Risk Management Framework

BOD - Risk Management Framework

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Introduction

Headway Gippsland provides services within the NDIS space. Headway Gippsland provides services to people living in their own private rental / home ownership accommodation.

Headway Gippsland considers that working with people has inherent risks.

All organisations face risks achieving their goals and for Headway Gippsland to deliver its strategic vision to its clients it is important we:

- understand the nature of the risks that we face as an organisation.
- are aware of the extent of these risks.
- identify the level of risk that as an organisation we are willing to accept.
- assess our ability to control or reduce risk; and
- effectively implement corrective action.

The purpose of this framework is to;

- define risk management.
- provide the Board of Directors, management, and staff with a formalised process for identifying and managing risk,
- ensure Headway Gippsland is adequately identifying and managing its risks,
- ensure risks identified are subject to appropriate controls.
- outline our risk management register and controls (Appendix).
- describe our approach to managing risks based on AS/NZS ISO 31000:2009 principles.
- outline roles and responsibilities for risk management within Headway Gippsland

The risk management process is a "systematic application of management policies, procedures and practices to the activities of communicating and consulting, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk." AS/NZS ISO 31000:2009

This risk management framework will help you to understand the things that can go wrong and harm our operations and service provision. It reinforces the requirement to evaluate the possible consequences of actions and decisions, with the objective of implementing procedures that eliminate or reduce risk without stifling innovation.

Effective risk management is the way that we will methodically address and reduce the risks associated with the whole range of service delivery and actions supporting service delivery.

Ultimately, our goal will be to:

- Protect service delivery and its quality.
- Protect the reputation and the image of Headway Gippsland.
- Protect the assets of Headway Gippsland.
- Protect the wellbeing of staff and clients.

- Ensure the integrity of corporate knowledge and information management.

- Ensure probity and sound ethical conduct.

- Avoid financial loss; and

- Manage change appropriately.

Scope

This policy is applicable to the entire organisation and has been developed to support the strategic objectives and direction of Headway Gippsland. This policy framework outlines accountabilities and responsibilities for managing risk and our commitment to providing adequate resources to assess and manage and monitor risk. This policy framework is reviewed annually or sooner if required and is provided to all staff within the organisation.

Policy

Headway Gippsland has in place and will maintain a risk management framework to ensure the business is adequately equipped to identify, assess and manage risks. This will include:

- A risk identification process.

- Process to review the cause of identified risks.

- Identification of risk treatments to take to reduce and/or eliminate risks, where appropriate.

- Review and evaluate the effectiveness of actions taken.

Definitions

Risk	Effect of uncertainty on objectives.
Risk Management	Coordinated activities to direct and control an organisation regarding risk.
Risk Management Framework	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
Risk Management Policy	Statement of the overall intentions and directions of an organisation related to risk management.
Risk Management Plan	Scheme within the risk management framework specifying the approach, the management components and resources to be applied to the management of risk.
Risk Owner	Person or entity with the accountability and authority to manage risk.
Risk Appetite	The amount and type of risk that an organisation is willing to take to meet their strategic objectives.
Risk Assessment	Overall process of risk identification risk analysis and risk evaluation.

Risk Identification	Process of finding recognising and describing risks.
Event	Occurrence or change of a particular set of circumstances.
Consequence	Outcome of an event affecting the objectives.
Likelihood	Chance of something happening.
Risk Profile	Description of any set of risks
Risk Analysis	Process to comprehend the nature of risk and to determine the level of risk.
Risk Criteria	Terms of reference against which the significance of a risk is evaluated.
Level of Risk	Magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood.
Risk Evaluation	Process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable.
Risk Treatment	Process to modify risk
Control	Measure that is modifying risk.
Residual Risk	Risk remaining after risk treatment
Strategic Risk	Any risk which by its nature either has a direct impact upon the achievement of the overall objectives of the organisation rather than any discrete part of it, or which cuts across operational and program boundaries.
Operational Risk	Any risk by its nature has an impact on the achievement of the objectives of any individual programs or service delivery.

Framework For Managing Risks

All organisations face risks to achieving their goals, for Headway Gippsland to deliver its strategic vision it is important that we:

- understand the nature of the risks that we face as an organisation.

- are aware of the extent of these risks.

- identify the level of risk that as an organisation we are willing to accept.

- assess our ability to control or reduce risk; and

- effectively implement corrective action.

Effective risk management is the way that Headway Gippsland will methodically address and reduce the risks associated with the entire range of service delivery and actions supporting service delivery.

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Ultimately, the goal is to:

- Protect service delivery and its quality.

- Protect the reputation and the image of the organisation.

- Protect the assets of the organisation.

- Protect the wellbeing of staff and clients.

- Ensure the integrity of corporate knowledge and information management.

- Ensure probity and sound ethical conduct.

- Avoid financial loss; and

- Manage change appropriately.

The development of this framework has been in accordance with AS ISO 31000:2018 – Risk Management Guidelines. For a framework to be effective, it needs to be integrated into the governance of an organisation, including decision-making and have the following elements:

- **Integration -** Risk management is a part of, and not separate from the organisational purpose, governance, leadership and commitment, strategy, objectives and operations.

- **Design –** Designed around an understanding of the organisation and its context.

- **Implementation –** Implemented into all activities throughout the organisation.

- **Evaluation –** Periodically reviewed and measured to ensure it remains suitable to support achieving the objectives of the organisation.

- **Improvement –** Continually improved to ensure it remains suitable, adequate and effective.

Figure 1
Risk Management framework as per AS ISO 31000:2018 - Risk Management Guidelines

BOD - Risk Management Framework

This framework will assist in communicating risk information, promoting greater awareness and will lead to improved coordination of risk management processes. It will guide Headway Gippsland on how it will identify, evaluate, prioritise, treat and review risks, with a view to maximising opportunities and avoiding, reducing, sharing or eliminating threats. It also identifies how risk management will be monitored and reported.

Organisational Risk Culture

Headway Gippsland is committed to an organisational culture that ensures risk management is an integral part of all activities. The purpose of risk management is to achieve the organisation's strategic organisational and financial objectives.

Risk Management Process

There are six key steps for managing risks as defined by the Standard:

- Communication and Consultation

- Scope, Context and Criteria

- Risk Assessment (identification, analysis, evaluation)

- Risk Treatment

- Monitoring and Review

- Recording and Reporting
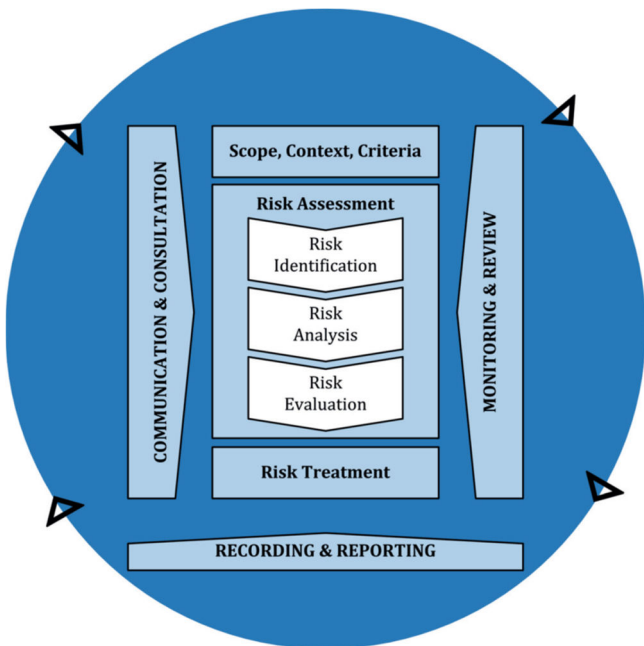
Figure 4
Risk Management Process as per AS ISO 31000:2018 – Risk Management Guidelines

This framework will assist in communicating risk information, promoting greater awareness and will lead to improved coordination of risk management processes. It will guide the Organisation on how we will identify, evaluate, prioritise, treat and review risks, with a view to maximising opportunities and avoiding,

reducing, sharing or eliminating threats. It also identifies how risk management will be monitored and reported.

Risk Appetite

"Risk appetite' is the level of risk that Headway Gippsland is prepared to accept in delivering its key strategic objectives that are outlined in the Strategic Plan.

Internal and external factors, or context, will affect the organisation's risk appetite; that is the level of risk the organisation is willing to retain or pursue, and the setting of the risk criteria and policy. Understanding risk appetite helps to determine what level of risk is acceptable or unacceptable, and the level of additional controls and risk treatment required.

Headway Gippsland's approach to defining risk appetite is to minimise our exposure to reputational, compliance and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of our key strategic objectives. We recognise that our appetite for risk varies according to the activity undertaken, that acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

Headway Gippsland is not averse to accepting risk if a thorough risk assessment has been undertaken and when appropriate contingency plans and risk mitigation strategies to manage or reduce the risk have been developed.

The Context of Headway Gippsland

Headway Gippsland provides human services in a system that includes government funding at a State and Commonwealth level.

Headway Gippsland is aware of external stakeholders including participants, NDIS, funders, partnerships and the community and considers these as part of strategic planning including the development of this risk management framework.

Responsibilities

Board Of Directors

The Board of Directors (BoD) are accountable/responsible for the operation of the business, and this includes the establishment and maintenance of suitable systems of internal control and risk management.

The Board of Directors are supported by the CEO in ensuring that a system for risk management includes:

- Assess the nature and extent of the risk.

- Determine the risk appetite.

- Determine an acceptable level of risk.

- Determine the way to treat risks and

- Monitor the level of risk exposure.

The primary duties of the Board of Directors include:

- Regularly review the Risk Management Framework to ensure it remains relevant to the organisation.

- Monitor the Risk Register and the specified risk treatments for all risks assessed as extreme and high.

- Approve all risk management plans developed for risks identified as "extreme" and "high."

- Monitor risk management plans for all risks with an "extreme" or "high" overall risk rating.

<u>Chief Executive Officer</u>

- Ensure all employees and relevant contractors are aware of, and comply with, the policies, principles and directives contained within this Risk Management Framework.

- Ensure that risks are monitored, reviewed and communicated to relevant areas in the organisation.

- Monitor all risks, including "extreme," "high", "medium" and "low" risks, and the progress of the actions specified in risk management plans.

- Report on any new and emerging risks identified in the workplace.

- Report any new risk assessed as extreme or high to the Board of Directors

- Report to the Board of Directors on the status of all risk management plans on a quarterly basis.

<u>Staff Members</u>

All staff members are required to be aware of and comply with Headway Gippsland policies, principles and directives contained within this policy.

<u>Volunteers/Medical Students</u>

Similarly, volunteers and medical students on placement at Headway Gippsland are expected to make themselves aware of and comply with Headway Gippsland policies, principles and directives contained within this policy.

Risk Identification

Risks can be identified through several ways including:

- Audits

- Complaints

- Client and staff feedback

- Incident Reports and near misses

- Occupational health and safety environmental inspections.

- Risk workshops.

- Changes in legislation

- Changes in funding

Staff members are responsible for participating in maintaining a safe workplace and are encouraged to report risks. We understand that risk can be identified at all levels within the organisation.

All identified risks shall be recorded in the Risk Register maintained by the Chief Executive Officer and monitored by the Board of Directors.

Risk Criteria

The following criteria are used as a guide to determine whether a risk requires further action through the development of a management plan.

Likelihood Rating Criteria	Frequency
Almost certain	Could occur within the next 6 months.
Likely	Could occur within the next 12 months.
Possible	Could occur within the next 2 years.
Unlikely	Could occur within the next 3 years.
Remote	Not likely to occur in the next 5 years.

		Consequence Rating Criteria			
		Catastrophic	*Major*	*Moderate*	*Minor*
Risk Type	*Strategy*	Unable to deliver on Strategic Plan.	Unable to deliver one aspect of Strategic Plan.	Major delay in delivery on Strategic Plan.	Minor delay in delivery on Strategic Plan.
	Reputation/Brand	Legal or Ministerial enquiry.	Adverse National media coverage.	Adverse local media coverage.	Local displeasure.
	Financial	Financial loss exceeding $250,000.	Financial loss between $125,000 and $249,999.	Financial loss between $50,000 and $124,999.	Financial loss up to $49,999.

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		Consequence Rating Criteria			
		Catastrophic	*Major*	*Moderate*	*Minor*
	People/Safety	Fatality of staff or client due whist in a Headway program or service.	Irreversible disability of staff or client due whilst in a Headway program or service.	Significant reversible disability of staff or client whilst in a Headway program or service.	Minor medical attention required.
	Service Delivery/ Quality	Loss of all funding.	Loss of significant program funding for more than one program.	Loss of significant program funding for one program.	Loss of many clients simultaneously.
	Compliance	Severe breach of legislative compliance leading to prosecution.	Breach of legislative compliance leading to an investigation.	Minor breach of legislative compliance leading to request for further information.	Internal identification of breach of legislative compliance leading to internal investigation.

Risk Assessment

Risk assessment in which the likelihood and severity of each risk are simultaneously assessed to produce a risk "rating" as shown in the table below.

		Consequences				
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Likelihood	Almost Certain (5)	6	7	8	9	10
	Likely (4)	5	6	7	8	9
	Possible (3)	4	5	6	7	8
	Unlikely (2)	3	4	5	6	7

	Rare (1)	2	3	4	5	6

Legend

Extreme Risk
High Risk
Moderate Risk
Low Risk

Risk Management Plans

A Risk Management Plan should be developed when there is a new or different activity introduced. The Plan should include the following information:

- Identified risk.
- Risk rating.
- Description of the risk
- Causes, current controls and audit measures
- New actions
- Reporting and monitoring required.

References

Related Policy & Procedures

Occupational health and safety policy

Risk management procedure.

Financial management procedure

Incident reporting procedure

Relevant Legislation & Standards

AS/NZS ISO 31000:2009, Risk management - Principles and guidelines

Department Of Health & Human Services

• Standards 3.2, 3.3, 3.5, 4.1

National Standards Disability Services

• Standard 6

Appendix

Risk Register