



POLICY NO. 20

RISK MANAGEMENT FRAMEWORK

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SECTION 1

PURPOSE

- 1.1 John Abbott College (the “**College**”) is committed to promoting practices to identify and manage risk. These risk management practices are intended to develop proactive activities that can assist the College in maximizing opportunities for achieving its strategic objectives and protect the College from negative events.

SECTION 2

DEFINITIONS

- 2.1 *Risk* is anything that prevents or impedes an organization from achieving its key goals and objectives. Risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood of an event occurring, the impact on organizational goals and objectives if the event should occur, and the influence the event would have in the achievement of goals and objectives.

Risk management is the process of identifying, analyzing, evaluating and developing management actions or activities to mitigate or deal with the risk facing an organization.

Risk Register is the tabulated output document of the Risk Management Process, which should include the items specified in Section 4 hereof.

SECTION 3

RISK MANAGEMENT PROCESS

- 3.1 The College’s methodology for risk management may be divided into the following four steps, which are applied with regards to a strategic or operational goal or objective:
 - 3.1.1 Identify Risks;
 - 3.1.2 Analyze Risks;
 - 3.1.3 Mitigate Risks; and
 - 3.1.4 Monitor and Review Risks.

The Secretary General is the owner of this process and will be the custodian of the College’s Risk Register.

3.1.1 Identify Risks

The first step consists of identifying the risk that hinders a specific goal or objective. The types of risks that may be faced by the College are many and varied; they may be internal or external to the College. Sources of risk may include: uncertainty of funding, competition for students, security of information, accurate delivery of course curriculum, competition for qualified faculty, labour relations, employee health and safety, etc. Risks are typically identified via meetings or brainstorming sessions with individuals who are qualified to assess what might hinder a specific institutional goal or objective. Identified risks are usually collected and kept in the Risk Register (Section 4).

3.1.2 Analyze Risks

The second step consists of determining the *likelihood* of an identified risk occurring and the *impact* of the risk, should it occur, so as to calculate the *level of risk*.

- a) *Likelihood*
- The likelihood of a risk occurring is to be measured as per the following:

RATING	LIKELIHOOD	DESCRIPTION
Low 1	Improbable, rare or unlikely <25% chance	May occur in exceptional circumstances
Medium 2	Possible 25-75% chance	Might occur under current circumstances
High 3	Very strong possibility or almost certain >75% chance	Is expected to occur unless circumstances change

- b) *Impact*
- The impact of the identified risk on the College is to be determined. In such respect, three (3) key types of possible impacts have been identified: Student Success, Institutional Excellence and Employee Satisfaction, together with three (3) levels of impacts for each type, as per below:

IMPACT RATING	STUDENT SUCCESS	INSTITUTIONAL EXCELLENCE	EMPLOYEE SATISFACTION
Low 1	Reduction in # of applications by <2% Decrease in graduation or retention rates by <2% Reduction in semester pass rates by <2%	Recovery cost or loss of revenue <\$10K Disruption in essential services for <5 days Minor damage to College reputation (internal and/or external)	Undesired loss of staff by <2% Average time of a vacant position, <30 days Reduction in employee satisfaction survey results by <2%
Medium 2	Reduction in # of applications by 2% to 5% Decrease in graduation or retention rates by 2% to 5% Reduction in semester pass rates by 2% to 5%	Recovery cost or loss of revenue \$10K to \$100K Disruption in essential services for 5-10 days Short-term damage to College reputation (internal and/or external) recovery in less than 1-year	Undesired loss of staff by 2% to 5% Average time of a vacant position, 30 to 60 days Reduction in employee satisfaction survey results by 2% to 5%
High 3	Reduction in # of applications by >5% Decrease in graduation or retention rates by >5% Reduction in semester pass rates by >5%	Recovery cost or loss of revenue >\$100K Disruption in essential services for 10 days or more Long-term damage to College reputation (internal and/or external) multi-year recovery	Undesired loss of staff by >5% Average time of a vacant position, >60 days Reduction in employee satisfaction survey results by >5%

- c) *Level of Risk*
- The level of risk is calculated by multiplying the Likelihood Rating by the Impact Rating to produce the Overall Risk Rating.

$$Likelihood\ Rating \times Impact\ Rating = Overall\ Risk\ Rating$$

Given the three-scale rating used for Likelihood and Impact, the overall risk rating will be a number between 1 and 9. The table below also indicates the type of actions to be taken depending on the overall risk rating.

IMPACT RATING	3	3	6	9
	2	2	4	6
	1	1	2	3
		1	2	3

LIKELIHOOD RATING

OVERALL RISK RATING	ACTION
1, 2	Accept Risk
3, 4	Monitor Risk
6, 9	Mitigate Risk

The likelihood, impact and level of each risk should also be included in the Risk Register (Section 4).

3.1.3 Mitigate Risks

All risks that are rated 6 or 9 will be taken forward into the action planning stage at the strategic level and require a mitigation plan. The mitigation plan are the actions that will be undertaken to mitigate these key risks. In identifying such actions, it is important to also examine what specific measures or controls are currently in place to mitigate such key risks. The purpose of a mitigation plan is to determine the risk treatment that needs to be applied to a key risk so as to manage it down to a tolerable and acceptable level.

A summary of the planned actions and the “owner” (person responsible to ensure that the mitigation action occurs) will also be recorded in the Risk Register (Section 4).

3.1.4 Monitor and Review Risks

All risks, no matter their overall risk rating, need to be monitored and periodically reviewed, particularly if the risk changes or the controls become vulnerable. This process of monitoring and review is not meant to be a static process but rather a dynamic one, one that responds to changes in the College’s objectives and environment. At a minimum, this review process should occur at a Directors Meeting at least twice per year and be reported to the Board of Governors annually.

SECTION 4

RISK REGISTER TEMPLATE

Risk #	Risk Description (What are you worried about and why?)	Likelihood (of happening)	Impact (on our goals)	Risk Rating	Level of Risk	Comments (regarding the Impact)	Action Plan (Summary)	Owner