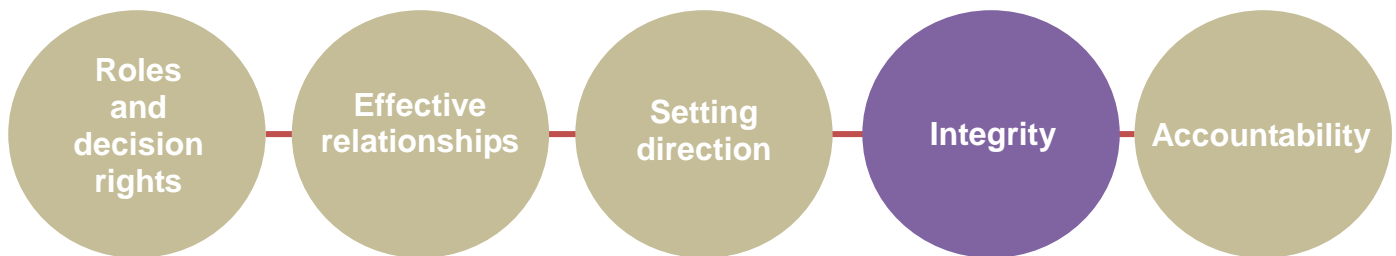


Module 4: Monitoring risk



In this module, you will learn:

- what risk is
- how the school identifies and manages risks
- about the role of the council/board in monitoring risk
- council/board risks.

What is risk?

Risk is the 'effect of uncertainty on objectives'¹. In the context of a school, a risk could be described as an event that will cause the school to fail to achieve the targets outlined in the school plan. Risk has two dimensions: the likelihood that something might happen and the impact (consequence) it will have if it does happen.

Causes and consequences

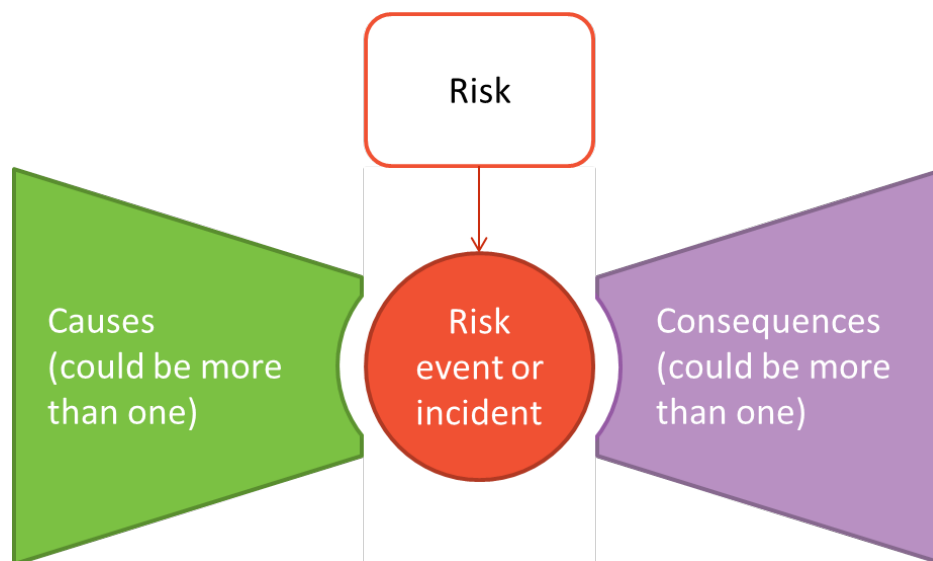
Risks have causes and consequences:

- Causes are threats or opportunities that can result in the risk materialising into an actual event.
- Consequences are the impacts (to achieving the objectives of the school) if the risk materialises into an actual event.

There are two ways to manage risk: control and mitigation strategies. Causes of risk events can be controlled and the consequences mitigated. It is important to be clear about the difference between risk causes and consequences so more effective risk management strategies can be developed.

¹ ISO31000 Risk Management Standard

One way of visualising the cause, risk and consequence relationship is through what is known as a bowtie diagram.



What types of risks exist for a school?

There are many risks for a school. Risks relate to staff, students, teachers and school assets such as buildings, information technology and other systems. Risks can be classified as arising from:

- strategic (aspiration) risks associated with the ability of a school to deliver on the targets in the school plan
- reputational (perception) risks associated with poor perceptions of a school and its performance by parents and other school community stakeholders
- compliance (law) risks associated with a council/board failing to properly deliver on its obligations under the Act and the Regulations
- operating (policy) risks associated with the operational settings (policies) adopted by a school.

Who manages what risk?

Principals develop a school risk management plan. The Department of Education provides processes and templates to assist the principal identify various classes of risk for the school. The Risk Management Plan is a very detailed document and provides a good basis for managing operational risks at the school.

The council/board is not involved in managing school-based operational risks.

The role of the council/board is to:

- be kept informed of the most significant risks identified to potentially have an impact on the school, and the control and mitigation strategies the principal has in place
- identify risks in the way the council/board operates (such as managing conflicts of interest) and put in place measures to control or mitigate those risks
- participate in identifying key strategic risks facing the school in achieving the targets in the school plan.

While the council/board is not involved in identifying and assessing operational risks, or in developing strategies to control or mitigate those risks, the council/board would benefit from knowing that the principal has undertaken the risk management process and a risk management plan is in place and functioning as expected.

Risk mitigation

Risk mitigation and control strategies should be appropriate for the level of risk facing the school or the council/board. Low risk situations do not require expensive and expansive mitigation and control strategies.

To determine the level of risk, consider the likelihood and consequences of the risk. The bowtie diagram can be helpful as each of the consequences can be assessed for likelihood and impact to determine the overall severity of the risk.

Quantifying risk

A simple table can be used to rank the likelihood and consequences of a risk. For each risk, the principal should ask:

- how likely is it that this risk event will take place?
- how significant would be the consequences of the potential risk event?

The council/board and principal should decide on their risk appetite and therefore what risks they need to manage.

Risks specific to the council/board

The role and functions of councils/boards are provided in Department of Education policies, the *School Education Act 1999* and *School Education Regulations 2000*. Risks to the council/board are therefore events that could impact on the council/board performing these functions.

Key risks include:

- not having the right people on the council/board to properly fulfil the obligations
- failing to act within the regulatory framework provided by Department of Education policies, and the legislation
- conflicts of interest that impact the council/board's ability to make good decisions.

Role of the council/board in monitoring risk

The council/board should be guided by the principal when considering what risks it should monitor. The council/board should be encouraged to identify risks at the school, particularly risks at the strategic level.

The council/board should set aside time to discuss risk and the impact they might have on the school achieving the objectives in its school plan.

Conflicts of interest

Conflicts of interest occur when a council/board member has multiple, and at times competing, interests in a decision being made by the council/board. The council/board member must declare any real or perceived conflicts of interest.

Ideally, conflicts of interest should be managed before a council/board meeting since the agenda clearly shows what items will be considered at the meeting and the actions to be taken (for example, noting or decision). It is also useful for conflicts of interest to be a regular item on the agenda.

The council/board should manage conflicts of interest in ways that reflect the level of risk. It would be appropriate to consider whether any activities or associations of members have higher risk ratings than others.

If the risk is substantial, the mitigation strategy may be to have the council/board member step out of the meeting, or to stay in the meeting and not vote. If the risk is low, the mitigation strategy may be to allow the member to remain in the meeting and to vote.

The council/board should record in the minutes of the meeting the conflict of interest and the mitigation strategy adopted. The council/board should also consider any implications for operating with a quorum if there is to be a vote.

Managing conflicts of interest should be addressed in a school's terms of reference and code of conduct. This reduces the potential for criticism or embarrassment for the council/board and school.

Legal liability

Section 137 of the [School Education Act 1999](#) provides protection against liability for members of unincorporated council/boards where they have acted in good faith.

Unincorporated council/boards:

- are covered for personal liability while performing functions of the council/board under the Department of Education's General Liability and Professional Liability insurance coverage with Risk Cover, the Department's "insurer"²
- may be provided with legal advice by the Department of Education or the State Solicitor's Office.

Incorporated councils/boards are a separate legal entity that can sue and be sued; do not have protection against liability provided by section 137 of the School Education Act 1999; are not covered for personal liability under the Department of Education's General Liability and Professional Liability insurance coverage with RiskCover and must arrange their own insurance protections. The majority of councils/boards are not incorporated.

² A member of an unincorporated council/board would be covered, for example, for an injury that occurred while attending a council/board meeting.