SOUTHERN CROSS UNIVERSITY
RISK MANAGEMENT POLICY

1.1 Policy Title: **RISK MANAGEMENT**

1.2 Policy Number: **GO004** **1.3 Revision Number:**

1.4 Descriptors: POLICY STATEMENT
DECLARATION
DESCRIPTION
DEFINITIONS
RELATED POLICIES, DOCUMENTS ETC
ADMINISTRATIVE PROCEDURES
RESPONSIBILITIES
ANNEXURES

POLICY STATEMENT

2.1 Policy Declaration:

The Southern Cross University (**"the University"**) Council has approved the introduction of Risk Management across all University activities. The University shall manage Risks continuously using a step-by-step process involving the identification, analysis, evaluation, treatment, monitoring and review of risks as defined under this Risk Management Policy (**"the Policy"**).

This Policy confirms the University's commitment to embedding a Risk Management philosophy as part of its everyday working environment.

Institutional Context

Risk in the institutional context involves both strategic risk, associated with the University's function and objectives, and operational risk, arising from day-to-day activities.

Risk is inherent in all academic, administrative and business activities of the University and every member of the University is responsible for the adoption of sound Risk Management practices within their particular area of responsibility.

The University recognises that the aim of Risk Management is not to eliminate Risk completely, but rather to provide the structural framework to effectively manage the Risks involved in all University activities.

The degree of Risk the University faces at any one time is the combination of the likelihood of an event occurring and the severity of the consequences should it occur.

The University acknowledges that Risk Management is an essential element for good corporate governance and good management practice. A strategic and formal approach to Risk Management will improve decision making, encourage positive outcomes and enhance accountability.

An effective Risk Management procedure also provides the opportunity for management to develop or enhance an organisational culture based on ethical values consistent with those expected of all public sector organisations and employees.

Risk Management is focused on identifying, evaluating, controlling and managing Risks. It is not a constraining concept. Risk Management is as much about identifying opportunities as avoiding or mitigating losses. It allows the University to seek and take advantage of opportunities to achieve improved outcomes and outputs by ensuring that any risk taken is based on informed decision-making, realistic and measurable objectives and sound analysis of possible outcomes.

The Risk Management Process should be included within all business activities of the University to ensure that the University's corporate goals and objectives are delivered properly. To achieve this, Risk Management must be an integral function for all managers within the University.

Managing Risk provides opportunities for managers and staff at every level to continuously improve performance in meeting the challenges of effective University management.

The University recognises that staff responsible for managing Risk may require training and support in exercising those responsibilities and is committed, through the Business Manager (Corporate Services), to providing that training and support.

2.2 Policy Description:

Objectives:

The purpose of this Policy is not to eliminate Risk, but rather to provide the structural framework to effectively manage the Risks involved in all University activities in order to maximise opportunities and minimise adversity and to achieve improved University outcomes and outputs based on informed decision making.

This Policy has been created to achieve the following:

- establish a framework within which the University will comply with the Australia/New Zealand Standard for Risk Management AS/NZS 4360:2004 (**"the Standard"**);

- provide a consistent approach to Risk Management in which Risks related to the objects and functions of the University will be identified, evaluated, managed, reviewed and addressed in approval, review and control processes;

- compliance with relevant legislation;

- confirm the University's commitment to Risk Management and establish the responsibility for and authority of staff to perform and verify work affecting Risk Management ;

- foster an environment where staff assume responsibility for managing Risks;

- implement Risk Management across the University in accordance with the Standard;

- integrate Risk Management into the management culture of the University;

- provide a structured basis for strategic planning;

- encourage proactive rather than reactive management;

- assist in safeguarding the University's assets, staff and students, finances, property and reputation;

- improve the quality of decision making throughout the University;

- reduce costs through better targeted and more effective controls.

Content and Implementation:

Southern Cross University adopts the Risk Management approach and general methodology specified in the Standard. All University business processes, commercial activities and functions must adopt a Risk Management approach consistent with the Standard. The University's Risk Management approach and methodology, as approved by the Vice-Chancellor from time to time, is set out in this Policy (see Annexure A).

The Business Manager (Corporate Services) will provide ongoing professional development and educational support to accompany the implementation of this Policy. The Business Manager (Corporate Services) has the responsibility for initiating alterations to the guidelines and administrative procedures of this Policy.

Scope:

The Policy shall be applied to decision making through all levels of the University and in relation to any function or activity likely to have any significant impact on the University's operations, irrespective of the level of financial exposure.

The Policy is applicable to all areas of the University including:

- Divisions, Schools and other academic units;

- Centres and institutes;

- Directorates and other administrative units;

- Controlled entities and entities that are derived from the University's legal status.

All staff members of the University must comply with this Policy.

The University shall apply the Policy:

- in planning and when decisions are to be made including, but not limited to, the following:

    - contracting (whether for goods, services or research) with a consideration in excess of $50,000;

    - academic consulting through the University or Norsearch;

    - capital procurement including strategic IT initiatives;

    - outsourcing, partnering or shared service arrangements of functions;

    - new academic arrangements, whether onshore or offshore;

    - community events held on University property or those sponsored by the University;

    - undertaking University business in public places;

    - co-operative research agreements and commercial and/or research arrangements with third parties;

    - conducting clinical research and other clinical work;

    - major fundraising activities; and

    - commercialisation of intellectual property;

and

- when developing new strategies and procedures;

- when reviewing existing strategies and procedures;

- when managing products;

- when introducing significant change; and

- in the management of sensitive issues.

2.3 Definitions:

The key definitions for this Policy are as follows:

"Consequence" is the outcome of an event or situation, expressed qualitatively or quantitatively, being a loss, injury, disadvantage or gain. There may be a range of possible outcomes associated with an event.

"Corporate Governance" is a term which refers to the way in which the University is directly controlled in order to achieve its strategic goals and operational objectives. The controlled environment makes the organisation reliable in assisting it in achieving its goals and objectives within an acceptable degree of risk. Corporate Governance aims to ensure a high standard of accountability at all levels of the University and as such enables the University's accountable officer, the Vice Chancellor, to exercise his accountability in law. Corporate Governance holds an organisation together in pursuit of its objectives through implementing programs and reforms in accordance with legislation.

"Likelihood" is a qualitative description or synonym for probability or frequency.

"Risk" is the chance of something happening which will have an impact upon the University's objectives. It is measured in terms of *consequence* and *likelihood*.

"Risk Analysis" is a systematic use of available information to determine how often specified events may occur (likelihood) and the magnitude of their impact (consequence). Likelihood and consequence may then be compared to a predetermined scale (the Risk Matrix) to produce an estimated level of risk.

"Risk Assessment" is the overall process of risk analysis and risk evaluation.

"Risk Categories" include, but are not limited to, the following: occupational health & safety, legal, tax, compliance and financial risks as well as reputational, ethical, governance, privacy, quality and environmental categories.

"Risk Evaluation" is the process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria. Individual risks are rated according to a scale determined by the organisation and the rating is then compared against the organisation's predetermined risk rating matrix. The need for action and the urgency of such action is directed by this process.

"Risk Identification" is the process of determining what can happen, why and how.

"Risk Management" means the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the University environment.

"Risk Management Process" is the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks.

"Risk Management Framework" is the structure within the University that supports the risk management practice, reporting, responsibilities and accountabilities on all organisational management levels. This is a description of streams of accountability and reporting that will support the risk management process within existing organisational structures.

"Risk Register" is used to help minimise risk and is an all-embracing document which highlights the area of risk and what is done to minimise the exposure to the risk. See Annexure "B".

"Risk Tolerance" is the level of risk deemed (usually by the governing body) acceptable to the organisation, where no further treatment is required to reduce either the likelihood of an occurrence or its consequence, or both.

"Risk Treatment" is the selection and implementation of appropriate options for dealing with risk which involves one or more of the following strategies:
- Avoid the risk;
- Reduce the likelihood of occurrence;
- Reduce the consequence of occurrence;
- Transfer of the risk;
- Retain/accept the risk.

"Risk Transfer" means shifting the responsibility for all or part of the burden or loss to another party through legislation, contract, insurance or other means. Risk transfer can also refer to shifting the physical risk, or part thereof, elsewhere.

"Stakeholders" are those people and organisations who may be affected by, or perceive themselves to be affected by, a decision or activity.

"Streams of accountability" are the major areas within the University that are accountable for and report on an area of service or service support. This enables the risk management process to be applied within the current organisational structures.

2.4 Related Policies, Documents, Legislation and Strategic Priorities

a)   Australian/New Zealand Standard for Risk Management AS/NZS 4360:1999

b)   SCU Policy and Procedures for the Approval of Commercial Activities

c)   Risk Management Committee of SCU Council – Terms of Reference

d)   SCU Code of Conduct

e)   Fraud & Corruption Prevention Policy & Procedures

f)   Legal Compliance Policy & Procedures (under development)

g)   Contracts Management Policy & Procedures (under development)

h)   Outside Work Policy & Procedures

PROCEDURES

3.1   Administrative Procedures

- No contract, agreement or obligation shall be bound upon the University without a prior risk assessment, and clearance, from a legal, financial and insurance perspective, by the University Legal Officer, Business Manager (Corporate Services), Director (Financial & Business Services) or other relevant University Executive member, officer or committee.

- All staff must take reasonable care of University property at all times, report all incidents, complaints, losses and near misses involving University property, and incidents involving visitors and students including, but not limited to, injuries or potential hazards.

- All staff must comply with the Risk Assessment process prior to recommending that the University enter into proposed joint ventures, contractual arrangements or any activities that may significantly affect the University's reputation or incur a legal liability.

- Business units of the University shall manage all of the Risks for which they are responsible. The Risk Management Process will follow that of the Standard and include documenting and reporting of the Risks and the associated management strategies.

- Risk Management training and awareness is to be incorporated into the induction process for all senior appointments to the University and be ongoing for all members of staff.

RESPONSIBILITIES

4.1   **i) Policy Contact Officer:**   Peter CORDERY
Business Manager, Corporate Services
Office of the Executive Director (Corporate Services)
Telephone: (02) 6620 3696   Fax: (02) 6620 3692
Email: pcordery@scu.edu.au

   ii) Policy Manager: EXECUTIVE DIRECTOR (Corporate Services)

   iii) Policy Custodian: COUNCIL

   iv) Approving Authority: COUNCIL

4.2   **Policy Level: Governance**   **4.3**   **Policy Category: GO Governance**

4.4   **Approval Date: 24 September, 2005**   **4.5**   **Review Date: September 2010**

ANNEXURES

Annexure "A"   The University's Risk Management Approach and Methodology

Annexure "B"   The Risk Register (pro forma)

ANNEXURE "A"

THE UNIVERSITY'S RISK MANAGEMENT APPROACH AND METHODOLOGY

Risk Management at Southern Cross University

Overview

The University will maintain procedures to provide a systematic view of the Risk faced in the course of its academic, administrative and business activities. Where appropriate, these procedures will be consistent with the Australia/New Zealand Standard for Risk Management AS/NZS 4360:1999.

Risk Management Outcomes

Effective risk management leads to:
- more informed decision-making;
- business continuity planning;
- disruptions being minimised;
- better utilisation of resources;
- a strengthening of the culture of continuous improvement;
- best practice;
- a quality organisation.

Principles

The guiding principles of Risk Management within the University are:

- Corporate Governance and Risk Management

  Risk Management is an integral component of effective Corporate Governance and builds upon transparent and accountable processes consistent with sound business practice towards the effective management of potential opportunities and adverse effects. Risk Management is applied to the development and implementation of policy, plans and future directions of the University.

- Executive and Management Committee

  The Chancellor, Vice Chancellor and management at all levels of the University are committed to the proactive management of all Risks in a systematic way in order to enhance the operation of one organisation 'providing the best possible outcomes for University students and staff'. The Risk Management Process makes a significant contribution towards establishing the priorities for action and the allocation of resources. Managers at all levels of the University are accountable for Risk Management.

- Culture of Risk Management

  All staff are committed to ensuring that their decisions are based on a reasonable analysis of feasible Risks, opportunities and their associated impact on the implementation of University strategies and the attainment of University goals.

- Review and Monitoring of Risks

Formal mechanisms for review and monitoring are in place to measure and benchmark the effectiveness of Risk Management throughout the University and at all governance and management levels.

- Reporting of Risk Management Processes

Risk Management includes a risk management information system that communicates and reports on risks that have been identified, together with risk analysis, evaluation, prioritisation and treatment options.

- Tolerable Level of Risk

Treatment options enable the management of identified Risks at a tolerable or acceptable level within financial and/or other policy constraints. All Risks can never realistically be eradicated. Risk Management provides tools for managing risks at a tolerable level determined through a systematic and documented risk analysis. The tolerable level of Risk is that deemed (usually by the governing body) acceptable to the organisation, where no further treatment is required to reduce either the likelihood of an occurrence or its consequence, or both.

- Opportunity

Risk Management allows the University to take advantage of opportunities to improve its outcome and outputs by ensuring that any Risk taken is based on informed decision making and on realistic analysis of possible outcomes.

Responsibilities

- General

Every staff member of the University is responsible for effective management of Risk including the identification of potential Risks. Risk Management Processes should be integrated with other planning processes and management activities. All staff should actively participate in identifying potential Risks in their area of responsibility and operations and contribute to the implementation of appropriate treatment actions. This Policy is not to relieve the University's responsibility to comply with other legislation and/or regulations.

- Governance

The Vice-Chancellor will be responsible on behalf of the University Council in ensuring that a Risk Management system is established, implemented and maintained in accordance with this Policy.

The Risk Management Committee of the University Council will be responsible for the oversight of the processes for the identification and assessment of the general Risk spectrum, reviewing the outcomes of Risk Management Processes, for advising the Council as necessary and for the identification and assessment of the strategic level Risk environment.

The University's Internal Auditors will undertake reviews to ensure compliance against this Policy and provide regular reports to Executive and to Council through the Audit Committee.

- Senior Executive

The Vice-Chancellor has delegated responsibility for oversight and implementation of this Policy to the Executive Director (Corporate Services). The Senior Executives of the University are accountable for strategic Risk Management within areas under their control. The Senior Executives of the University will ensure Risk Management is embedded into the key controls and approval processes of all major business processes and functions of the University.

- Executive Deans, Heads of School, Heads of Research Centres and Institutes and Administrative Directors

Executive Deans, Heads of School, Heads of Research Centres and Institutes and Administrative Directors are accountable to the Vice-Chancellor for:

- Implementation of the Policy within their respective areas of responsibility;

- Annual reporting on the status of the risk register, insofar as it impacts on their respective responsibilities; and

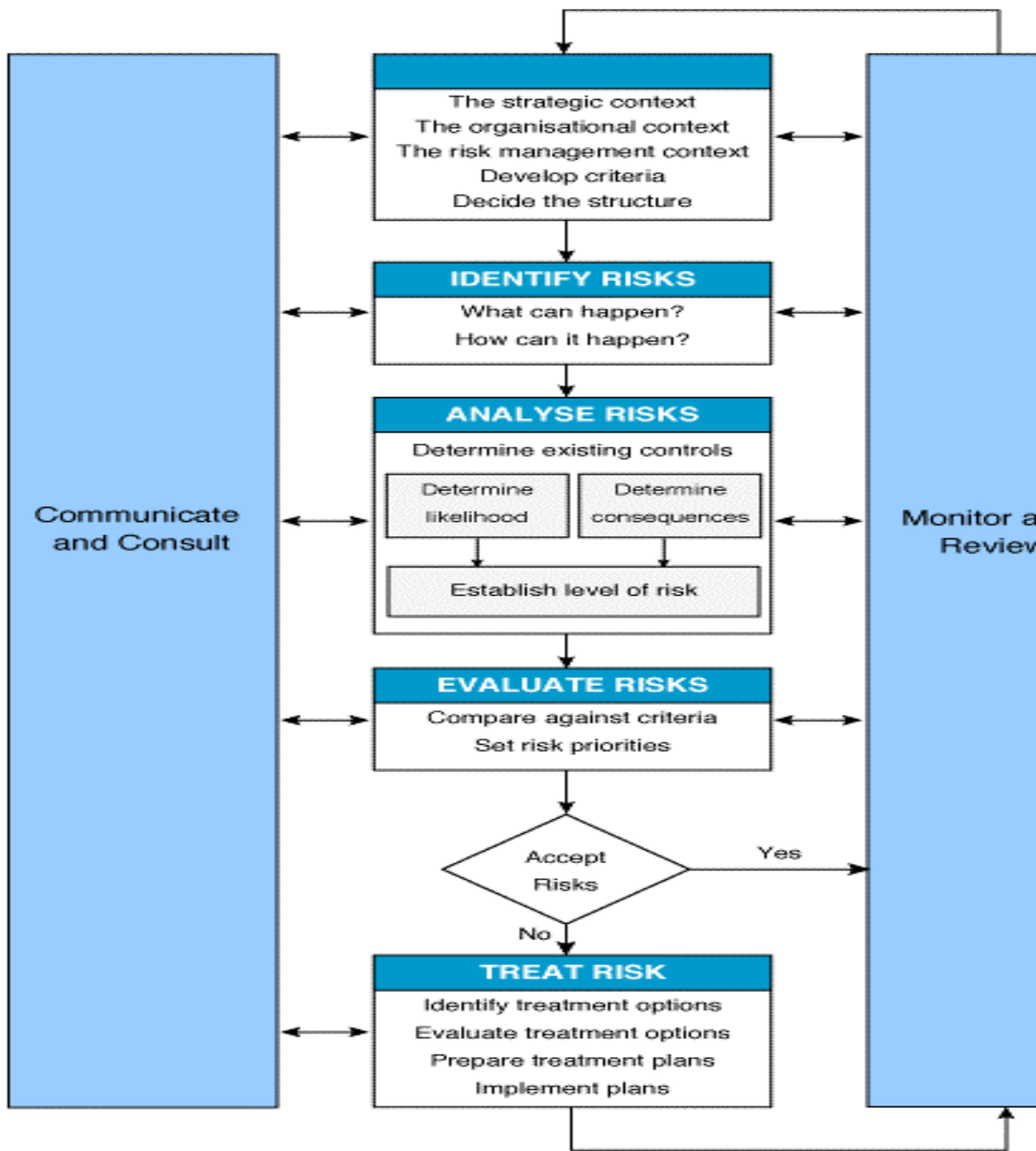- Ensuring compliance with risk assessment procedures.

The Process

The main elements of the Risk Management Process at Southern Cross University are:

- **Establish a context**. This is a strategic, organisational and Risk Management context in which the Risk Management Process of the University will take place. Criteria against which Risk will be evaluated should be established and the structure of the analysis defined.

- **Identify Risks**. This is the identification of what, why and how things can arise as the basis for further analysis.

- **Analyse Risk.** This is the determination of existing controls and the analysis of Risks in terms of consequence and likelihood in the context of those controls. This analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequence and likelihood may be combined to produce an estimated level of Risk.

- **Evaluate Risks.** This is a comparison of estimated Risk levels against pre-established criteria. This enables Risks to be ranked to identify management priorities. If the level of the Risk established is low, then Risk may fall into an acceptable category and further treatment may not be required.

- **Treat Risks.** Lower priority Risks may be accepted and monitored. For other Risks, the University is required to develop and implement a specific Risk Management plan including funding considerations.

- **Monitor and Review.** This is the monitoring, oversight and review of the performance of the Risk Management system and any changes that might affect it. Monitoring and Review occurs concurrently throughout the Risk Management Process.

- **Communicate and Consult.** 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 of a whole.

The Risk Management Process is depicted in the following diagram:

The strategic context
The organisational context
The risk management context
Develop criteria
Decide the structure

IDENTIFY RISKS

What can happen?
How can it happen?

ANALYSE RISKS

Determine existing controls

Determine likelihood | Determine consequences

Establish level of risk

EVALUATE RISKS

Compare against criteria
Set risk priorities

Accept Risks

Yes

No

TREAT RISK

Identify treatment options
Evaluate treatment options
Prepare treatment plans
Implement plans

Communicate and Consult

Monitor and Review

The University Context

In a tertiary institution context, risks might include, but not be limited to:
- failure of an education program to attract students
- failure of a research or business project to reach objectives
- student, staff or client dissatisfaction
- a threat to the environment of the institution or elsewhere
- a threat to the physical safety of persons within the campus
- breaches of security
- criminal, fraudulent or corrupt activities
- poor management practices
- damage to property
- failure of essential services or business/administrative systems
- changes to government funding policies
- international monetary policy
- market competition, trade practices implications
- legal risk, breach of contract
- academic and research reputation
- clinical trials and other clinical work
- foreign students
- offshore activities
- student industrial visits, field trips, work placements
- joint ventures, partnerships
- intellectual property rights
- employment practices (eg tenure, casual employment etc).

The consequences could be described as the effects on people (staff, students, visitors), the institution's business (education programs, research programs, business activities, external relationships), the environment and the institution's economy (financial stability, funding, costs etc).

Risk Categories at Southern Cross, include but are not limited to:

Academic	Industrial Issues
Assets	Insurance
Associated Entities	International Activities
Audit & Financial	Intellectual Property
Business Practices	Information Technology
CHEC	Legal & Compliance
Copyright	Library
Corporate Information Systems	Management Practices
Demand	Occupational Health & Safety
Document & Record Management	Other Campuses
Entrepreneurial Activities	Privacy
Environment (Built & Natural)	Quality
Equity & Access	Reputation
Ethics (Animal & Human Experimentation)	Research
Residential Services	Safety & Security
Events	Student Bodies
Governance	Student Services & Support

Risk Likelihood Descriptors (NB: Under constant review; subject to change)

Rating	Description	Likelihood of Occurrence
1	Rare	Highly unlikely, but it may occur in exceptional circumstances. It could happen, but probably never will.
2	Unlikely	Not expected, but there's a slight possibility it may occur at some time.
3	Possible	The event might occur at some time as there is a history of casual occurrence at the University &/or similar institutions.
4	Likely	There is a strong possibility the event will occur as there is a history of frequent occurrence at the University &/or similar institutions.
5	Almost Certain	Very likely. The event is expected to occur in most circumstances as there is a history of regular occurrence at the University &/or similar institutions.

Risk Consequence Descriptors (NB: Under constant review; subject to change)

Rating	Description	Financial Impact	Clients & Staff Health & Safety	Business Interruption	Reputation & Image	Corporate Objectives
1	Insignificant	Minimal financial loss; Less than $300K	No or only minor personal injury; First Aid needed but no days lost	Negligible; Critical systems unavailable for less than one hour	Negligible impact	Resolved in day-to-day management
2	Minor	$300K to $2M; not covered by insurance	Minor injury; Medical treatment & some days lost	Inconvenient; Critical systems unavailable for several hours	Adverse local media coverage only	Minor impact
3	Moderate	$2M to $5M; not covered by insurance	Injury; Possible hospitalisation & numerous days lost	Client dissatisfaction; Critical systems unavailable for less than 1 day	Adverse capital city media coverage	Significant impact
4	Major	$5M to $10M; not covered by insurance	Single death &/or long-term illness/disability or multiple serious injuries	Critical systems unavailable for 1 day or a series of prolonged outages	Adverse and extended national media coverage	Major impact
5	Catastrophic	Above $10M; not covered by insurance	Fatality(ies) or permanent disability or ill-health	Critical systems unavailable for more than a day (at a crucial time)	Demand for government inquiry	Disastrous impact

The Risk Rating Matrix (NB: under constant review; subject to change)

CONSEQUENCE	Insignificant		Minor		Moderate		Major		Catastrophic	
LIKELIHOOD										
Almost certain	M	5	M	10	H	15	E	20	E	25
Likely	L	4	M	8	H	12	H	16	E	20
Possible	L	3	M	6	M	9	H	12	H	15
Unlikely	L	2	L	4	M	6	M	8	M	10
Rare	L	1	L	2	L	3	L	4	M	5

Generally, LOW = 1 – 4;   MODERATE = 5 – 11;   HIGH = 12 – 16;   EXTREME = 17 - 25

Risk Rating Descriptors (NB: under constant review; subject to change)

Rating	Description	Required Action
L	Low	**Acceptable:** Unlikely to require specific application of resources; Manage by routine procedures. Monitor and review.
M	Moderate	**Acceptable:** Unlikely to cause much damage and/or threaten the efficiency and effectiveness of the program/activity; Treatment plans to be developed and implemented by operational managers. Manage by specific monitoring or response procedures.
H	High	**Generally not acceptable:** Likely to cause some damage, disruption or breach of controls. Senior management attention needed and management responsibility specified; Treatment plans to be developed and reported to Deans, Exec Director/PVC or Vice-Chancellor.
E	Extreme	**Not acceptable:** Likely to threaten the survival or continued effective function of the program or the organisation, either financially or politically. Immediate action required; Must be managed by senior management with a detailed treatment plan reported to Deans, Exec Director/PVC, Vice-Chancellor and Council.

Risk <u>Treatment</u> Options

Accept/Retain
- Allocate appropriate funding to finance the retained risks if it cannot be avoided, reduced or transferred, or where the cost involved is not justified.

Reduce Likelihood &/or Consequence
- Decrease the possibility of the risk occurring &/or the adverse impacts of the risk if it does occur:

    Possible actions to reduce **likelihood** include: review of requirements, specifications, design and operations; inspection and process controls; project management; preventative maintenance; quality assurance, management and standards; technological research and development; structured training and other programs; supervision.

    Possible actions to reduce **impact** include: contingency or crisis management planning; business continuity planning; fraud control planning; relocation of an activity and resources, public relations.

Transfer
- Involve another party in sharing all or part of the risk by the use of contracts, out-sourcing, insurance, joint ventures, partnerships etc.

Avoid
- Where practicable, do not proceed with an activity that is likely to generate an unacceptable risk.

ANNEXURE "B"

RISK REGISTER PRO-FORMA

Risk Profile

*Prior to commencing this exercise it is essential for the various descriptors (meanings) for the Risk Likelihood, Consequence and Rating scales to be decided upon, along with an indication of the Acceptable risk level for the organisation

Risk Category	Risk Description	Cause of Risk	Risk Likelihood*	Risk Consequence*	Inherent Risk Rating*	Controls on Risk	Risk Likelihood	Risk Consequence	Residual Risk Rating	Action Plan*
Categories include: Academic Financial OH&S Governance IT Com'cial Activities etc	This is a brief description of the risk being analysed eg Failure to deliver high quality programs; Overpaying provider of external service	It is important to know the cause(s) of a risk in order to develop strategies to mitigate that risk eg Failure to deliver high quality programs might result from: Inadequate or poorly allocated resources; Inability to attract quality staff; Inappropriate/ irrelevant curriculum etc Overpaying a supplier could occur because of: Fraudulent provision of excess invoices; Failure to adequately monitor payments; Inadequate policy & procedures etc	This is an assessment of how likely the risk is to occur <u>before</u> controls are in place eg Rare to Almost Certain, based on pre-determined descriptors	This is an assessment of how serious the impact would be if the risk occurred eg Insignificant to Catastrophic, and this can be in financial reputational, personal safety etc terms	A pre determined scale (matrix) gives an un-controlled risk rating from Low to Extreme based on these (see previous) Likelihood & Consequ-ence assessments	What is being done to reduce the Likelihood &/or Consequences of the risk is shown here and these actions (policies, procedures, reviews, inspections etc) should be directed towards the previously identified cause(s) of that risk	This is a re-assessment of how likely the risk is to occur now, <u>after</u> controls are in place and their effective-ness is considered	This is a re-assessment of how serious the impact now is, again, <u>after</u> the existing controls are considered	Using the same scale as previous-ly, the 'left-over' risk is now rated for acceptab-ility or to indicate that further action is required	If further action is required (ie the level of risk remains unaccept-able even after controls are in place), that action is shown here along with the respons-ible entity & timeframe for action