	Immaterial impact on student achievement.	Student achievement metrics begin to show a decline.	Stakeholders raise concerns about student achievement.	Overall student competency levels are below standards.	Inability to satisfactorily deliver curriculum or key programs.
Compliance (Regulatory / Safety/ Legal / Contractual)	Impacts School District No. 83's ability to comply with relevant applicable laws and regulations, and/or with School District No. 83's contractual obligations.	No regulatory/legal consequence or injury risk. Outcomes remain within risk tolerances.	Limited regulatory/legal consequence and minor reversible injury risk. Potential outcomes remain within risk tolerances.	Significant regulatory/legal consequence and major reversible injury risk. Potential outcomes may or may not remain within risk tolerances.	Substantial regulatory/legal consequence and irreversible injury or death risk. Potential outcomes are outside risk tolerances.	Substantial regulatory/legal consequence and irreversible multiple injury or death risk. Potential outcomes are highly unacceptable.

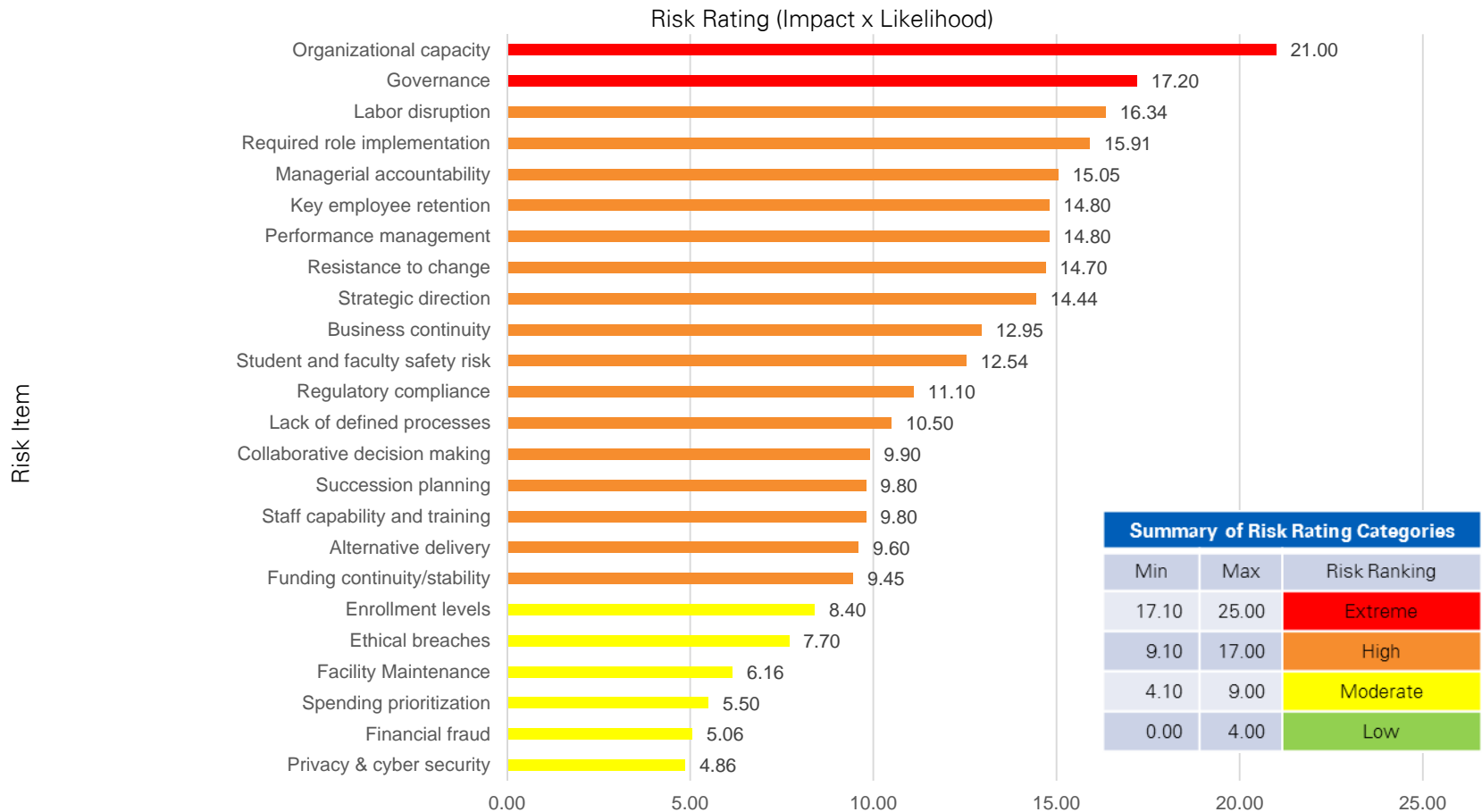


School District No. 83's Top Residual Risks

This section reflects School District No. 83's top risks in order of net residual risk ranking (likelihood rating x impact rating), as per the average participant vote for each risk collected during the prioritization workshop conducted on July 25, 2017.

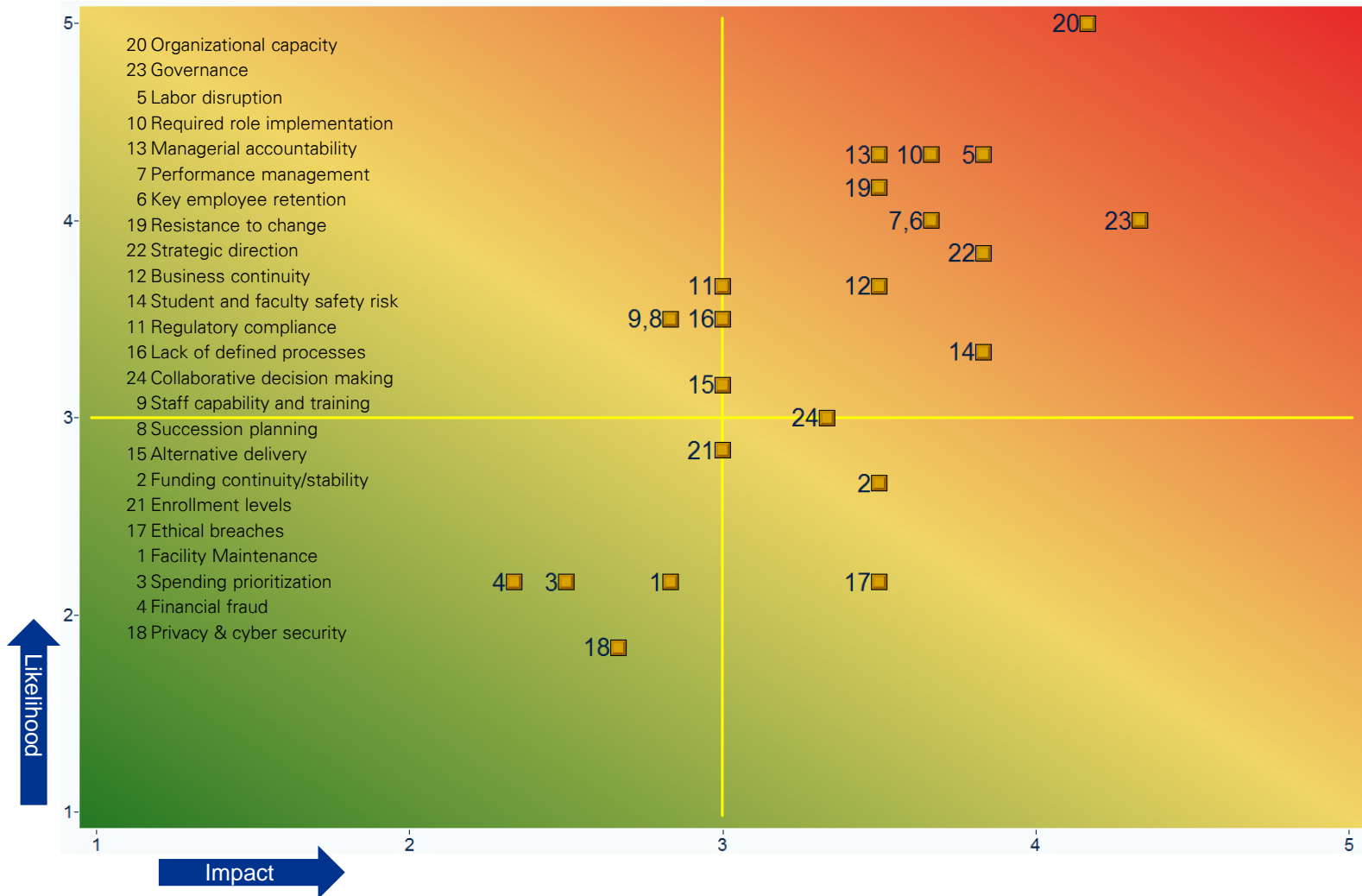
Risk Rating

School District No. 83's Top Residual Risks



Heat Map

School District No. 83's Top Residual Risks



See Appendix B for descriptions of each risk

School District No. 83's Top Residual Risks

Risk Rank #	Risk Ref #	Risk Type / Category	Risk Item / Short Title	Impact	Likelihood	Risk Rating
1	20	Strategic	Organizational capacity	4.20	5.00	21.00
2	23	Strategic	Governance	4.30	4.00	17.20
3	5	Human Resources	Labor disruption	3.80	4.30	16.34
4	10	Human Resources	Required role implementation	3.70	4.30	15.91
5	13	Operations	Managerial accountability	3.50	4.30	15.05
6	7	Human Resources	Performance management	3.70	4.00	14.80
7	6	Human Resources	Key employee retention	3.70	4.00	14.80
8	19	Strategic	Resistance to change	3.50	4.20	14.70
9	22	Strategic	Strategic direction	3.80	3.80	14.44
10	12	Operations	Business continuity	3.50	3.70	12.95
11	14	Operations	Student and faculty safety risk	3.80	3.30	12.54

School District No. 83's Top Residual Risks (cont'd)

Risk Rank #	Risk Ref #	Risk Type / Category	Risk Item / Short Title	Impact	Likelihood	Risk Rating
12	11	Operations	Regulatory compliance	3.00	3.70	11.10
13	16	Operations	Lack of defined processes	3.00	3.50	10.50
14	24	Strategic	Collaborative decision making	3.30	3.00	9.90
15	9	Human Resources	Staff capability and training	2.80	3.50	9.80
16	8	Human Resources	Succession planning	2.80	3.50	9.80
17	15	Operations	Alternative delivery	3.00	3.20	9.60
18	2	Financial	Funding continuity/stability	3.50	2.70	9.45
19	21	Strategic	Enrollment levels	3.00	2.80	8.40
20	17	Reputation	Ethical breaches	3.50	2.20	7.70
21	1	Facilities	Facility Maintenance	2.80	2.20	6.16
22	3	Financial	Spending prioritization	2.50	2.20	5.50

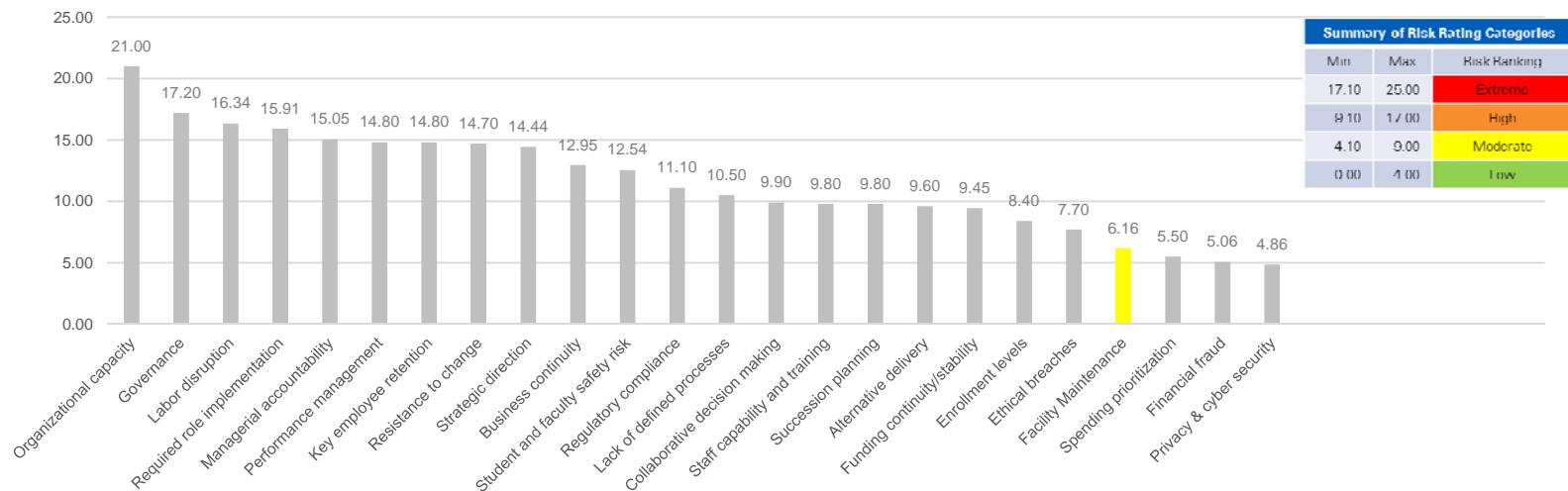
School District No. 83's Top Residual Risks (cont'd)

Risk Rank #	Risk Ref #	Risk Type / Category	Risk Item / Short Title	Impact	Likelihood	Risk Rating
23	4	Financial	Financial fraud	2.30	2.20	5.06
24	18	Reputation	Privacy & cyber security	2.70	1.80	4.86

Risk Category - Facilities

School District No. 83's Top Residual Risks by Category

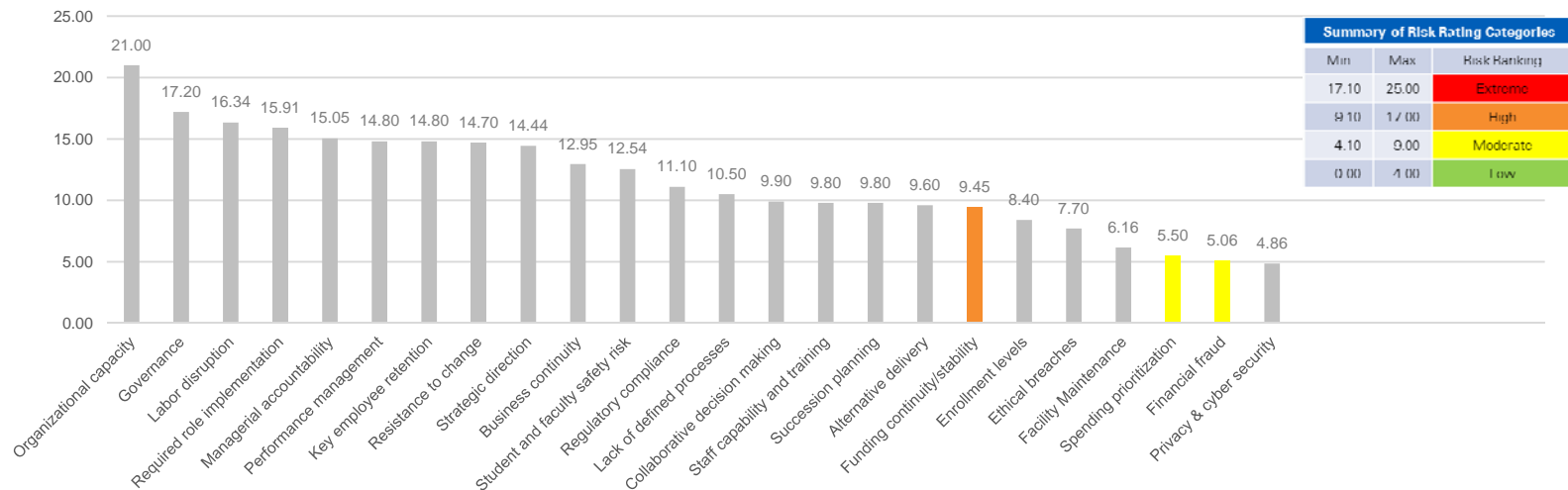
Risk Rank #	Risk Ref #	Risk Type / Category	Risk Item / Short Title	Impact	Likelihood	Risk Rating
21	1	Facilities	Facility Maintenance	2.80	2.20	6.16



Risk Category - Financial

School District No. 83's Top Residual Risks by Category

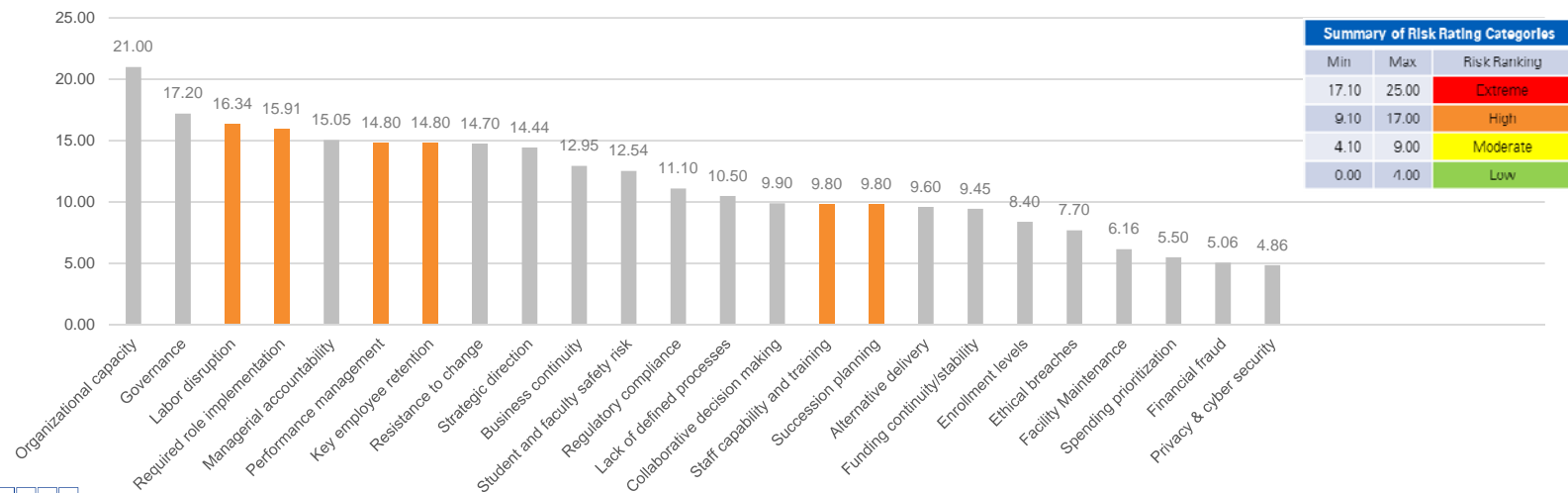
Risk Rank #	Risk Ref #	Risk Type / Category	Risk Item / Short Title	Impact	Likelihood	Risk Rating
18	2	Financial	Funding continuity/stability	3.50	2.70	9.45
22	3	Financial	Spending prioritization	2.50	2.20	5.50
23	4	Financial	Financial fraud	2.30	2.20	5.06



Risk Category - Human Resources

School District No. 83's Top Residual Risks by Category

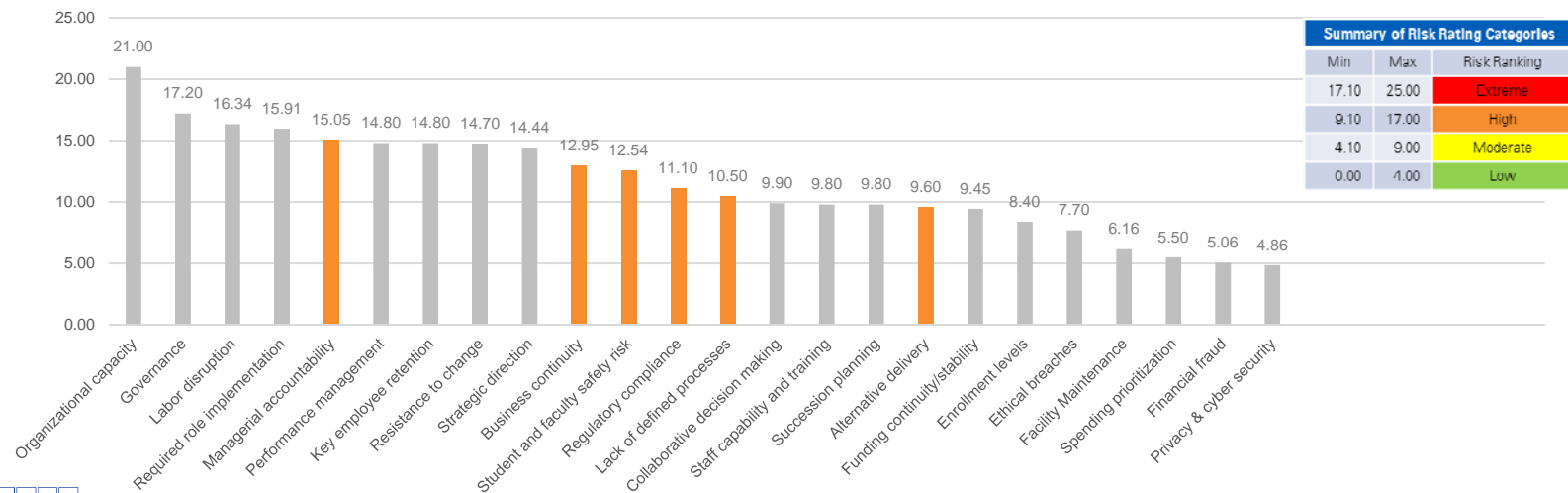
Risk Rank #	Risk Ref #	Risk Type / Category	Risk Item / Short Title	Impact	Likelihood	Risk Rating
3	5	Human Resources	Labor disruption	3.80	4.30	16.34
4	10	Human Resources	Required role implementation	3.70	4.30	15.91
6	7	Human Resources	Performance management	3.70	4.00	14.80
7	6	Human Resources	Key employee retention	3.70	4.00	14.80
15	9	Human Resources	Staff capability and training	2.80	3.50	9.80
16	8	Human Resources	Succession planning	2.80	3.50	9.80



Risk Category - Operations

School District No. 83's Top Residual Risks by Category

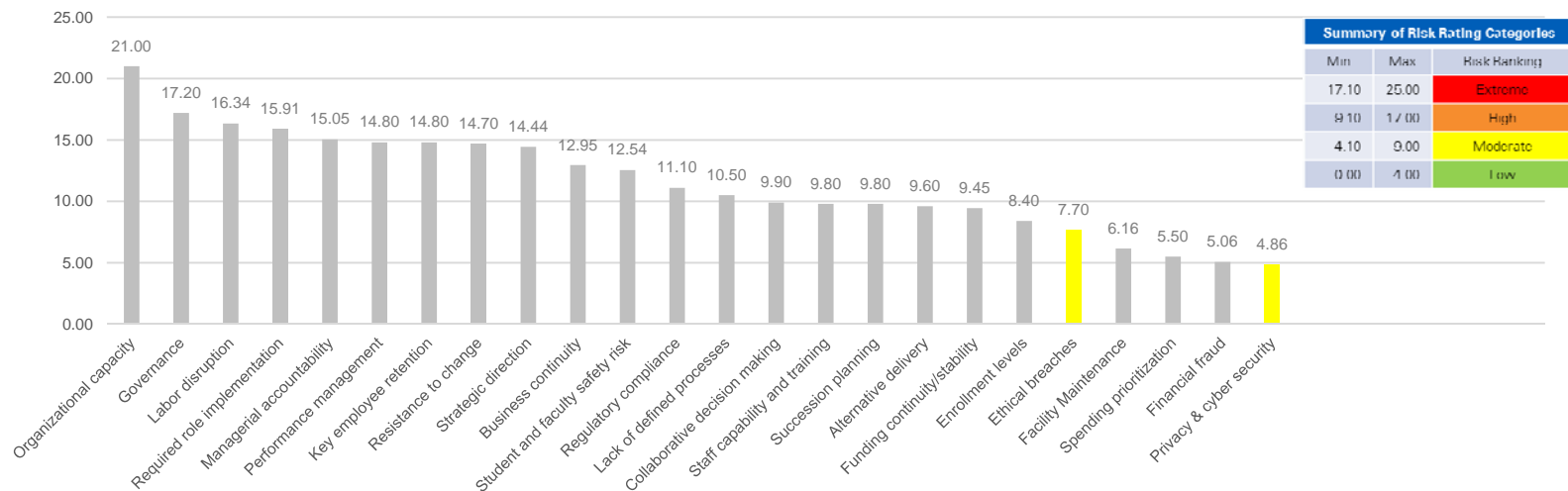
Risk Rank #	Risk Ref #	Risk Type / Category	Risk Item / Short Title	Impact	Likelihood	Risk Rating
5	13	Operations	Managerial accountability	3.50	4.30	15.05
10	12	Operations	Business continuity	3.50	3.70	12.95
11	14	Operations	Student and faculty safety risk	3.80	3.30	12.54
12	11	Operations	Regulatory compliance	3.00	3.70	11.10
13	16	Operations	Lack of defined processes	3.00	3.50	10.50
17	15	Operations	Alternative delivery	3.00	3.20	9.60



Risk Category - Reputation

School District No. 83's Top Residual Risks by Category

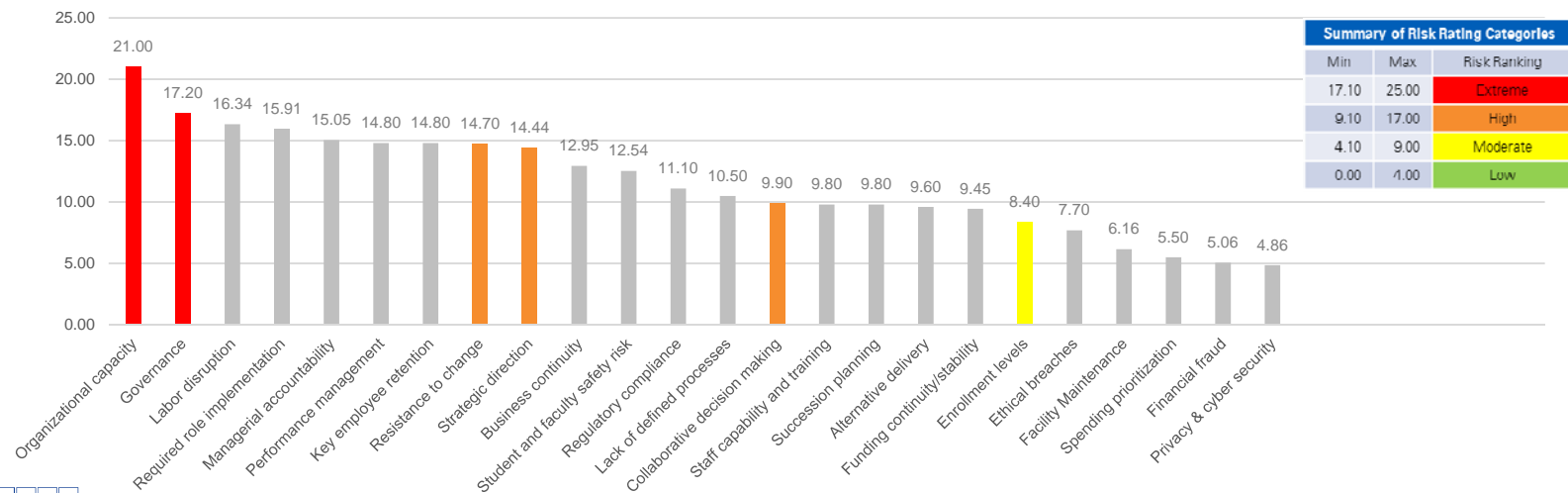
Risk Rank #	Risk Ref #	Risk Type / Category	Risk Item / Short Title	Impact	Likelihood	Risk Rating
20	17	Reputation	Ethical breaches	3.50	2.20	7.70
24	18	Reputation	Privacy & cyber security	2.70	1.80	4.86



Risk Category - Strategic

School District No. 83's Top Residual Risks by Category

Risk Rank #	Risk Ref #	Risk Type / Category	Risk Item / Short Title	Impact	Likelihood	Risk Rating
1	20	Strategic	Organizational capacity	4.20	5.00	21.00
2	23	Strategic	Governance	4.30	4.00	17.20
8	19	Strategic	Resistance to change	3.50	4.20	14.70
9	22	Strategic	Strategic direction	3.80	3.80	14.44
14	24	Strategic	Collaborative decision making	3.30	3.00	9.90
19	21	Strategic	Enrollment levels	3.00	2.80	8.40





Suggested Next Steps

Suggested Next Steps

Short Term

- Communicate / discuss ERM assessment results with Management and the Official Trustee.
- Assign ownership of key risks to the appropriate members of Management.
- Develop and implement Risk Treatment Plans for top risks.

Long Term

- Integrate ERM into the organization's strategic planning process.
- Develop processes to continually identify, measure and monitor key risks and controls.
- Institute reporting protocols that enable Management and the Official Trustee to gain visibility into the status of the organization's key risks.



Appendices

Appendix A

Interviewees and Workshop Participants

Interviewees:

- **Glenn Borthistle, Superintendent**
- **Carla Schneider, Principal**
- **Nicole Bittante, Secretary-Treasurer**
- **Dianne Ballance, Director of Instruction (Student Services)**
- **Steve Bennett, Director of Operations**
- **Carl Cooper, Director of Instruction (Instruction)**
- **Kyle Cormier, Director of HR**
- **Mike McKay, Official Trustee**

Appendix A

Interviewees and Workshop Participants (cont'd)

Workshop Participants:

- **Glenn Borthistle, Superintendent**
- **Nicole Bittante, Secretary-Treasurer**
- **Carl Cooper, Director of Instruction**
- **Dianne Ballance, Director of Instruction**
- **Steve Bennett, Director of Operations**
- **Gary Greenhough, Director of Finance**



Appendix B

List of Key Risks for Prioritization

Based on our interviews, the following list highlights the key risks identified by members of School District No. 83's District Leadership Team and Official Trustee:

Risk Ref #	Risk Type / Category	Risk Item / Short Title	Risk Description
1	Facilities	Facility maintenance	The risk that School District No. 83 is unable to adequately maintain all of its schools, resulting in further facility degradation, a sub-optimal teaching environment, and higher capital costs over the long-term for major repairs and replacements.
2	Financial	Funding continuity/stability	The risk that shifts in the political landscape may lead to changes in budgeting/funding, resulting in staffing and/or programming cuts.
3	Financial	Spending prioritization	The risk that School District No. 83 may not have sufficient processes to allocate available funding optimally to achieve the best educational outcomes and manage various possible budget scenarios (i.e., School District No. 83 may not be able to demonstrate transparency in what is being spent on specific programs, and the outcomes of those programs, to sufficiently inform decision making to prioritize resources amongst programs to achieve optimal outcomes).
4	Financial	Financial fraud	The risk of successful fraudulent activities perpetrated by employees, stakeholders and/or students against School District No. 83 for personal gain (i.e., misappropriation of information, financial or physical assets).
5	Human Resources	Labor disruption	The risk that an agreement cannot be reached with the BCTF Union which may lead to a strike or labor disruption.
6	Human Resources	Key employee retention	The risk that School District No. 83 is unable to retain highly skilled faculty and staff in key positions to meet the district's needs.
7	Human Resources	Performance management	The risk that School District No. 83 does not have sufficient performance management processes in place to identify underperformance or reward high performers.
8	Human Resources	Succession Planning	The risk that School District No. 83 is unable to adequately plan for and replace potential vacancies within key management, teaching and administrative positions, leading to potential loss of organizational knowledge and skills when employees leave the School District.

Appendix B

List of Key Risks for Prioritization (cont'd)

Based on our interviews, the following list highlights the key risks identified by members of School District No. 83's District Leadership Team and Official Trustee:

Risk Ref #	Risk Type / Category	Risk Item / Short Title	Risk Description
9	Human Resources	Staff capability and training	The risk that School District No. 83 employees have insufficient capability and training to fulfill their required responsibilities.
10	Human Resources	Required role implementation	The risk that School District No. 83 does not have adequate autonomy to implement required new roles or change responsibilities within existing roles.
11	Operations	Regulatory compliance	The risk that School District No. 83 does not adequately comply with regulatory requirements (e.g., OH&S rules, changing building codes, union requirements for staff; etc.).
12	Operations	Business continuity	The risk that School District No. 83 may not be able to provide appropriate educational continuity or emergency response to manage plausible events (hazards, catastrophes, pandemics) while managing the cost of continuity planning.
13	Operations	Managerial accountability	The risk that School District No. 83's organizational alignment—including lines of authority and accountability, decision making structure and holding people accountable for their performance/activities—are ineffective or lack strategic focus.
14	Operations	Student & faculty safety risk	The risk that incidents regarding the safety of students & faculty within School District No. 83's care, including violence and threats, takes significant resources to prevent and manage, and could result in reputational damage, financial costs or legal action.
15	Operations	Alternative delivery	The risk that School District No. 83 may not take sufficient advantage of distance education or alternative learning methods to manage its increasingly diverse student population with broader support needs.
16	Operations	Lack of defined processes	The risk that School District No. 83 has not effectively instituted defined, uniformed processes in key areas throughout the School District.
17	Reputation	Ethical breaches	The risk that ethical breaches by staff will result in reputation damage, possible legal or financial penalties, or a decrease in enrollment levels.

Appendix B

List of Key Risks for Prioritization (cont'd)

Based on our interviews, the following list highlights the key risks identified by members of School District No. 83's District Leadership Team and Official Trustee:

Risk Ref #	Risk Type / Category	Risk Item / Short Title	Risk Description
18	Reputation	Privacy & cyber security	The risk that School District No. 83 may be the subject of a cyber security breach or internal leak resulting in the loss of private or confidential information, resulting in reputational damage, loss of credibility and possible legal action.
19	Strategic	Resistance to change	The risk that School District No. 83 is resistant to cease activities that are no longer effective, or nimble enough to attempt new initiatives or activities to achieve desired outcomes (e.g., emotional ties to traditional approaches or activities).
20	Strategic	Organizational capacity	The risk that School District No. 83 may not have the organizational capacity (people and expertise) to manage all the current and planned initiatives and projects, while ensuring that regular operations are effective.
21	Strategic	Enrollment levels	The risk that School District No. 83 is under-enrolled and is unable to attract a student base in order to grow enrollment to a desired level.
22	Strategic	Strategic direction	The risk that School District No. 83 is unable to effectively articulate, communicate and follow its strategic priorities leading to a misalignment in prioritization of the School District's activities.
23	Strategic	Governance	The risk that a lack of clarity around roles and responsibilities between School District No. 83's management and board leads to conflicts, lack of objective challenge of management, or poor working relationships.
24	Strategic	Collaborative decision making	The risk that School District No. 83 does not consult or collaborate with appropriate groups to make key decisions.

Appendix C

School District No. 83's Strategic Priorities

As noted in the “Strategic Planning Working Group’s update,” the District aims to cultivate curiosity, support academic development and strengthen social and emotional growth. The following two priorities have been identified:

- **“Students First”** is the defining purpose of the school system. Everything the District does should be in the interest of serving students’ academic needs and goals, as well as address their overall District well being. Within “Students First,” conversations spanned addressing students reading performance, inclusive participation and representation, personal choice and healthy relationships. The conversation will continue to identify specific outcomes and strategies to apply in the coming years.
- **“Organizational Management”** is a key strategy in which the needs, development, and support of students is the singularly desired outcome, “Students First.” Thus, the organization must be healthy to best support students first. The conversations around organizational health included clarity of focus/purpose, alignment of systems, and structures to support the workforce. By addressing these, the working group is working to build improved transparency, accountability, and financial governance.

Appendix D

Risk Register

Please see attached





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