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Risk Management Framework

November 2004

Risk Facilitator:

Dennis J Clark

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Purpose Of This Presentation

The purpose of this presentation is to:

1. **Provide a summary of risk management principles**
2. **Provide an overview of the Charles Darwin University (CDU) Organisational Level Business Risk Assessment**
3. **Provide some examples of risk assessment techniques for use in day to day activity.**

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1. Risk Management Principles

- **Why Risk Management?**
- **Lessons In Risk Management**
- **Risk Management Methodology & Process**

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Why Risk Management?

- **Where The World Is Heading**
- **Makes Sound Business Sense**
- **Essential Element of Good Governance**
- **Essential Process For Directors & Officers (Senior Managers) Under Relevant Legislation (CDU, CAC,FMA, Corporations etc Acts)**
- **Provides External Kudos**
- **Defence In Court Actions Or Government Enquiries**

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Lessons In Risk Management

- **Already Part Of Day To Day Operations But Not Generally Documented**
- **The Key Is Documentation Of Existing And Proposed Activities**
- **Methodology Critical**
- **Process Important**
- **Courts Can't Second Guess After The Event**
- **Properly Implemented And Maintained Is A Powerful Process**
- **Can Prevent Failures**

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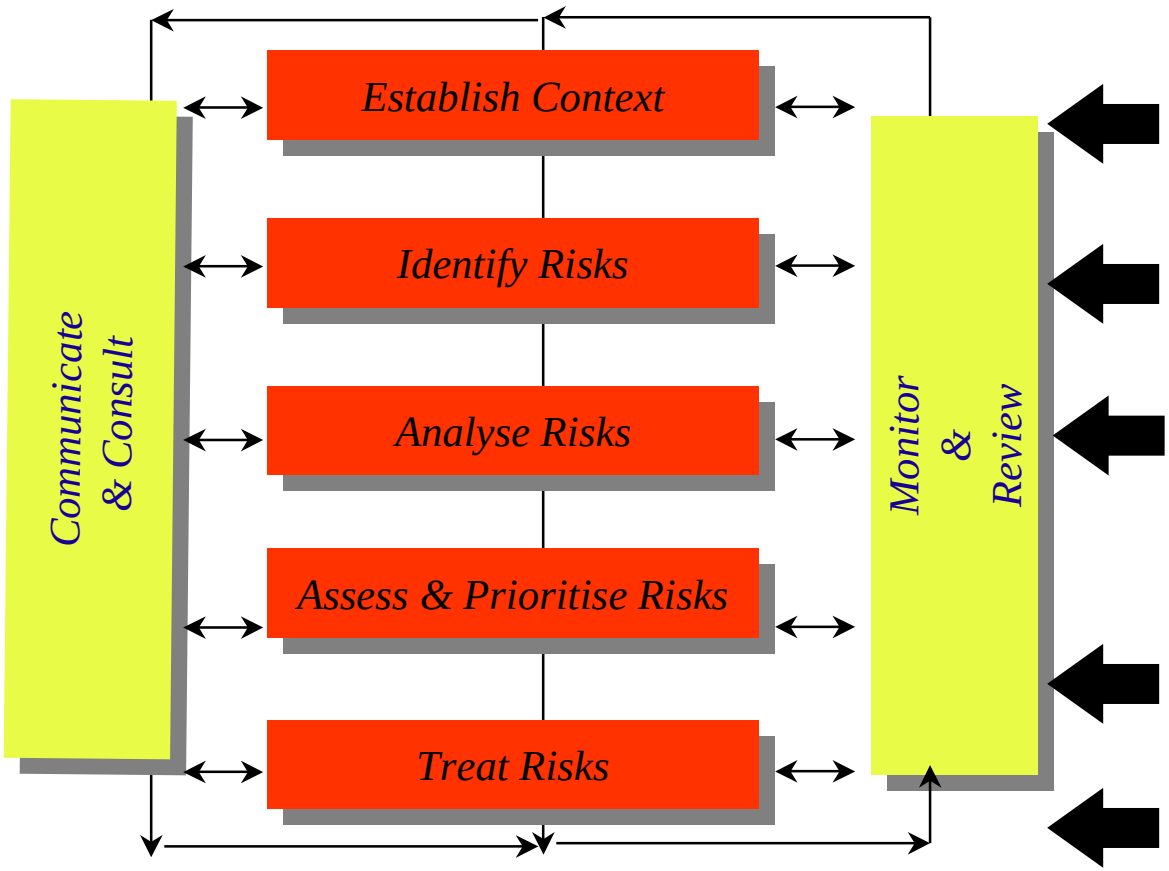
RM Methodology & Process



Context:
Assess strategic, organisational & risk management context.

Identification:
What can go wrong?

Analysis / Measurement:
Assess expected likelihood & consequence. Review effectiveness of existing controls.

Assess / Prioritisation:
Compare risks. Set risk priorities.

Treatment Options:
Reduce likelihood or consequence, avoid, transfer or retain.

* *Risk Management Standard (AS/NZS 4360: 2004)*

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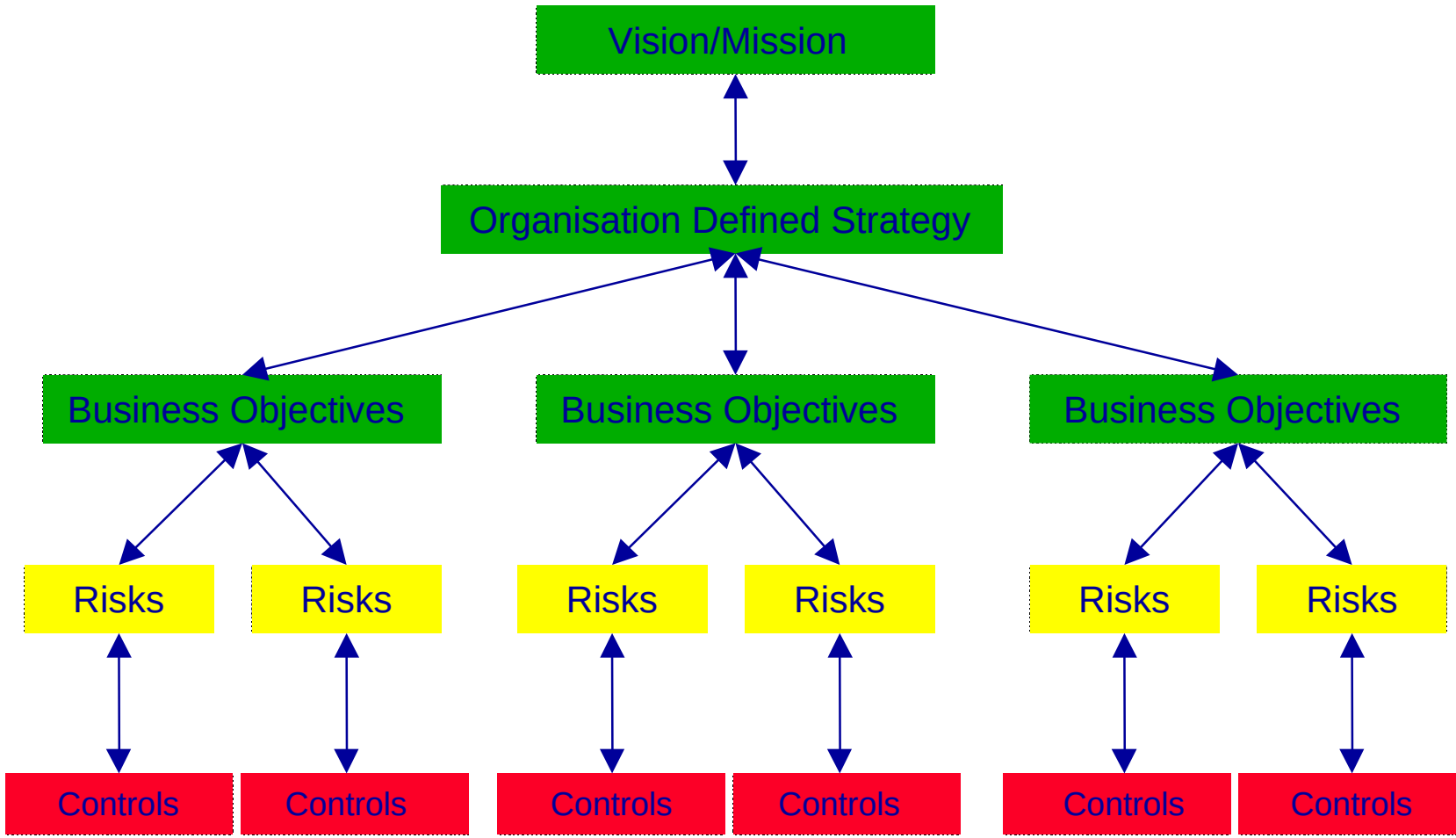
Key Concepts



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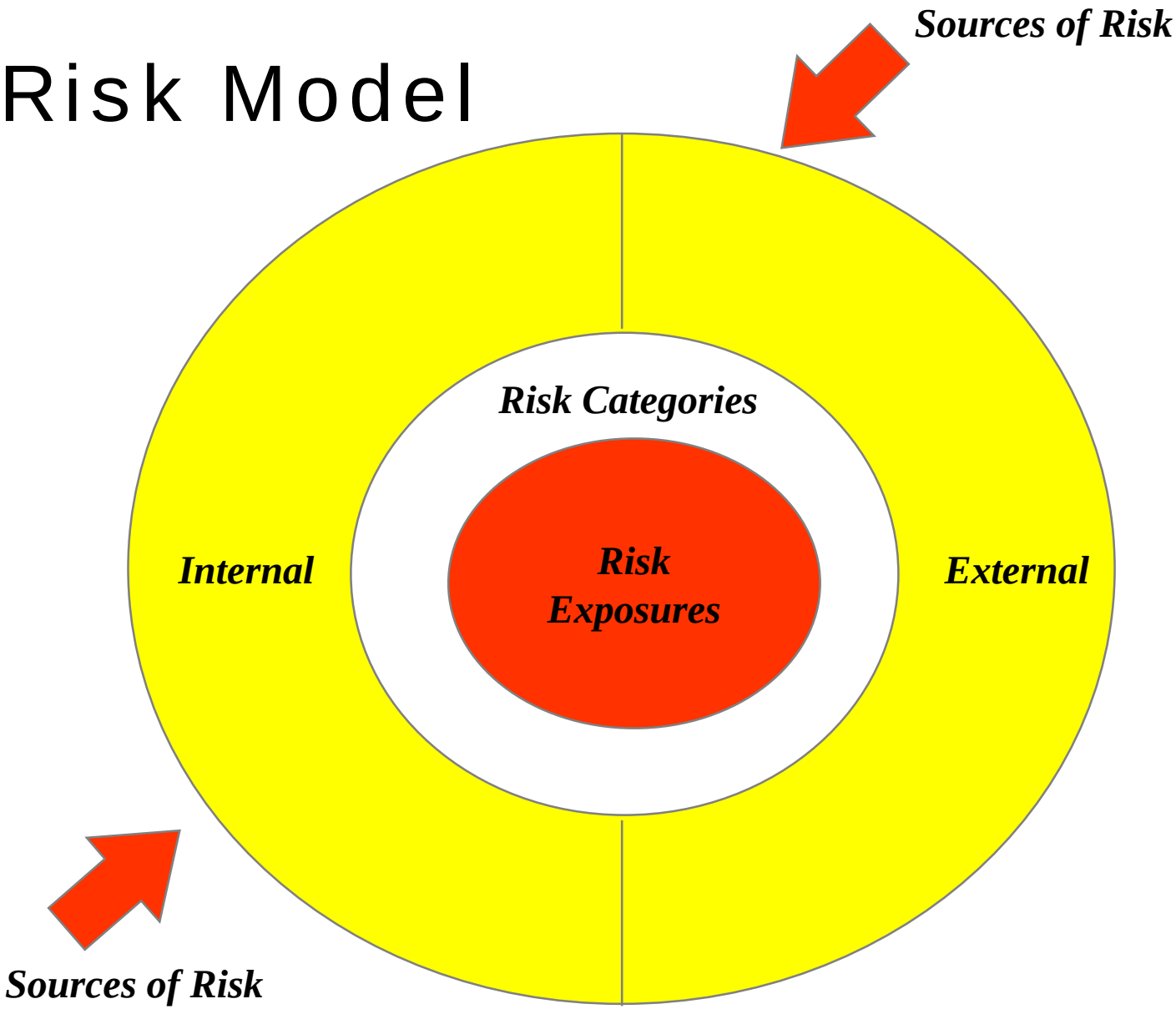
Risk Model



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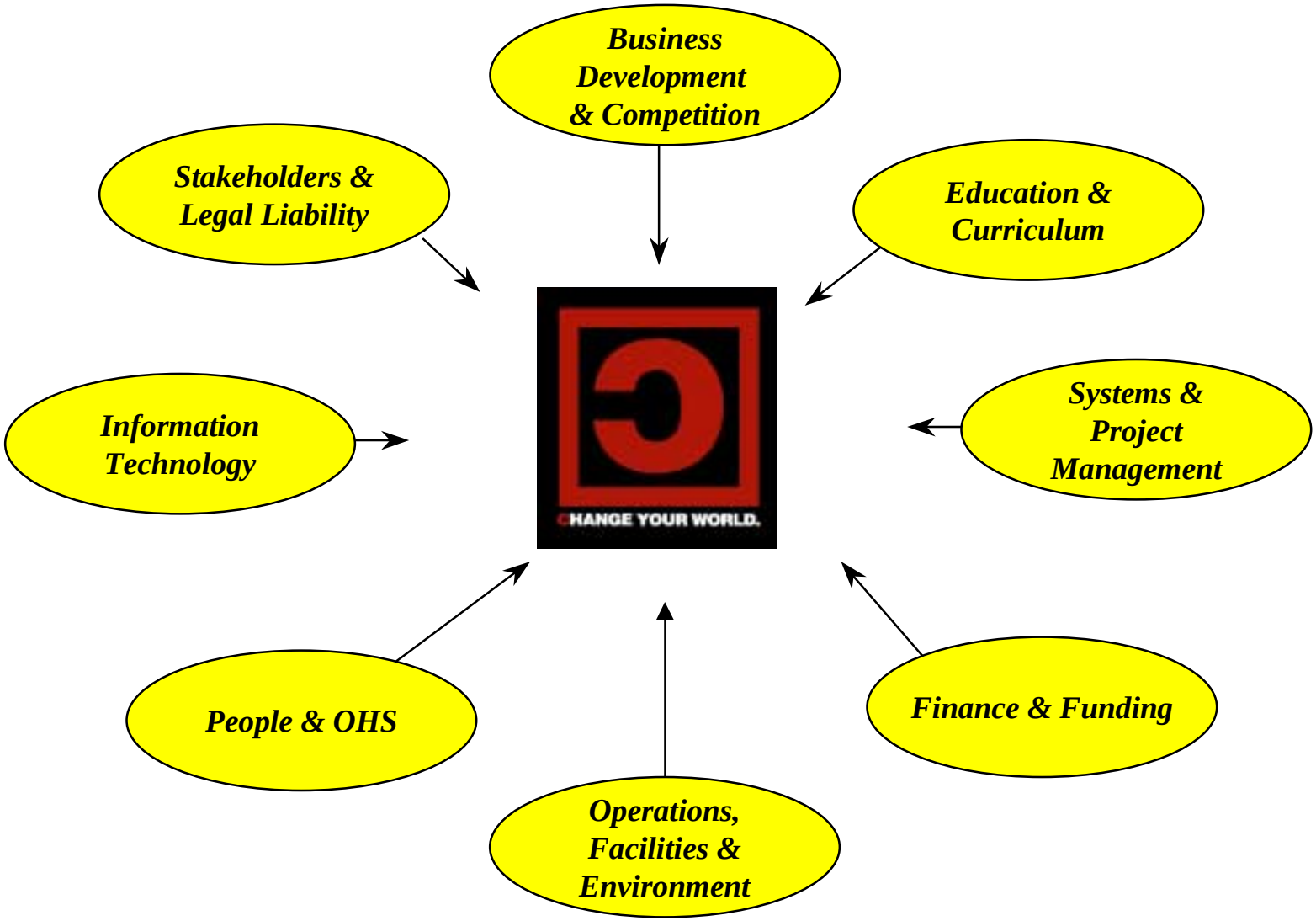
CDU Risk Wheel



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Risk Consequence and Likelihood Matrix

CONSEQUENCE TABLE

Level	Descriptor
1	Insignificant
2	Minor
3	Moderate
4	Major
5	Catastrophic

LIKELIHOOD TABLE

Level	Descriptor
1	Rare
2	Unlikely
3	Possible
4	Likely
5	Almost Certain

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Risk Consequence and Likelihood Matrix

Risk Scoring Matrix

LIKELIHOOD		CONSEQUENCE				
		Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Almost Certain	5	M	S	H	H	H
Likely	4	L	M	S	H	H
Possible	3	L	L	M	S	H
Unlikely	2	L	L	L	M	S
Rare	1	L	L	L	L	M

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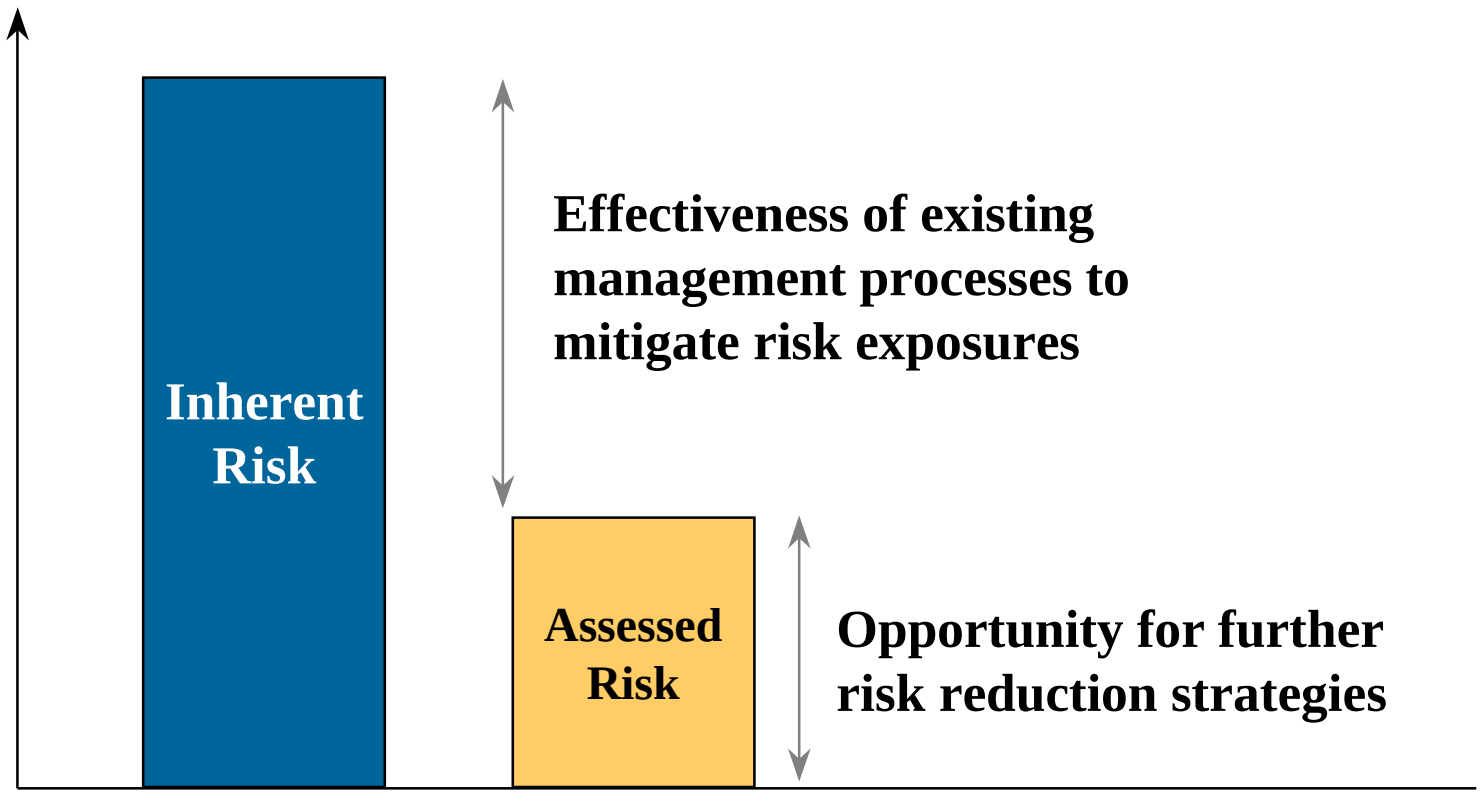
Inherent vs. Assessed Risk



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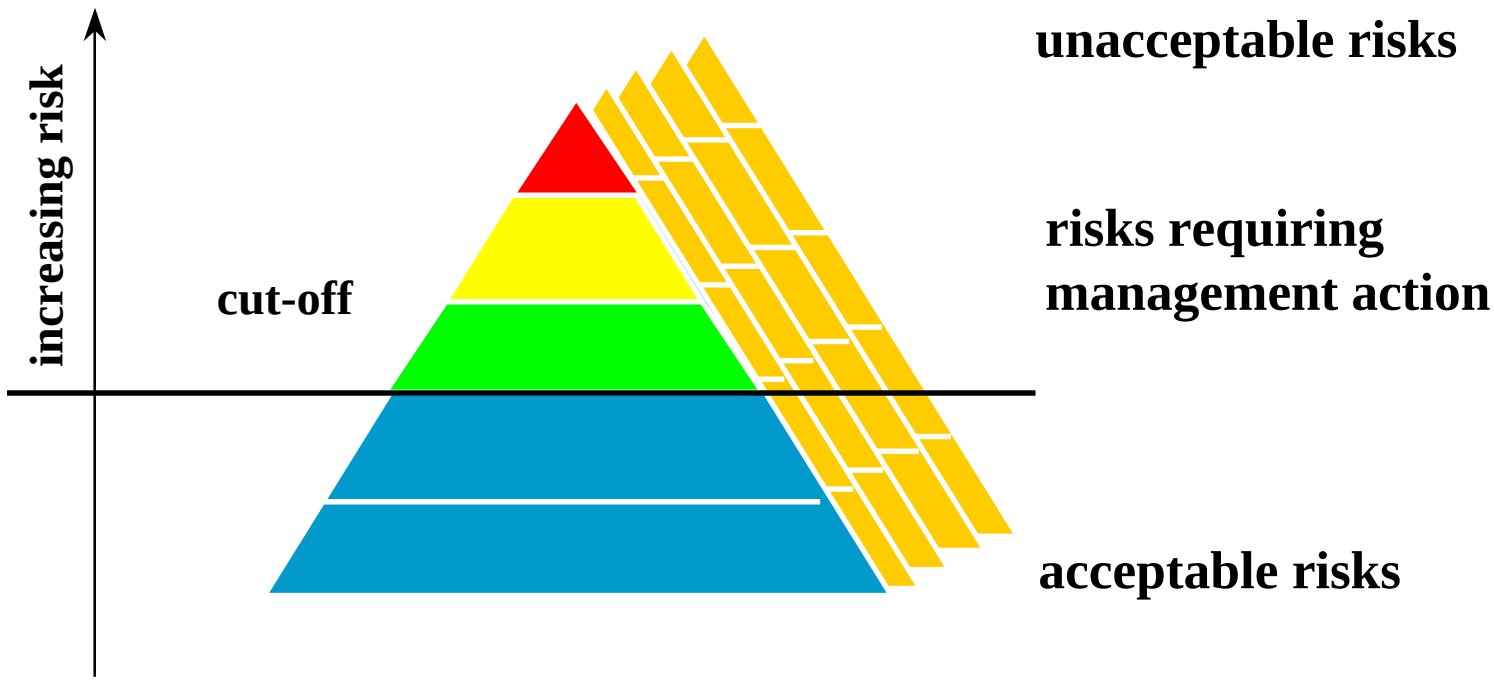
Risk Evaluation



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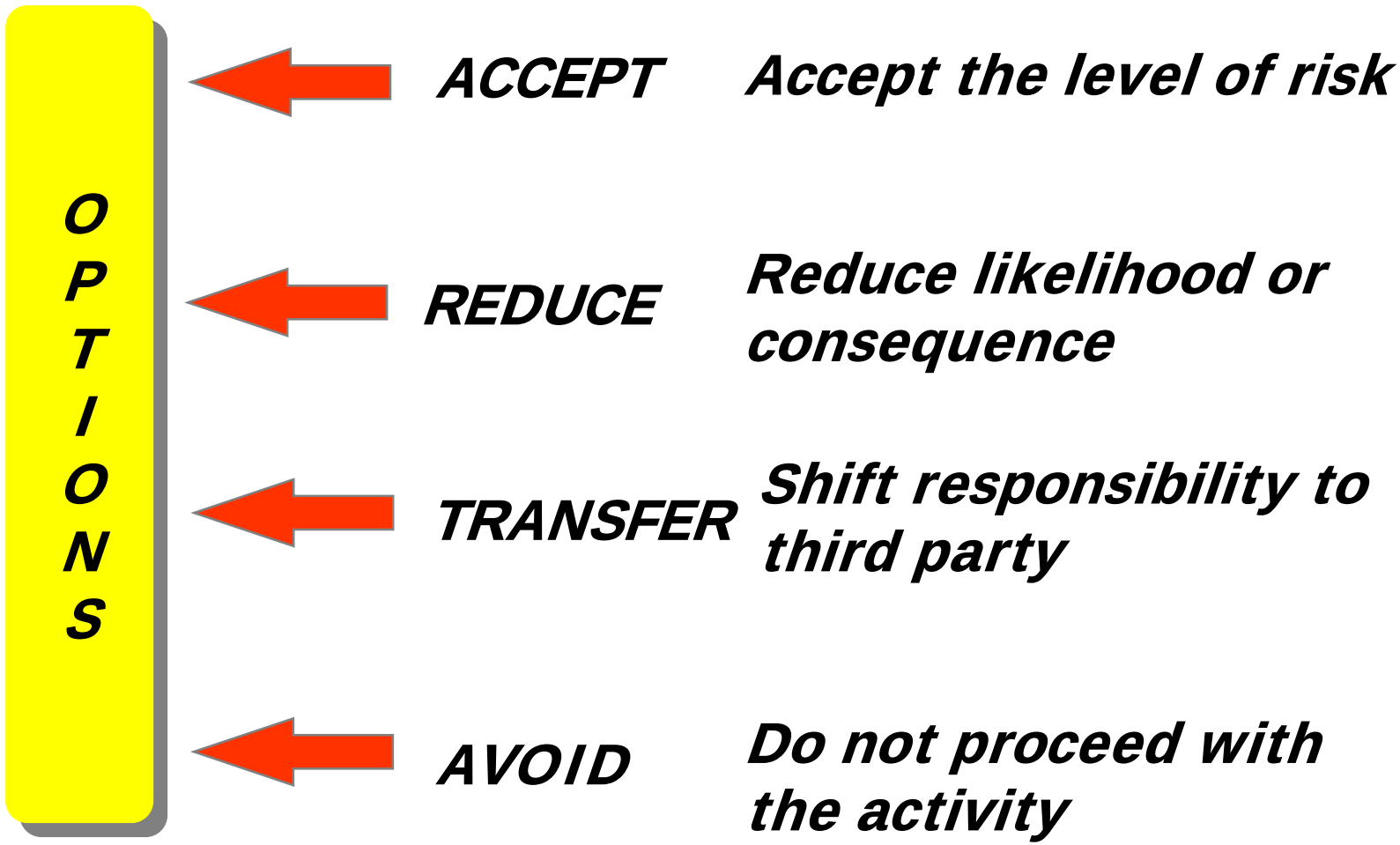
Risk Treatment Options



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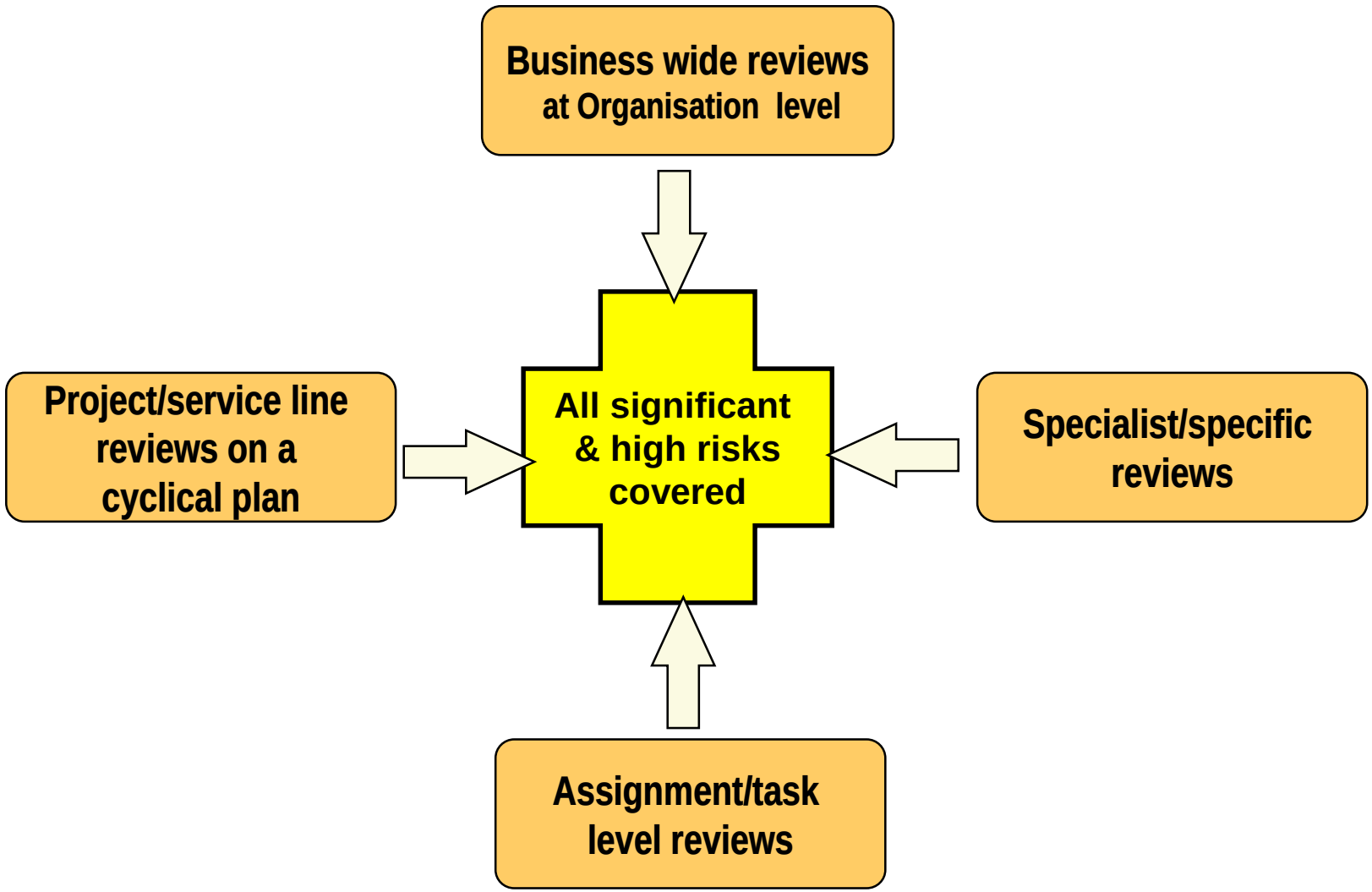
Levels of Risk Assessment



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2. CDU Organisational Level Business Risk Assessment

- ☆**Executive Summary.**
- ☆**Process & Outputs.**
- ☆**Risk Assessment Process.**
- ☆**Risk Assessment & CDU Organisational Level Business Risk Profile.**
- ☆**Risk Register.**
- ☆**Ongoing Risk Management.**

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A. Executive Summary

- **This Report summarises the results of a CDU Organisational Level Business Risk Assessment conducted at CDU in August/September 2004.**
- **It also provides the Risk Management Plan for CDU.**

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A. Executive Summary

- **The key strategic risks to CDU are set out in this Report. It is to be noted that there are existing risk mitigation action ("Controls") reducing the assessed risk levels.**
- **Actions are strategies to be adopted in the future to further reduce risk. These have been developed by Senior Management at CDU.**

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A. Executive Summary

- **The overall assessment is that the Risk Profile of CDU , while indicating some higher level risks, is acceptable, given that this is an initial assessment and a risk management focus is being introduced at CDU.**
- **Ongoing risk management activities would be expected to reduce the assessed risk levels further over time.**
- **Impact of Risk Events occurring on CDU reputation important to acknowledge.**

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B. Process & Outputs

Background Briefings On Risk Management.

Structured Interviews On Organisational Risk Issues With:

- **VC**
- **VCMG Members**
- **Deans**
- **Heads Of Schools**
- **Campus Leaders**
- **Corporate Managers**
- **Council Members particularly Audit and Risk Committee Members.**

Organisational Level Business Risk Assessment, Including Facilitated Development of Risk Actions.

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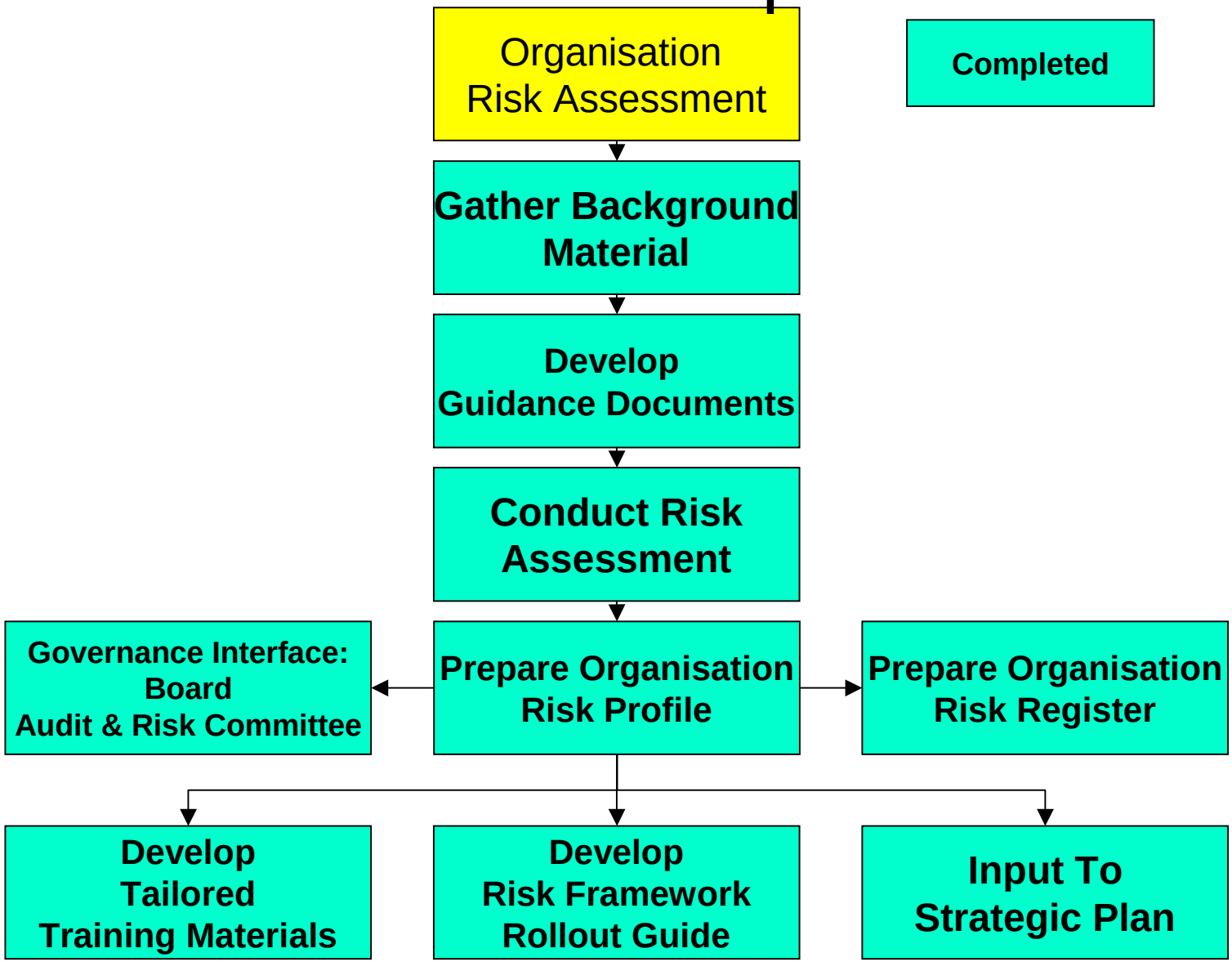
B. Process & Outputs



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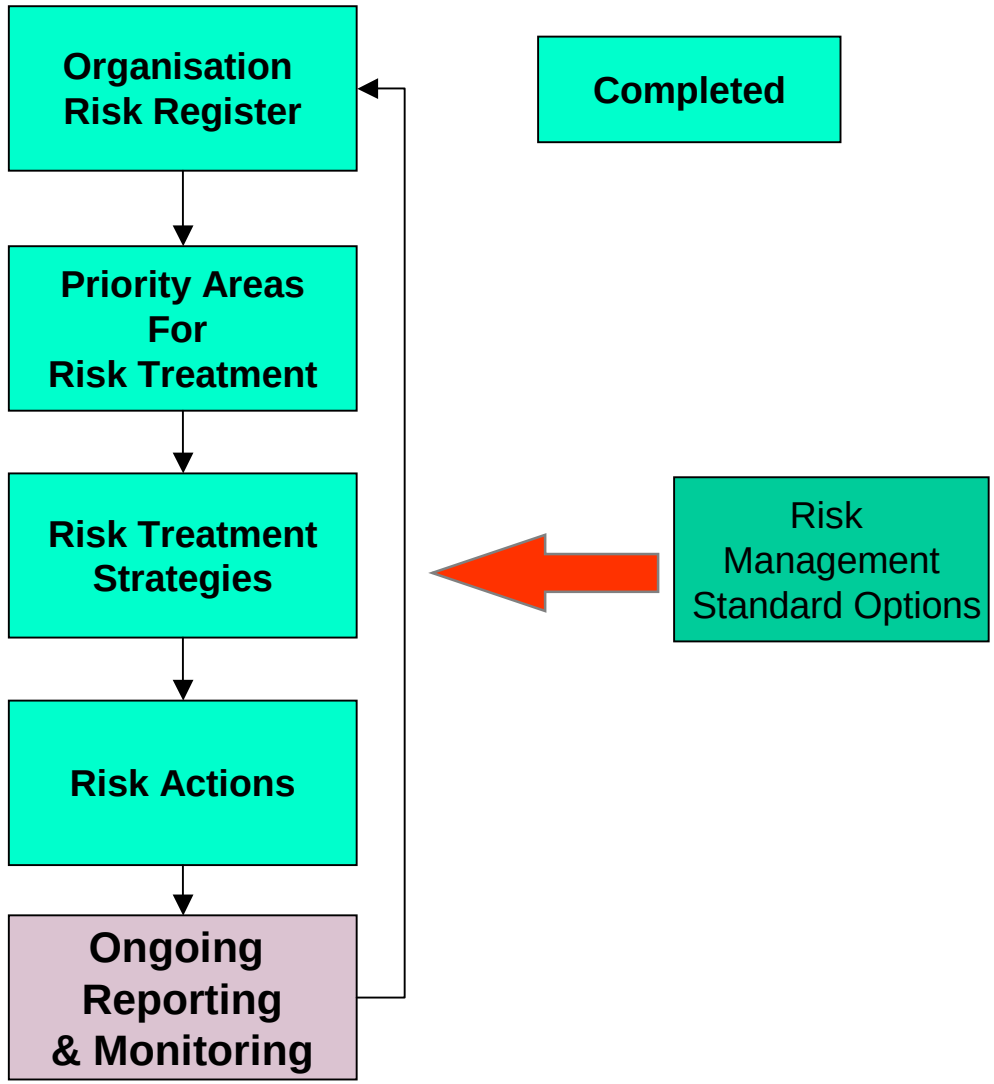
B. Process & Outputs



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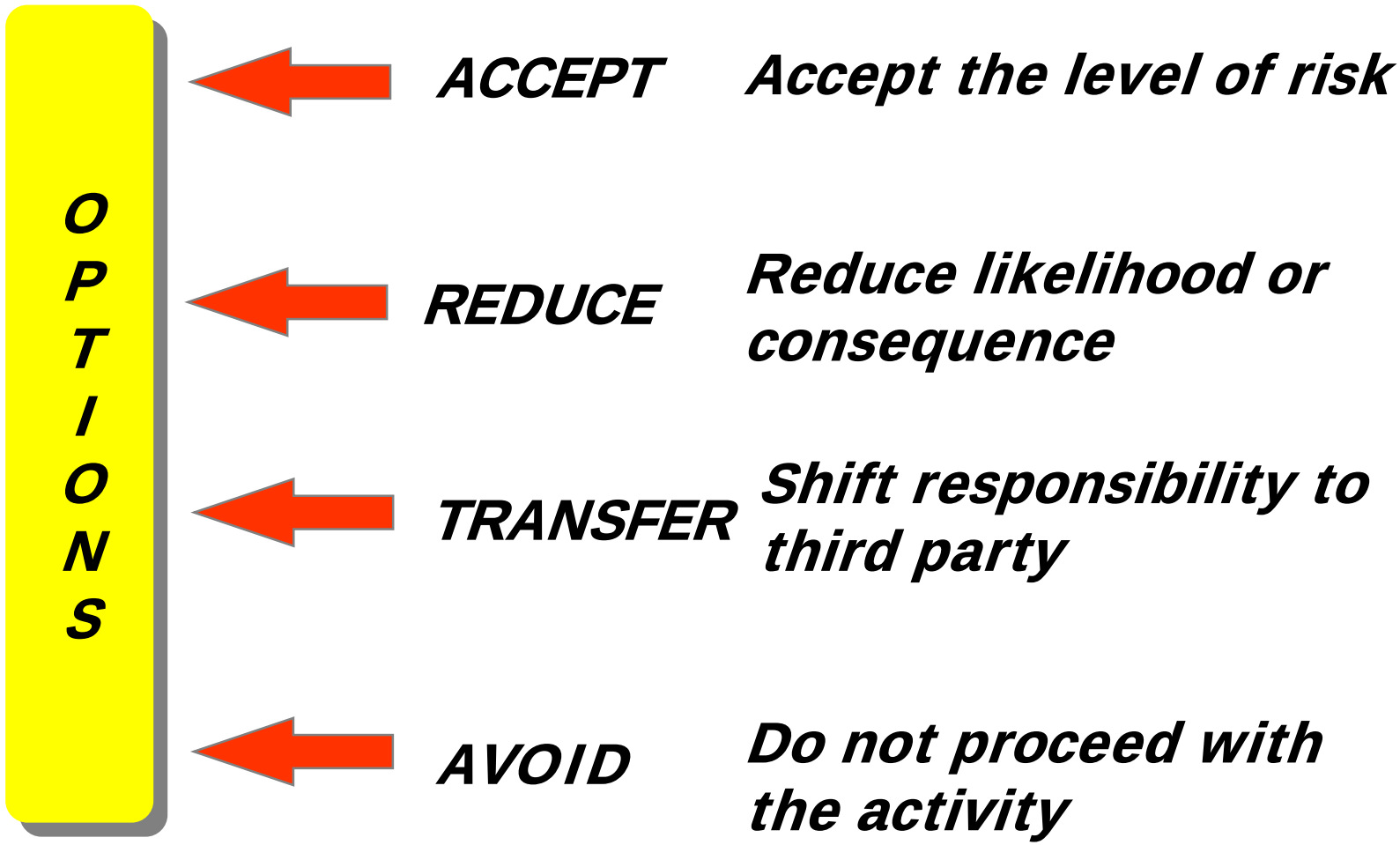
Risk Treatment Options



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B. Process & Outputs

Framework & Risk Management Process provided.

Organisational Level Business Risk Assessment completed.

Following documents supplied

- **Risk Profile, Risk Details & Risk Actions**
- **Formal Risk Assessment Report**
- **Risk Management Plan**
- **Risk Register**
- **Risk Policy**
- **Contract Risk Assessment Procedure**
- **Risk Actions.**

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B. Process & Outputs

Formal Actions drafted as input to CDU Strategy document following this process.

Ongoing risk management recommendations provided.

Audit trail for NT Auditor-General & AUQA/AQTF reviews provided.

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C. Risk Assessment Process

- **Key Stakeholders.**
- **Steps to Date.**
- **Context.**

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Key Stakeholders

The following have been determined as the key stakeholders in the risk management process for CDU:

- **Community**
- **Industry**
- **Council and Audit & Risk Committee**
- **VC and VCMG**
- **Deans and Heads of Schools**
- **Senior Managers**
- **Staff**
- **Students**
- **Governments - Federal & Territory**
- **Commonwealth & NT Education Departments**
- **Regulators & Auditors.**

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Key Stakeholders

Each have an interest in the ongoing operations of CDU and an understanding of their individual focus was taken into account in determining the Risk Profile.

Again it is worth reinforcing the impact of image, perception and reality when considering the interests of stakeholders

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Steps Taken

- **Desk review of available documentation.**
- **Structured interviews with key staff.**
- **Production of presentation for review by VC and VCMG.**
- **Workshopping of risk actions.**
- **Refinement and finalisation of documentation.**

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Context

- **AS/NZS 4360:2004, the Risk Management Standard, requires a review of the context for a business risk assessment.**

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Context

- **The following issues were considered:**
  - **CDU past history**
  - **Current situation and issues**
  - **Funding**
  - **Staffing and courses**
  - **Student numbers and mix**
  - **Territory characteristics (population, geography, politics, economy)**
  - **Government policies**
  - **Community expectations and obligations**
  - **Business development and research**
  - **Systems.**

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D. Risk Assessment and CDU Organisational Level Business Risk Profile

- **In this section is the assessed CDU Business Risk Profile, with the level of risks determined after taking into account existing Controls (current risk mitigation strategies).**
- **Risk Mitigation Actions (Strategies) have been developed.**
- **Risks were classified according to the Risk Wheel following.**

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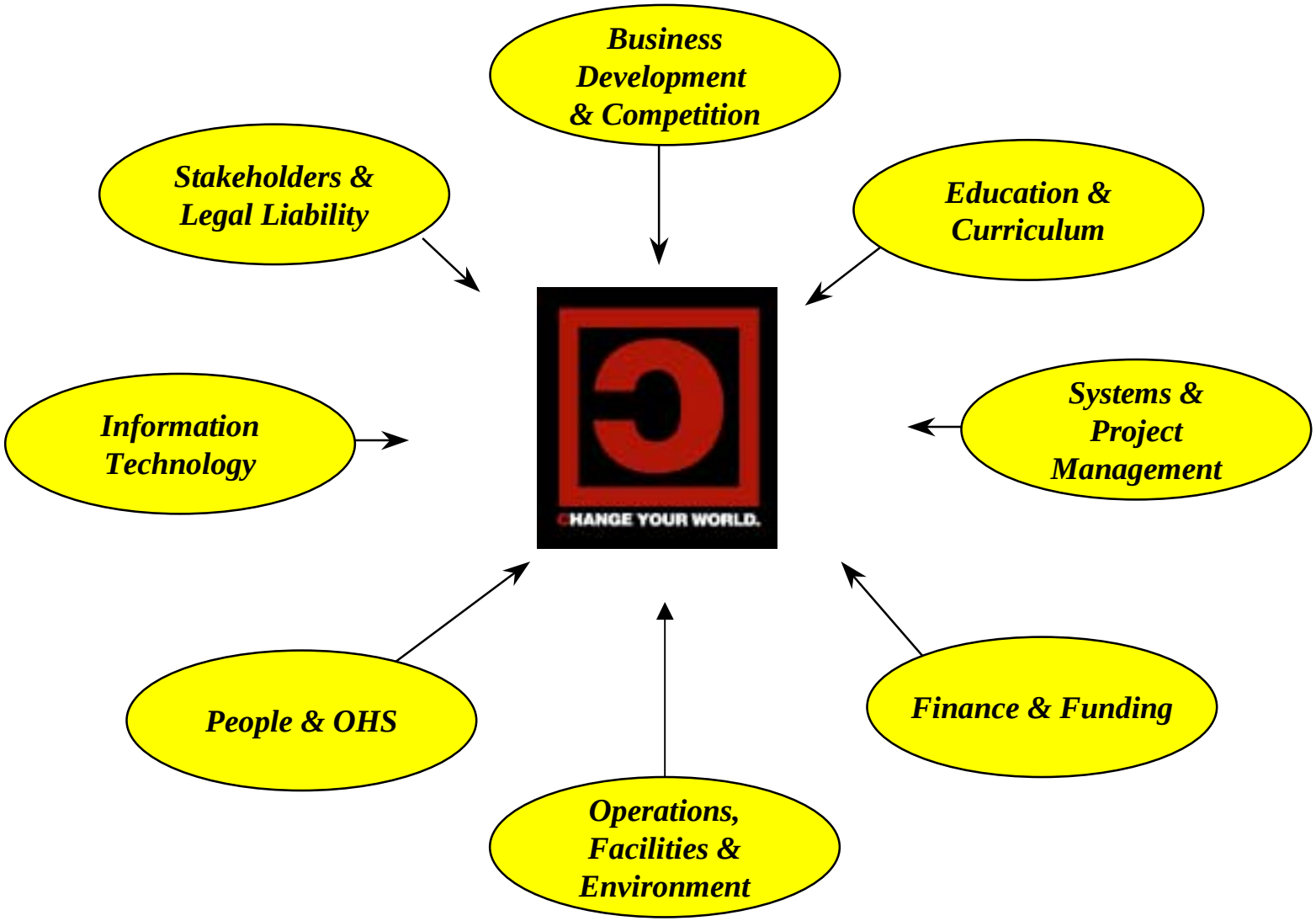
CDU Risk Wheel



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Risk Scoring

- **Risks were scored according to the Risk Matrix following.**
- **The Risk Matrix follows the Risk Management Standard.**
- **Risks were scored in accordance with the Risk Matrix in two areas:**
  - **Consequence (Impact)**
  - **Likelihood (Chance).**

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Risk Consequence and Likelihood Matrix

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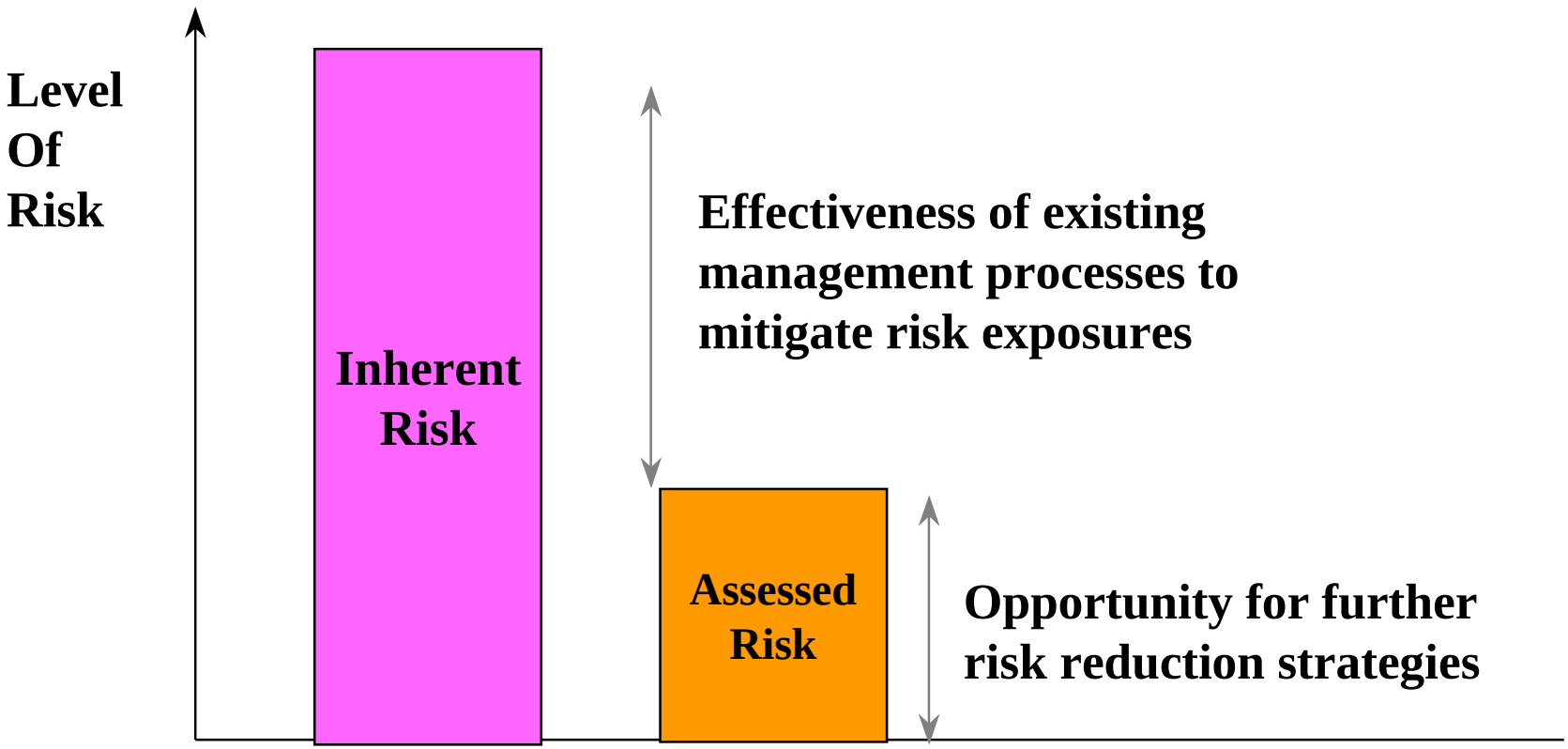
Inherent vs. Assessed Risk



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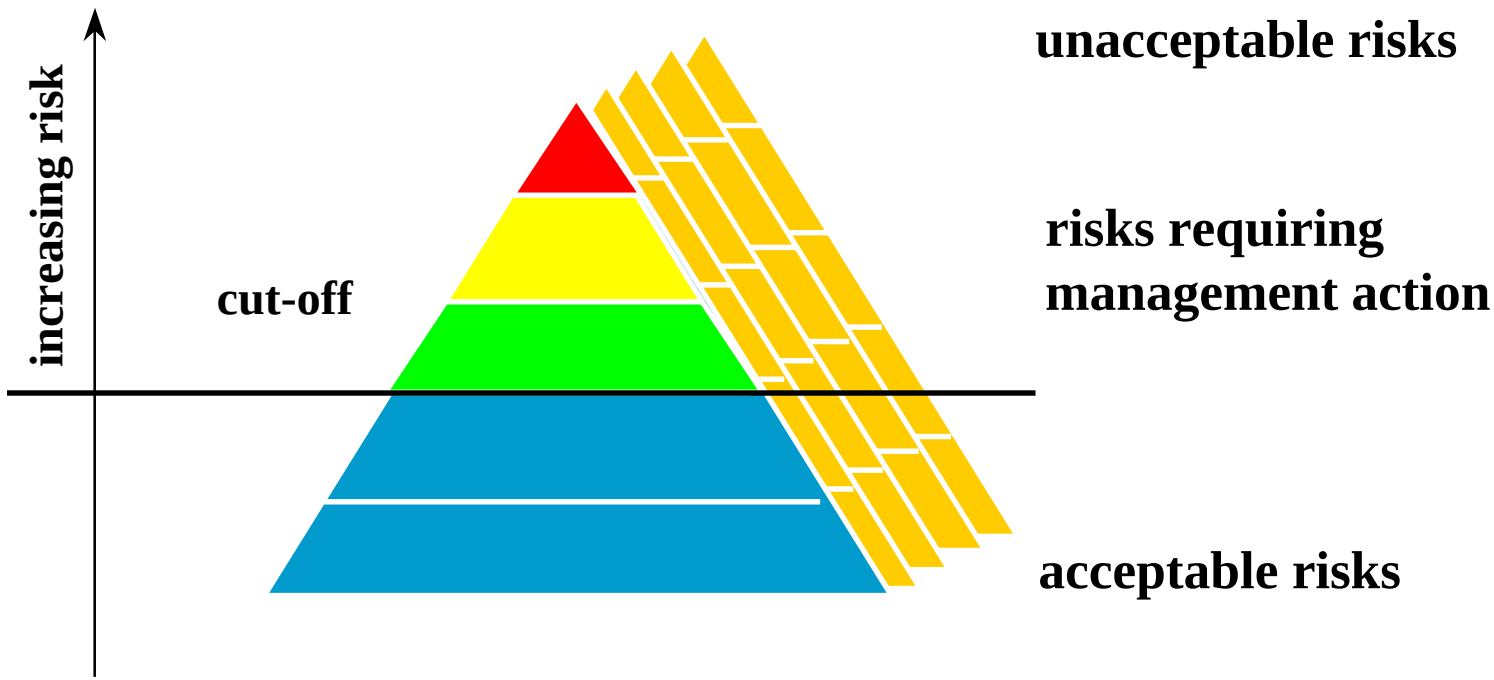
Risk Evaluation



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CDU Organisational Level Business Risk Profile Commentary

- **CDU has a diversity of possible risk issues.**
- **Some convert to risks requiring attention.**
- **The challenge has been to distil the issues into a small number of risks that can be appropriately "owned" and therefore managed.**
- **Accordingly some risks have been documented with a variety of facets.**
- **Many of the risks are linked, hence reducing the level of one may reduce the level of another or others.**

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CDU Risk Profile Commentary

- **High Risks:**
  - **Customer Service**
  - **Financial Viability**
  - **Staff.**
- **Significant Risks:**
  - **Brand**
  - **Stakeholder Expectations**
  - **Courses**
  - **Students**
  - **Communication Across CDU**
  - **Cohesion**
  - **Student System.**

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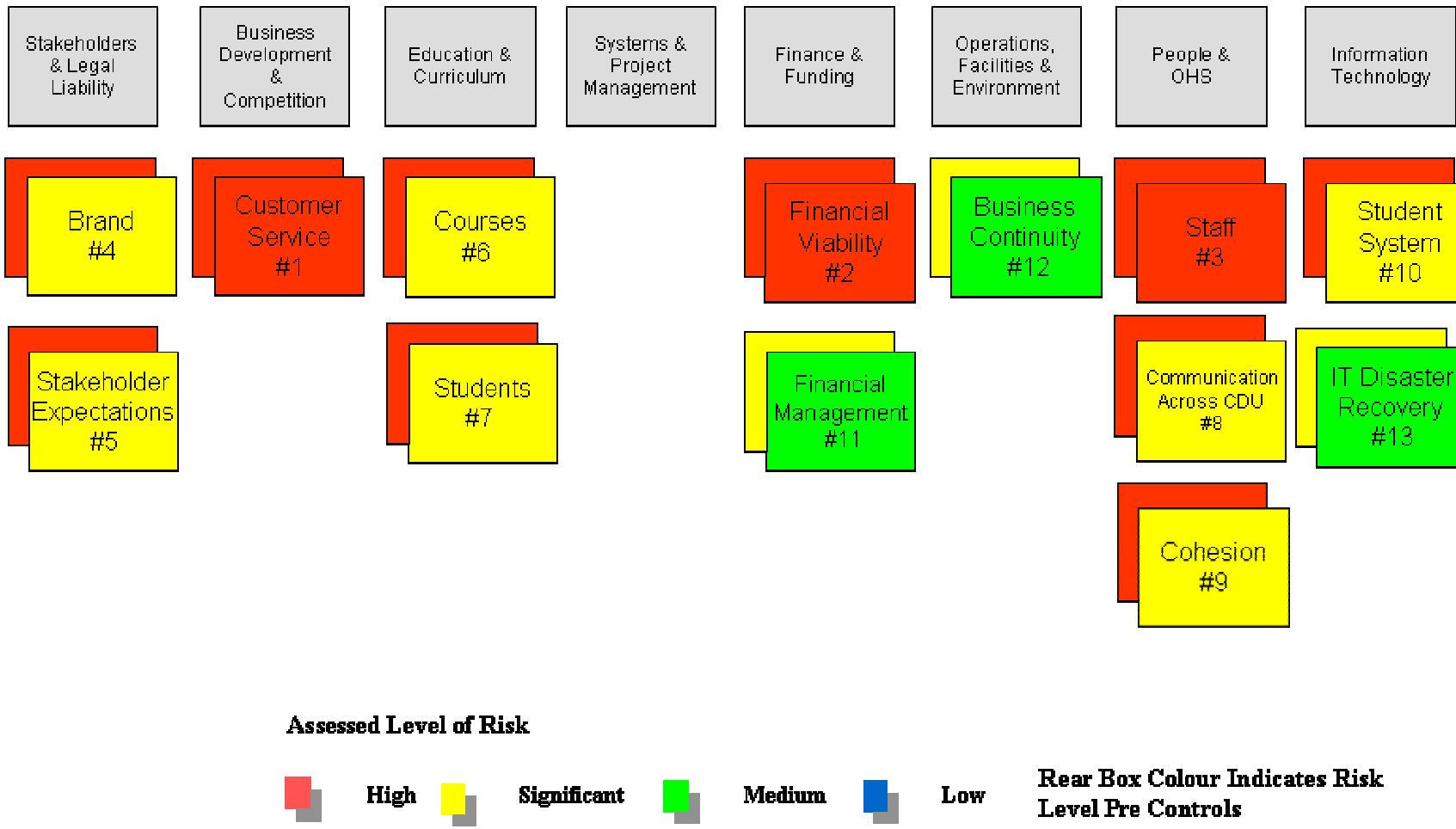
CDU Risk Profile



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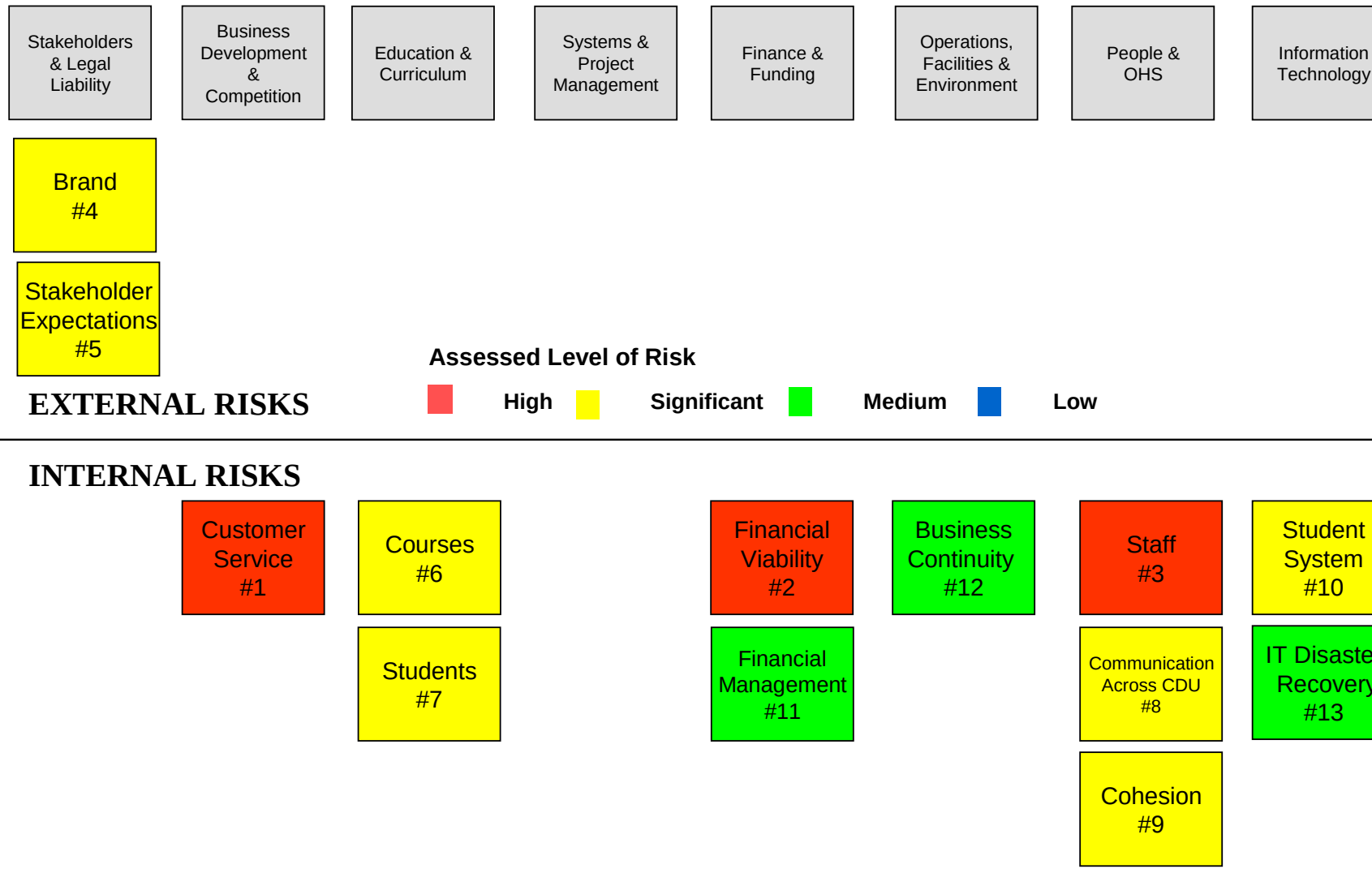
CDU Risk Profile



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E. Risk Register

- The following is the Risk Register, as required by the Risk Management Standard:

No	Reference	Risk Description	Consequence	Likelihood	Risk Score	Risk Level
4	SL1	Brand	4	3	7	Significant
5	SL2	Stakeholder Expectations	4	3	7	Significant
1	B1	Customer Service	5	3	8	High
6	E1	Courses	4	3	7	Significant
7	E2	Students	4	3	7	Significant
2	F1	Financial Viability	4	4	8	High
11	F2	Financial Management	3	3	6	Medium
12	O1	Business Continuity	3	3	6	Medium
3	P1	Key Staff	4	4	8	High
8	P2	Communication Across CDU	4	3	7	Significant
9	P3	Cohesion	4	3	7	Significant
10	IT1	Student System	4	3	7	Significant
13	IT2	IT Disaster Recovery	3	3	6	Medium

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F. Ongoing Risk Management

Best Practice Risk Framework adopted

Risk Management Plan developed.

Risk Management Policy developed.

Risk Actions (refer diagrams following):

- **Risk Assessment leads to Risk Treatment**
- **Risk Owners, Risk Actions and Dates determined**
- **Regular Risk Audit On Actions recommended**
- **Compliance Reviews On Risk Management Process recommended.**

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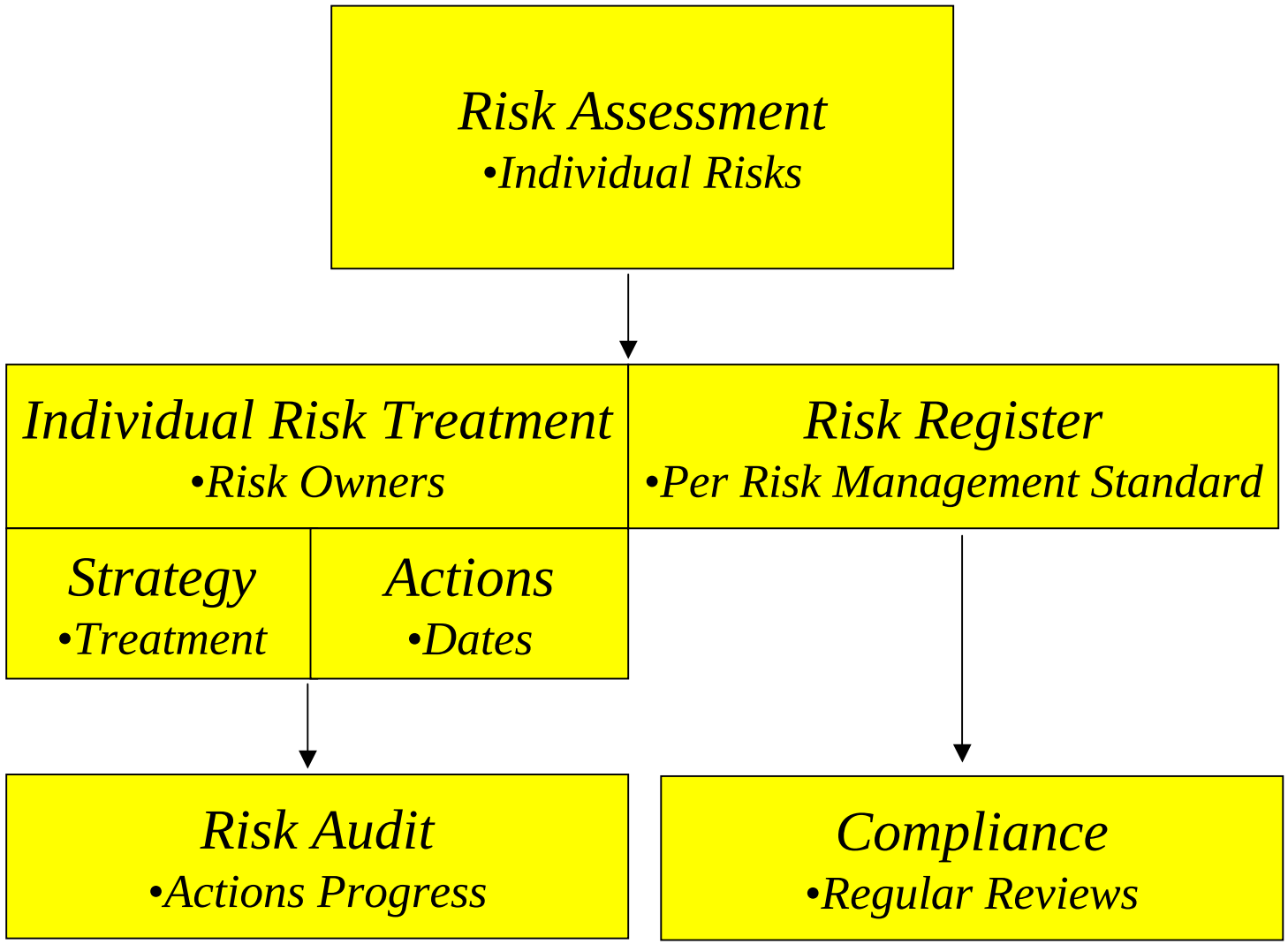
Ongoing Risk Management



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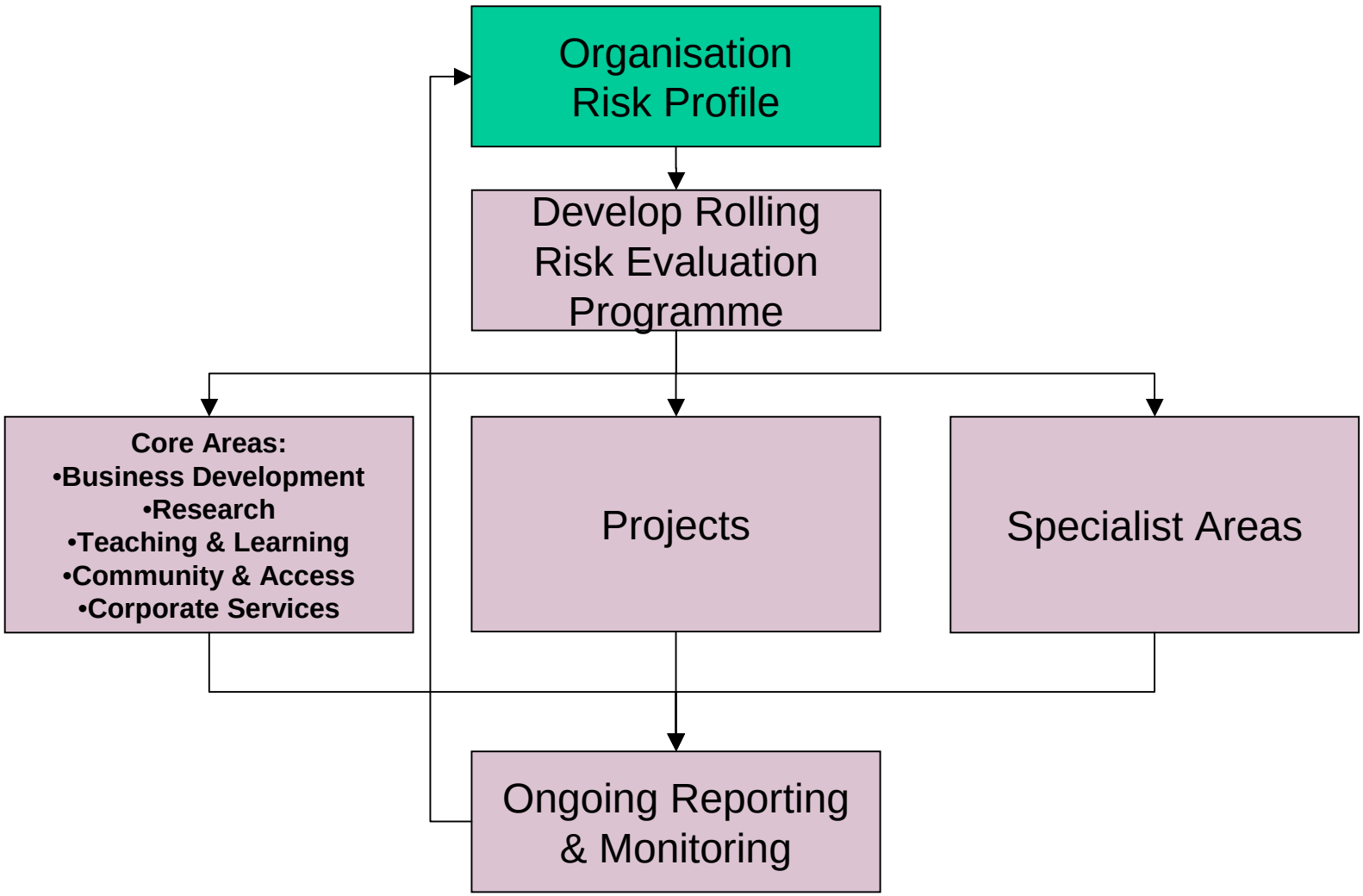
Rolling Risk Programme



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3. Risk Assessment Techniques

- **Levels**
- **Project**
- **Contracting**
- **Procurement**
- **Courses**
- **Specialist**
- **Performance Measurement**
- **Risk Action**

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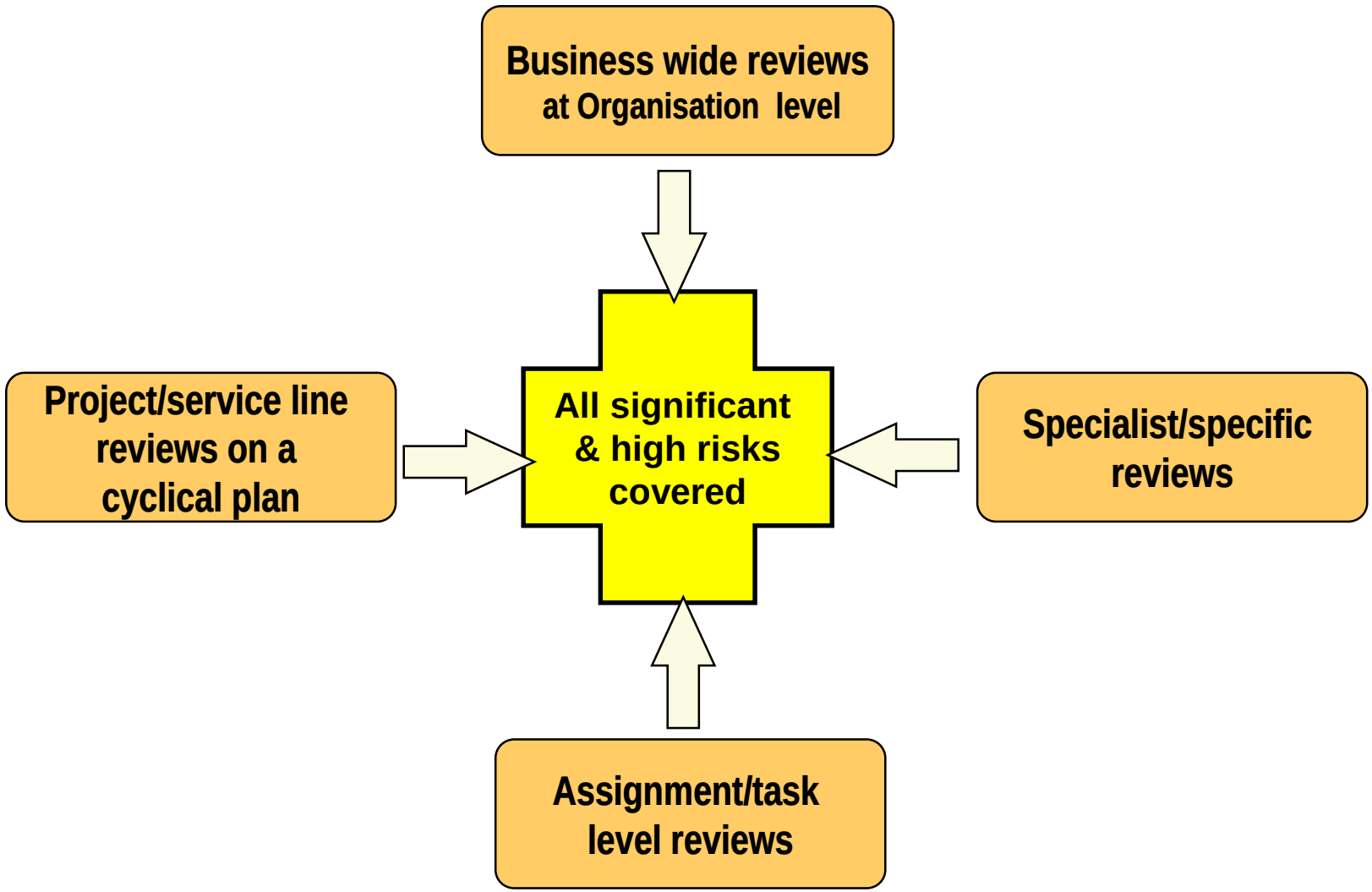
Levels of Risk Assessment



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Project Risk Assessment

- **Objectives:**
  - **On Time**
  - **On Budget**
  - **To Specification/Quality**
  - **With Support**
  - **Compliance**
  - **Safety**
- **Risks:**
  - **Anything Stopping The Achievement Of The Above**

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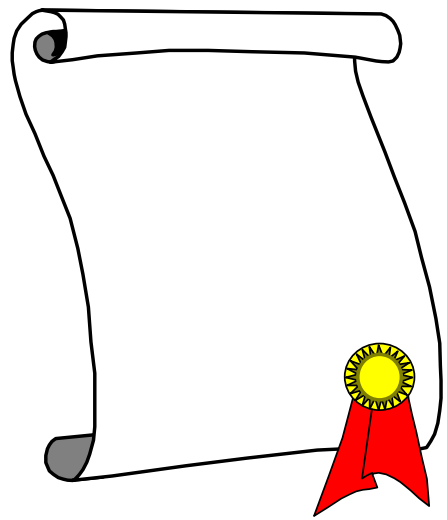
Contract Risk Assessment

- **Categories Of Risk**
- **Liability & Risk Issues**



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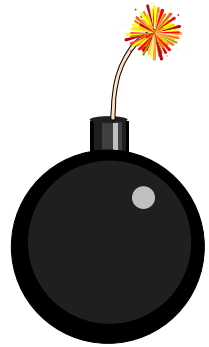
Categories Of Risk



1. **CDU Capacity to Deliver**
2. **Sovereign and Other Risk Arising From Overseas Projects**
3. **Intellectual Property**
4. **Potential Conflict With Other CDU Projects**
5. **CDU Competitive Position**
6. **Environmental Impact**
7. **Potential for Losses And/or Downstream Liabilities**
8. **CDU Credibility/Reputation**
9. **Type and Financial Strength of Client**

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Liability & Other Risk Issues

- **Pre Contract Commitments And Representations**
- **Pricing Decisions & Competitive Neutrality Principles**
- **Conflicts With CDU Objectives**
- **Compliance With Policies/Processes**
- **Budget and Cost Management**
- **Cost Recovery And Debt Collection**

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Procurement Risk Assessment

- **Categories of Risk**
- **Liability Issues**

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Categories Of Risk

1. **History and Development of the Supplier's Business**
2. **Legal Background and Capital Structure of Supplier**
3. **Critical Performance Elements of the Contract**
4. **Supplier Management and Employees**
5. **Commitments, Contingencies and Litigation**
6. **Supplier Financial Viability**
7. **OHS**

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Liability & Risk Issues

- **Uncontracted Contractor Risk**
- **Insurance Waivers**
- **RFI/RTP/RFT Processes**
- **Transparency Of Selection Process**
- **Fair Treatment Of Tenderers And Potential Suppliers**

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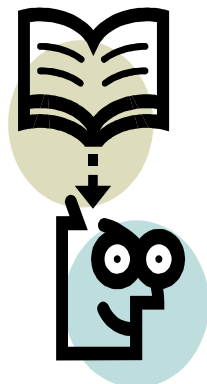
Courses

- Risk Issues:
  1. Accreditation
  2. Student Numbers
  3. Representations
  4. Staffing
  5. Delivery Methods
  6. Course Materials
  7. Costing
  8. Enrolment
  9. Industry Interests
  10. Flexibility & Pathways



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Specialist Risk Reviews

- Fraud
- OHS
- Environment
- IT
- Physical Security
- Business Continuity
- Risk Based Tender Evaluation

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Performance Measurement

- Key Is Risk Owner
- No Shared Risks
- Risk Owner Responsible For The Risk, Not Necessarily The Work
- Development Of Risk Action
- Ongoing Refinement Of:
  - Risk Score
  - Risk Detail
  - Risk Controls
  - Risk Strategies

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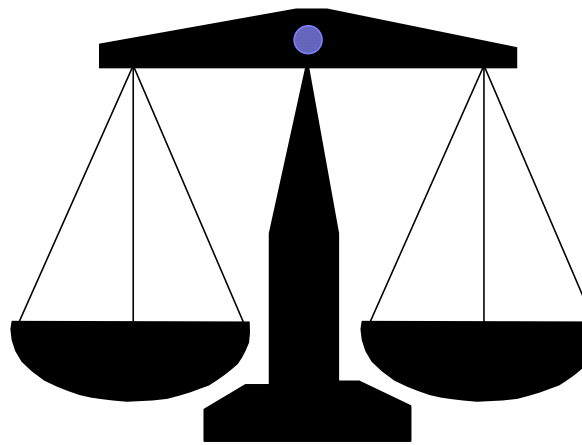
Risk Action

The Risk Action Documents How Risk Treatment Options Are Implemented:

The Action Needs to Include:

- **Responsibilities**
- **Schedules**
- **Expected Outcomes**
- **Budgeting**
- **Performance Measures**
- **Review Process**



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Discussion/Questions

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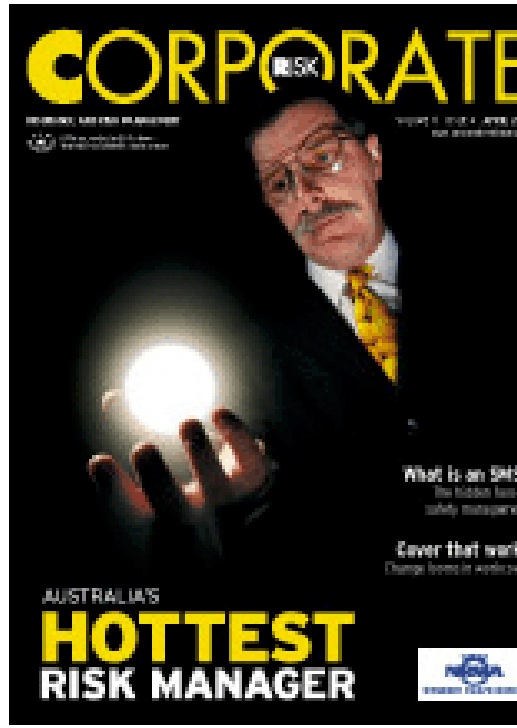
Facilitator - Dennis J Clark



- **Consultant:**
  - **Risk, Audit, Finance, Governance, OHS**
- **Chief Internal Auditor ANSTO**
- **Former Chief Finance Officer DCITA**
- **Former Finance Director IOOF**
- **Former Chief Accountant National Mutual**
- **Former Chief Internal Auditor North Broken Hill**
- **Former Teacher**

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