

Administrative Procedure 507 – Appendix A

ENTERPRISE RISK MANAGEMENT GLOSSARY OF TERMS

Term	Definition
Enterprise Risk Management (ERM)	ERM is an integrated enterprise-wide risk process established over time which links the management of strategic objectives to risk in order to improve and protect the School District's performance. It creates a formal process for identifying, evaluating and managing the significant risks an organization faces.
Objectives	The implicit and explicit goals/objectives that VSB is trying to achieve. These can include (for example) strategic, reputational, operational, financial, human resources, reporting, and legal/safety/regulatory/contractual compliance objectives. Objectives exist at the VSB-wide level and at divisional, program, 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). Risks may occur in any one of the following categories: strategic, reputational, operational, financial, human resources, reporting, and legal/safety/regulatory/contractual compliance.
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 (or might take, if considering potential residual risk) 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).
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 or frequency of occurrence)	The probability that a risk will occur (or fail to occur), and/or the frequency of occurrence of the risk event.
Manage	To control or take charge of a risk in order to avoid or manage its likelihood and impact on the organization and/or to enhance its opportunity.
Mitigate	To lessen or minimize the adverse impact of a risk through specific management processes, internal control activities, insurance, or other controls. Risk mitigations can include actions that <u>avoid</u> the risk (such

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	as by not undertaking the activity which gives rise to the risk, <u>reduce</u> likelihood and/or impact of occurrence of the risk, and that <u>transfer</u> the risk to other entities.
Optimize	To balance potential risks versus potential opportunities within the organization's stated willingness or appetite and capacity to accept risk. This may require an organization to increase or decrease the amount of risk relative to the potential opportunity.
Risk Acceptance	Risks can reasonably be accepted if, on a residual risk basis, they are within the organization's risk appetite and tolerance. Failure to identify, assess and adequately manage and mitigate risks results in risk acceptance by default, which default risk acceptance may be inappropriate as the risks may exceed risk appetite and tolerance (if articulated); such risk acceptance by default is not consistent with this policy.
Risk Assessment	A risk assessment process enables the organization to consider the extent to which potential events may have an impact on the achievement of organizational objectives.
Risk Identification	The process of identifying and understanding potential risks to the organization.
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 Monitoring	The process of reviewing and evaluating the effectiveness of the action plan implemented through the risk management process and identifying opportunities to manage future reoccurrence of similar risk(s).
Risk Opportunity	The return which may be realized if risk is assumed but managed in a manner that may optimize its potential benefit.
Risk Appetite	The amount or level of risk an organization is prepared to accept in the pursuit of achieving its goals and objectives.
Risk Owner	An individual that has been given the responsibility and authority to manage a particular 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, program, project, process, and other levels.
Management Effort	The use of resources and implementation of processes to support the organization achieving its objectives.

Reference: Financial Health Working Group *Financial Governance and Accountability School Districts of British Columbia, 2017/2018*

Adopted: February 5, 2020