

Superintendent Procedure 6500SP

Enterprise Risk Management

Approved by: s/Larry Nyland Date: 8/19/15

Dr. Larry Nyland, Superintendent



Pursuant to Policy No. 6500, Risk Management, this procedure lays the framework for Seattle Public Schools' enterprise risk management (ERM) program by establishing responsibility for systematic and regular risk identification and analysis, planning for risk mitigation, and program management and oversight.

OBJECTIVES

The objectives of this procedure are to:

- (a) Define the district's approach to ERM;
- (b) Provide a framework for the district's enterprise risk management process;
- (c) Ensure cabinet and senior management are in a position to make informed business decisions and strategic plans based on risk assessment;
- (d) Ensure material risks are identified, assessed, prioritized and managed in an appropriate, coordinated manner;
- (e) Ensure potential opportunities that benefit the district are identified and acted on, without exposing the district to unacceptable levels of risk; and
- (f) Ensure district resources (e.g. people, finance, property and reputation) are safeguarded against the financial and other consequences of loss.

GUIDING PRINCIPLES

In order to fulfill the objectives of this procedure and provide a strong foundation for the development of an enterprise risk management framework, this procedure outlines the following guiding principles:

- 1. Seattle Public Schools will integrate the ERM process into its strategic planning and financial projections by addressing the risks to attaining the long-term objectives in each of those areas.
- 2. The district's ERM goals include:
 - a. Identifying opportunities for and threats to achieving district goals;
 - b. Anticipating, recognizing, and planning for emerging risks;
 - c. Establishing a consistent basis for risk-based decision making and planning;
 - d. Complying with relevant legal and regulatory requirements;

- e. Establishing cross-functional and organizational awareness of risks;
 - f. Enhancing the health and safety of students, staff and visitors.
3. Controlling uninsured and insured risks contributes to the economic health of the district. The district purchases insurance or establishes self-insurance programs through the Risk Management Department for various and changing types of risks based on cost benefit analysis. The cost of insurance and the cost of risk that is retained by the district are costs that impact the district, department and school budgets.
 4. All Schools, Departments and Divisions are encouraged to identify risks related to their operations, analyze risks, determine if the risk impact is material to the district, evaluate and prioritize material risks against established risk criteria, and treat and monitor priority risks using appropriate tools. If the risk impact is greater than the district can accept, then appropriate risk management techniques (such as risk avoidance, risk transfer, risk financing) shall be applied.
 5. The district's priority risks will be reported periodically to senior management. Senior management will assess the risks with reference to the district's strategic priorities, taking into account the likelihood of the risk occurring, its potential impact and the range of implications it may have for the district.
 6. Where senior management evaluates a risk as unacceptably high, the risk owners will be informed of it and will be responsible for developing a risk mitigation plan and taking appropriate actions to address the matter.
 7. High risks are only accepted in the long term where they are of rare likelihood (e.g., natural disasters), and then are reviewed periodically by the responsible managers. Contingency plans will be developed and tested to respond to their occurrence.

DEFINITIONS

The district defines Enterprise Risk Management (ERM) as a consistent, structured process across the district for identifying, assessing, prioritizing and responding to opportunities and threats that affect the achievement of district objectives.

The internationally accepted risk management standard, ISO 31000, provides definitions of key terms that the District uses in its ERM process. Those include:

Risk: Effect of uncertainty on organizational objectives. An effect is a deviation from the expected – positive and/or negative. Risk is often expressed in terms of a combination of the consequences [impact] of an event and the associated likelihood of occurrence.

Risk Attitude: Organization's approach to assess and eventually pursue, retain, take or turn away from a risk

Risk Criteria: Terms of reference against which the significance of a risk is evaluated

Risk Owner: Person with the accountability and authority to manage a risk

Risk Management Process: Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring and reviewing risk

ROLES AND RESPONSIBILITIES

It is the responsibility of every employee to identify, assess, and manage risks and opportunities relevant to their areas of responsibility. This role may range from identifying and reporting risks associated with their own functions to mitigating the risks to participation in the district risk management process. Managers at all levels are required to create an environment where managing risk is accepted as the responsibility of each employee of the district.

Leadership Team

The Superintendent or his designee is responsible for ensuring that the enterprise risk management process is integrated with strategic planning processes and other management activities in accordance with this procedure. This process should involve senior management to set the tone/environment for risk management, provide risk direction, monitor compliance with this procedure, and ensure strategic, operational, financial and compliance risks are effectively identified, managed, and reported.

Audit & Finance Committee

The Audit & Finance Committee regularly reviews the status and progress of the key risk metrics and priorities determined by the Enterprise Risk Council (see below).

Enterprise Risk Council

The Enterprise Risk Council, made up of district staff, acts as a cross-functional team of subject matter representatives to identify, evaluate and prioritize fundamental risks across the district and to identify responsibility for managing and mitigating those risks. The activities of the Council are reported to the Audit & Finance Committee quarterly.

Risk Management Department

The Superintendent or his designee and the Risk Management Department are responsible for the following:

- a. Establishing and managing the Enterprise Risk Council
- b. Incorporating an “enterprise-wide” focus to managing risks, consulting with other departments, the Enterprise Risk Council, and senior management to identify and select risk mitigation methods.
- c. Providing regular training opportunities for Enterprise Risk Council members, Senior Management and other District employees to build and maintain expertise in the practice of Enterprise Risk Management. This training shall include principles of risk identification and analysis as well as various approaches to risk mitigation.
- d. Presenting the quarterly reports of Enterprise Risk Council activities to the Audit & Finance Committee.

- e. Developing and maintaining a central list of key performance metrics for risk reporting activities.
- f. Managing and implementing the property and liability insurance or self-insurance programs to reduce operational risk in these programs.
- g. Providing assistance and direction to the General Counsel's office with regard to determining liability for any claims, and coordinating with the district's various insurance or self-insurance programs for handling of those claims.

Approved: August 2015

Revised:

Cross Reference: Policy Nos. 6500, 6511, 6530, 6540, 6550