# Policy

## Risk management

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| **Authorising Committee / Department:** | Board |
| **Responsible Committee / Department:** | Corporate Governance and Risk Committee |
| **Document Code:** | **POL OPCEO Risk management** |

## Introduction

The purpose of this Policy is to provide a framework for the RANZCP ('College') to articulate activities and expectations in relation to the management of risk across the organisation. It provides direction, guidelines and references for the Board, committees, CEO management group and staff to effectively manage risk.

The Policy objectives include:

- To confirm and communicate the College's commitment to risk management to assist in achieving strategic and operational goals and objectives
- To formalise and communicate a consistent approach to managing risk for all RANZCP activities and establishing a reporting protocol.
- To assign accountability to all staff for the management of risks within their areas of control.
- To provide a commitment to staff to ensure risk management is a core management capability.

Apart from normal day-to-day organisational activities, the Risk Management Policy also covers such areas as:

- Contracting for goods, services in excess of a $ amount determined by the Finance Committee
- Capital procurement
- Outsourcing, partnering of shared service arrangement of functions
- New training programs, new examination processes
- Arrangements with third parties
- Changes to relevant government regulations and legislation impacting on College operations, activities and purpose.

## What is risk management?

Risk management includes the culture, processes and structures that are directed towards the effective management of potential opportunities, activities and any adverse effects within an organisation. This Policy is a formal acknowledgement of the College's commitment to risk management. The aim of the policy is not to have risk eliminated completely from College activities, but rather to ensure that every effort is made by the organisation to manage risk accordingly to maximise potential opportunities and activities and minimise the adverse effects of risk.

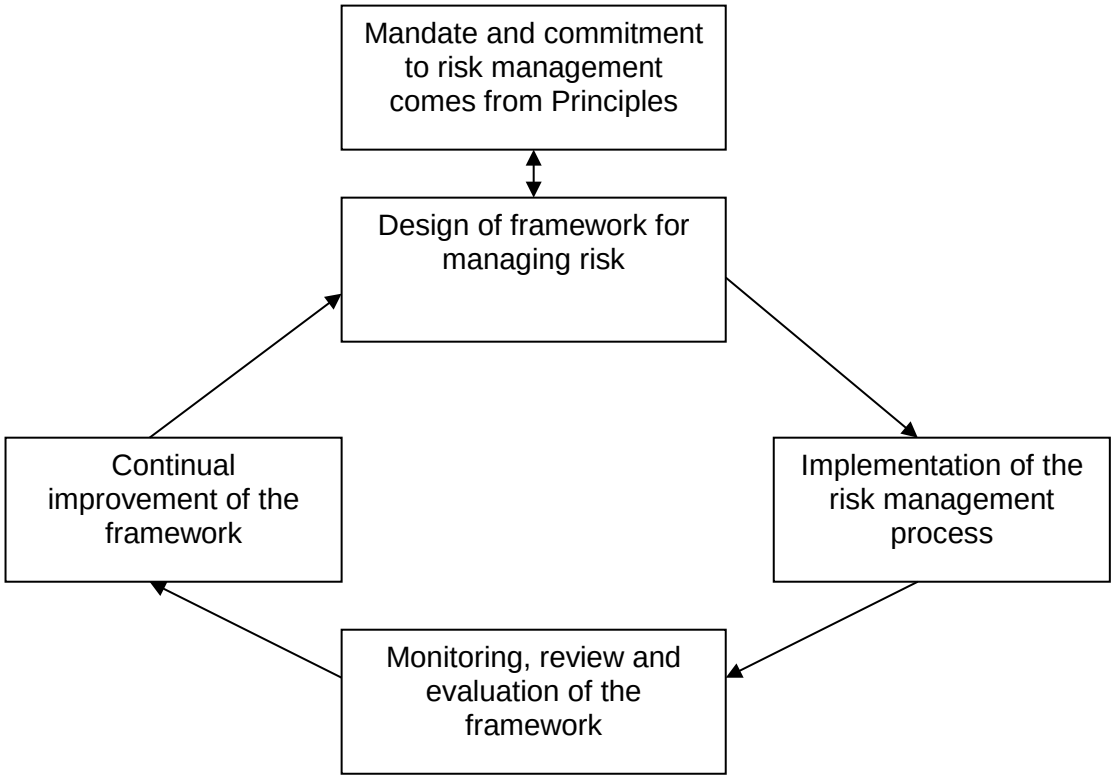
## Risk management principles

In accordance with Standards Australia, the principles of risk management are:

a) Creates value
b) Integral part of organisational processes
c) Explicitly addresses uncertainty
d) Systematic, structured and timely
e) Based on the best information available
f) Tailored
g) Takes human and cultural factors into account
h) Transparent and inclusive
i) Dynamic, iterative and responsive to change
j) Facilitates continual improvement and enhancement of the organisation.

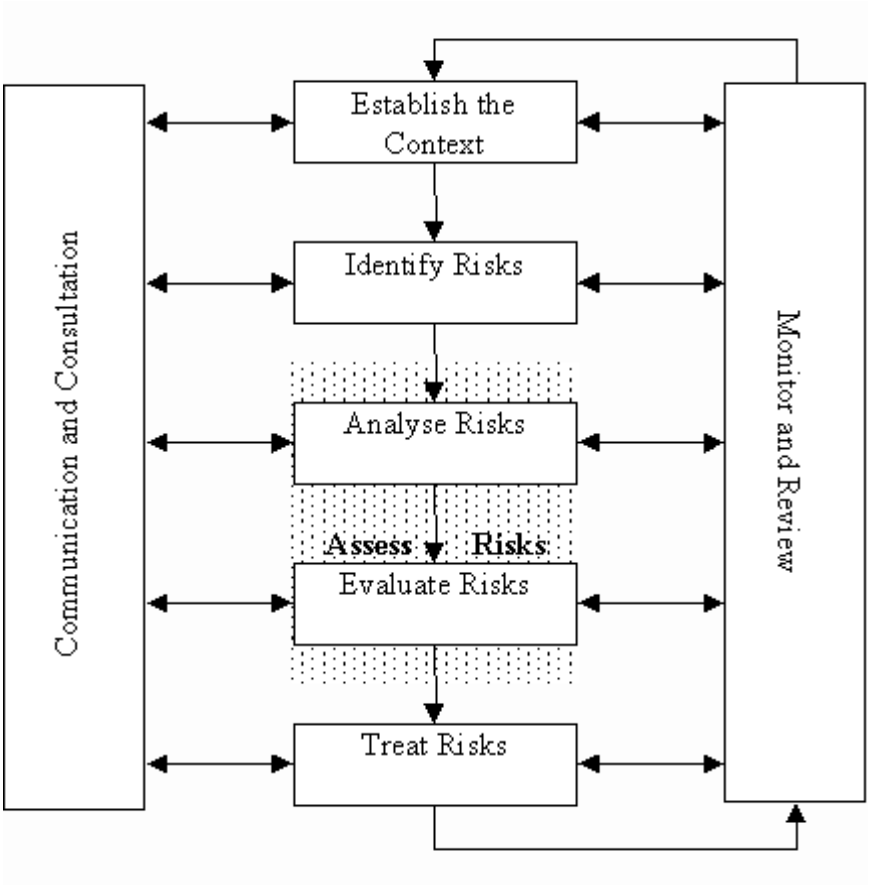
## Risk management framework

Detailed below is the framework for Risk Management. This framework is based on the framework published in the Standards Australia: AS/NZS ISO31000:2009 - Risk Management - Principles and Guidelines and in the Standards Australia Handbook - SA/SNZ HB 436:2013 *Risk management guidelines* Companion to AS/NZS ISO 31000:2009.



## Risk management process

Schematically, the risk management process is depicted in the following diagram, which is based on the process published in SA/SNZ HB 436:2013 *Risk management guidelines* Companion to AS/NZS ISO 31000:2009.




## The role of the College in risk management

The effective management of risk is an important aspect of the College in achieving its purpose of representing the medical specialty of psychiatry in Australia and New Zealand and is fundamental to good corporate governance. The College must have a current, correct and comprehensive understanding of its risks, and that those risks are of a type and at a level that are desirable to the College i.e. risk appetite. By understanding its risks and treating its undesirable risks, the College can provide greater certainty in achieving its goals for its members, employees and other stakeholders.

Risk management is the responsibility of every level of management in the College. The College's aim is for risk management activities to be integrated with all critical processes so that before events occur, or changes in circumstances arise, the College is able to recognise and respond to risks in a consistent and proactive way. Similarly, if unexpected events occur, the College will use systematic processes to learn lessons from successes, failures and near misses.

Risk is an inherent aspect of all administrative, educational and organisational activities across the College. As such, sound risk management strategies are a part of the normal management strategies for all departments and committees of the College.

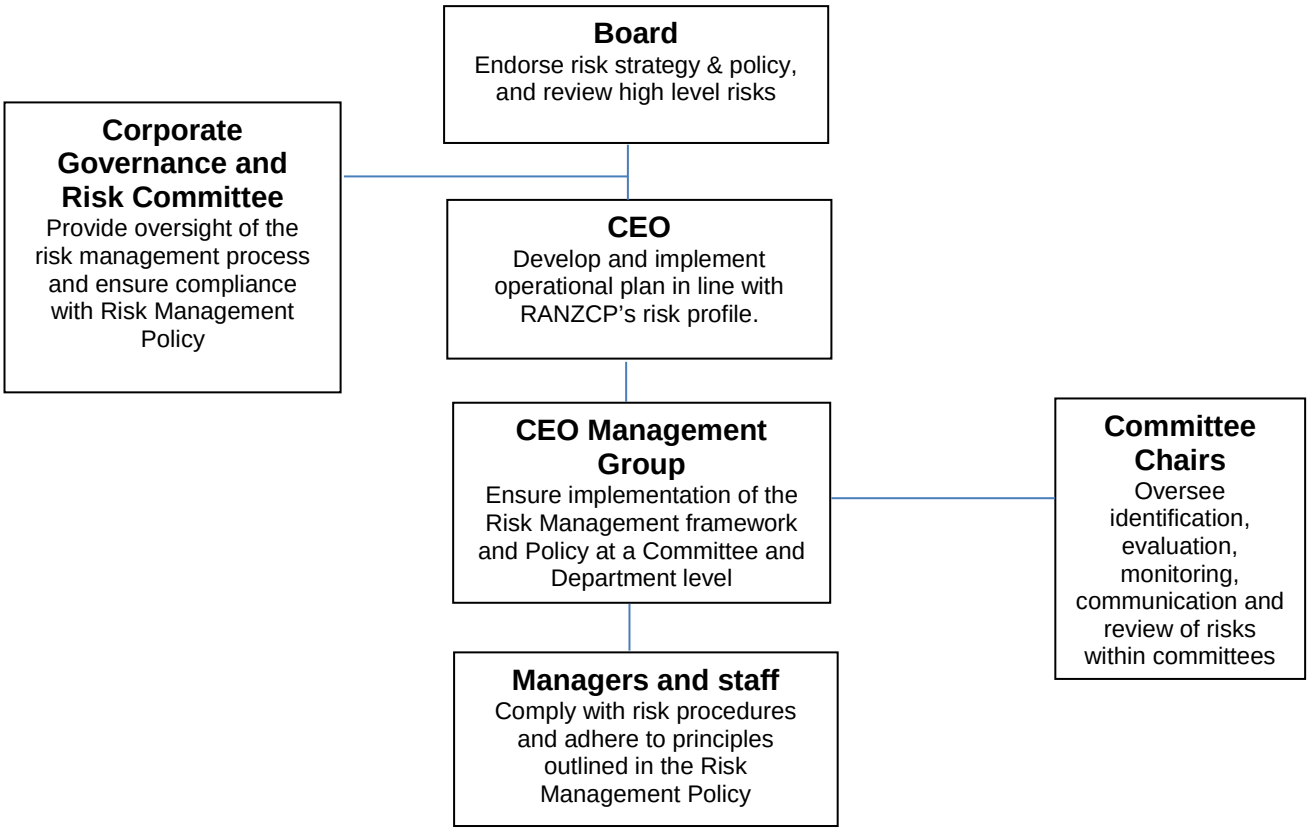
The College will maintain systems that provide a systematic assessment of risks faced in the course of the day-to-day operations and future activities of the organisation. These systems and processes will be under the following criteria –

- *Establish a Context* - criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
- *Identify Risks* - the identification of the what, why and how events may arise as the basis for future analysis.
- *Analyse Risk* - analysis should consider the existing controls and analysis of risks in terms of consequences and likelihood in context of those controls. Consequence and likelihood are combined to produce an estimated level of risk.
- *Evaluate Risks* - compare estimated risk levels against pre-established criteria, enabling risks to be ranked and prioritised.
- *Treat Risks* - lower priority risks may be accepted and monitored. Higher priority risks may need more specific action taken.
- *Monitor and Review* - this is a continuing process, occurring concurrently throughout the risk management process. This involves overseeing of any changes that come through from ongoing monitoring and review of system.
- *Communication & Consultation* - Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

## Roles and responsibilities

It is important that responsibility for risk management is clearly articulated both within the Board, at a management level and within all College committees.

The risk governance framework for the College indicates who is involved in risk and their general role.



Outlined below is an overview of the College's governance structure and levels of responsibility in relation to risk management.

**Board**

- Endorses risk strategy and policy
- Defines risk appetite
- Reviews high and extreme level risks
- Agrees risk framework with management
- Approves strategic and operational business plans
- Monitors management performance
- Reviews control structures.

**Chief Executive Officer (CEO)**

- Provides direction and "sets the tone" of the RANZCP
- Establishes and leads an appropriate culture of risk management and compliance in the RANZCP
- Develops and implements the operational plan in line with RANZCP's risk profile
- Monitors achievement in key result areas and reports to the Corporate Governance and Risk Committee
- Establishes the framework that identifies risk to the organisation, monitor risks and reports significant risks to the Board

**Corporate Governance and Risk Committee**

- Advises the Board on risk management options
- Provides oversight of the Risk Management process
- Ensures compliance with the College's Risk Management Policy
- Monitors risk, in conjunction with the CEO and the CEO Management Group
- Reviews High/Extreme level risks
- Elevates High/Extreme level risks to the Board.

**CEO Management Group**

- Supports risk management culture
- Supports the CEO by adhering to the internal control framework within organisational Departments and demonstrates a commitment to adhering to the risk management framework
- Ensures risk is systematically monitored and regularly managed for all areas and activities within their control
- Ensures all risks identified within the respective areas of the College are maintained on the Risk Registers, including details of controls and treatments as necessary and ensuring these remain effective
- Provides assistance and advice to other managerial and supervisory staff through development of procedures, systems and guidelines, on specific risk areas that are within their respective areas of responsibility.

### Committee Chairs

- In conjunction with Committee members and the CEO Management Group identify, evaluate, monitor, review and communicate risks
- Develop, maintain and review a register of risks pertinent to the Committee's responsibilities
- Elevate High/Extreme level risks to the Corporate Governance and Risk Committee.

### Managers and staff

- Managers must ensure that internal risk controls are operational and compliance with obligations is sustained
- All Staff are responsible for and have accountability for adherence to the principles outlined within this Policy.

## Monitoring, evaluation and review

To manage risk properly, appropriate documentation is required.

The staff members conducting or accountable for the activity shall in the first instance conduct the risk assessment and complete the documentation. This is to be reviewed and accepted by the CEO Management Group. Where technical expertise or central authority is required, risk assessment will be reviewed and approved by the CEO.

Reporting on, monitoring, evaluation and review of Risk Management is the responsibility of the CEO Management Group. The process involves maintaining Board constituent committee Risk Registers and a register for the Office of the President and CEO.

Risk Registers are submitted to the May and November Board meetings. Prior to Board review, the risks on each risk register are submitted by the CEO Management Group to the Corporate Governance and Risk Committee for review. A detailed overview of the procedure undertaken, is contained in the following procedures:

- Procedure for reviewing departmental risks
- Procedure for updating risk registers on SharePoint.

### Risk Registers

For each risk identified, the College's Risk Registers record –

1. Category – financial, reputation, capacity, environment, legal, strategic plan and governance
2. Risk number
3. Risk event – description and impact
4. Controls/mitigation plan
5. Key risk indicators
6. Current review date
7. Risk rating history
8. Average historical rating
9. Current risk rating
10. Proposed risk rating
11. Recommendation.

## College Risk Matrix

The matrix outlined below is the tool used by the College to assess, monitor and evaluate risks.

### RANZCP Risk Rating Matrix

| Risk Assessment Criteria | | Consequence | | | | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| | | Insignificant | Minor | Moderate | Major | Catastrophic |
| Financial | | Minor ($10 000 or less) | < 2.5% of operating or project budget | 2.5% to <10% of operating or project budget | 10 % to < 25% of operating or project budget | > 25 % of operating or project budget |
| Reputation | | Self improvement review required by Department management | Review by committee / EMG | Review / audit by an external committee /Board | Intense public, political and media scrutiny | Government intervention / enquiry |
| Capacity | | Self improvement review required by Department staff | Review by relevant department Management | Review by relevant department General / Senior Manager and CEO | Review by EMG and/or Board | External stakeholder enquiry |
| Environment | | No impact | Would require some adjustment | Would require significant adjustment | Intense public, political and media scrutiny | Government intervention / enquiry |
| Legal | | Seek internal legal advice and inform the CEO | Seek internal legal advice and inform the CEO | Seek internal legal advice and inform the CEO and Board | Intense public, political and media scrutiny - seek external legal advice | Government intervention / enquiry - seek external legal advice |
| Strategic Plan | | No impact | Would require some adjustment | Would require significant adjustment | Collective response of stakeholders required | Would stop achievement of key objectives/ imperatives |
| Governance | | Self improvement review required | Would require some adjustment | Would require significant adjustment | Intense public, political, media and member scrutiny | Government intervention / enquiry |
| Likelihood | | | | | | |
| Expected in most circumstances. Has occurred on annual basis in the past. | A | Almost Certain | L | M | H | E | E |
| Has occurred in the last few years, or is expected to happen. | B | Likely | L | M | H | H | E |
| Has occurred at least once in the history of the College. 5% chance. | C | Possible | L | M | M | H | H |
| Has never occurred in the College, known to have occurred in frequently in other similar organisations. 1% chance. | D | Unlikely | L | L | M | M | H |
| Exceptional circumstance only. Whilst it is possible, it is not known to have occurred in similar organisations. <<< 1% | E | Rare | L | L | M | M | M |

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| Extreme | Unacceptable | Must be given immediate senior management / Board attention |
| High | Active Management | Must have considerable EMG management to reduce to as low as reasonably practicable. Board to be advised. |
| Medium | Tolerable | Risks should be managed and monitored regularly. CEO to be informed by General / Senior Manager. |
| Low | No action Required | But continue to manage and monitor with normal operational management practices |

## Definitions and abbreviations

For the purpose of this document, the following terms and definitions apply.

- Risk - is the effect of uncertainty on objectives and is characterized by reference to potential events and consequences, or a combination of these.
- Risk management - refers to the coordinated activities to direct and control RANZCP with regard to risk.
- Risk management framework - is the set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the RANZCP.
- Risk management policy - is the statement of the overall intentions and directions of the RANZCP related to risk management.
- Risk management process - is the systematic application of management policies and practices to the activities of communication, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring and reviewing risk.
- Establishing the context - is defining the external and internal parameters to be taken into account when managing risk, and setting the scope and risk criteria for the risk management policy.
- Stakeholder - can be any person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity of the RANZCP.
- Level of risk - is the magnitude of a risk, or a combination of risks, expressed in terms of the combination of consequences and their likelihood.
- Review - is the activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve established objectives.
- Framework - the comprehensive system that integrates the process for managing risk into the organisations overall governance, strategy, planning, management, reporting processes, policies, values and culture.

## Associated documents

- Procedure for reviewing departmental risks and Procedure for updating risk registers on SharePoint
- Risk Matrix
- Risk Register review timetable
- Board constituent committee Risk Registers and Office of the President and CEO Risk Register

## References


- Standards Australia: AS/NZS ISO31000:2009 - Risk Management - Principles and Guideline
- Standards Australia Handbook - SA/SNZ HB 436:2013 Risk management guidelines - Companion to AS/NZS ISO 31000:2009
- Enterprise Risk Management - Governance Institute of Australia


## REVISION RECORD

| **Contact:** | **Louise Hain, Manager, Governance** | | |
|---|---|---|---|
| **Date** | **Version** | **Approver** | **Description** |
| 20/11/2010 | 1.0 | GC2010/4R38 | New document |
| 18/08/2012 | 2 | GC2012/3 R49 | Not recorded |
| 28/4/16 | 2.1 | CGRC | Updated to reflect changes to management structures and the new risk matrix approved by the Board in November 2014 |
| 19/6/17 | 2.2 | Management | Updated to reflect change to review period – as per B2017/4. |
| **2018** | | | **NEXT REVIEW** |