Risk Management

First Produced:	16/11/2015	Authorisation:	Te Kāhui Manukura (TKM)
Current Version:	31/10/2022		Audit & Risk Committee
Past Revisions:	16/12/2016, 27/06/2017		Endorsement
Review Cycle:	3 years	Officer	Executive Director – Operations
Applies From:	Immediately	Responsible:	(ED – Ops)

Major changes/additions since the last version was approved are indicated by a vertical line in the left-hand margin.

1   Introduction

Ara Institute of Canterbury (Ara) recognises that the nature of our activities and the environment in which we operate expose us to risk. Risks occur in many ways and have the potential to impact on the operation or success of our organisation. Ara has made a commitment to manage risk to ensure that its objectives, goals, and purpose outlined in its *Strategic Plan* (Big 5) are achieved.

1.1   Purpose

The purpose of this policy is to provide clarity for Ara colleagues, Board, and contractors on their responsibilities to identify, assess, mitigate, monitor, and report on risks, and to provide supporting documentation for Managers and Heads of Department.

1.2   Scope and Application

This policy applies to all Ara colleagues, the Board, and contractors in all areas of operations within Ara.

Key Risk Register - Ara Senior Management, the Board, and Audit & Risk Committee oversee the Key Risk Register, in relation to Ara's internal and external environment. In addition to that there are a number of other risk dimensions that have their own established procedures. They are:

Health and Safety risks are managed through the Health and Safety Charter, Health and Safety Policy, and Hazard & Risk Management procedure to meet specific legislative requirements.

Financial risks are covered by a *CPP311 Treasury* policy which considers financial and related risk. Ara makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks. **Capital Works projects** are managed through the Project Management Office. Post project inception a risk workshop is held that establishes the initial risk register for a project. These are maintained by the external project managers and reported on monthly. Changes to risks are identified in the project progress report and discussed at the monthly Project Control Group meeting. For larger or more complex projects, specific risk workshops are held in order to have a major review of the risk register, this is also done at the start of the construction phase. A standard register format and scoring method is used throughout the projects.

Information and Systems Strategy projects, plus any other projects being managed by the Project Management Office, have a standard reporting framework. This framework contains a risk register and for each project this is maintained from project inception and reported to the Project Control Group on a monthly basis.

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1.3 Formal Delegations

a   Refer to Schedule 1: Roles and Responsibilities.

1.4 Definitions

a   **Risks** are uncertain future events that could impact on the organisation's ability to achieve its goals and objectives. Risk is assessed in terms of a combination of the impact and likelihood of an event occurring.

b   **Key Risks** are identified and reviewed quarterly. The Board, through the Audit and Risk Committee, monitors the management of key risks through the Risk Register.

c   **Risk Management** is the process through which risk is managed and includes risk identification and reporting through to risk mitigation and allocating risk ownership.

d   **Risk Management Procedures** incorporate the policy, process and supporting templates, guidelines and forms that enable good risk management practice.

e   **Internal controls** are the processes, policies and procedures put in place by management to safeguard assets, promote accountability, increase efficiency and stop fraudulent behaviour.

f   **Risk Ratings** are used to determine the likelihood and impact of an event occurring. The ratings are:

     i   **Extreme and Major** - serious risks that have a highly undesirable impact and high to certain likelihood of occurring. An extreme event would normally involve the Board management time. A major event would normally involve Chief Executive management time.

     ii   **Significant** - risks that will have an undesirable impact on the operational, reputational, financial or strategic effectiveness of the organisation and there is a high possibility of it occurring. A signification risk would involve Executive Director management time.

     iii   **Moderate** - risks that may have an impact on the operational, reputational, financial or strategic effectiveness of the organisation and there is a possibility of it occurring.

     iv   **Minor** - risks that have a minimal impact on the operational, reputational, financial or strategic effectiveness of the organisation and there is possibility of it occurring.

g   **Risk Mitigation** refers to actions that must be taken to lower the likelihood of the risk occurring and/or to minimize the impact if the risk did occur.

Related Ara Procedures	Related Ara Policies
• Board Health and Safety Charter • Hazard and Risk Management Procedure • Quality Assurance Framework	• CPP110 Legislative Compliance • CPP501 Health and Safety • CPP311 Treasury
Related Legislation or Other Documentation	**Related Standards**
• Te Pūkenga Risk Management Framework 2022	
References	
Notes	

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2   Principles

2.1   Ara is committed to proactively and consistently managing risk with the objective of achieving maximum value from activities across the organisation to ensure we achieve our organisational goals and objectives laid out in the Strategic Plan (Big 5).

2.2   Ara seeks to maintain an open and receptive approach to solving risk problems across the organisation ensuring early identification and resolution.

2.3   The cycle of continuous improvement is embedded in risk management ensuring continuous review and improvement.

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3 Associated Procedures for Ara Corporate Policy on: Risk Management

Contents: 3.1   Overview
             3.2   Establishing the Context
             3.3   Risk Assessment
             3.4   Monitoring and Review
             3.5   Review and Improve

3.1 Overview

a   Ara Board has overall responsibility for the good governance and discipline of the institute. The CE is responsible for the management of the academic and administrative affairs of the institute and for all the functions, duties, and powers delegated to them by the Board.

b   The roles and responsibilities for monitoring, assessing, managing, mitigating, and escalating risks are identified under Schedule One of this policy.

c   Risk Management supports the Institute's *Quality Assurance Framework* and has been integrated into day-to-day management by delegating responsibilities into the appropriate operational areas.

d   How Ara identifies, analyses, assesses, monitors, and manages risks are determined in Sections 3.2-3.6 of this policy.

Every person in the Ara community has a part to play in the identification and management of risks. Risk management is integrated into operational and quality improvement planning process to ensure risks are identified, analysed for impact, assessed, and an action taken in each instance.

Figure 1: Risk Management at Ara is a continual process that involves these steps.

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3.2 Establishing the Context

Risk Register (Key Risks)

The Ara Board and Senior Management have worked together to review our external and internal environment, the underlying influences, and possible causes of risks. Risks were **identified**, their **impact** on achievement of Ara's *Strategic Plan* (Big 5) assessed, along with their **likelihood** of occurring, and then a **risk rating applied**. In total 11 risks have been identified. These risks are known as **Key Risks**. Each of the Key Risks has a Risk Owner at Executive Director level. These Key Risks are documented on the Risk Register template and are reviewed regularly by TKM, Audit & Risk Committee, and the Board.

3.3 Risk Assessment

To provide a structure for identifying, recording, and managing risks at Ara, a number of tools and guidelines have been designed.

They are:

a   **Key Risk Register**

The key risk register is designed to support managers as they identify a risk and have a need to assess the risk.

The structure includes nine Risk Types or categories, and three strategic themes allowing them to be matched to our 2022 *Strategic Plan* (Big 5).

Divisions and departments maintain and manage Risks for their individual area by recording risks that are rated as minor or moderate on this one size fits all Risk Register. The Risk Register "Headings" have pop-up descriptions to assist and support managers as they work through assessing an identified risk.

Note: The Key Risk Register template automatically calculates the overall Risk Rating in terms of the likelihood of it occurring and impact if it did.

b   **Risk Management and Mitigation**

Ara has five main ways in which it can effectively apply a treatment to manage the risk:

i   **Accept the risk** and make a conscious decision to not take any action.

ii   **Reduce the risk** by taking action to lessen or minimise its likelihood or impact.

iii   **Transfer the risk** to another individual or organisation, by, for example, outsourcing the activity.

iv   **Finance (insure against)** the risk.

v   **Eliminate the risk** by ceasing to perform the activity causing it.

Risk Mitigation Plans are put in place for all risks rated higher than moderate. The plans are developed by the Executive Director accountable for the area the risk was identified in and monitored through regular reporting to TKM.

c   **Risk Monitoring & Reporting**

The ED Ops is responsible for maintaining and monitoring the Risk Register and the Key Risks. These are reviewed and reported quarterly to Audit and Risk Committee and the Board on the status of those risks.

The register records description, background, indicators, all internal controls (key controls), further actions, risk ownership and links to strategic themes.

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All actions are assigned action owners and agreed completion dates. The Risk Register is monitored by the ED Ops, who is responsible for this document and reporting exceptions to management. As part of this process, the ED Ops will liaise with the risk owners to:

- Request confirmation/ evidence to support the closure of completed actions.

- Request risk owners review controls to ensure they are current and are having the desired impact.

- Reassess the risk rating of risks following any changes in circumstances, such as extension/ completion of open risk mitigation plans.

- Obtain approval from the Risk Owner to support any changes in risk ratings i.e., changes in impact and/or likelihood.

Risk ratings will be reviewed quarterly. Reviews will take into account actions delivered, processes embedded and any control remediation that has taken place. This will enable management to adjust the individual risk scores (either increase or decrease in rating), in light of changes to the overall risk environment within Ara.

Each department and division are responsible for recording risks as part of internal business planning and quality improvement processes. Risks identified, analysed, and assessed as having a significant to extreme impact on the organisation are escalated to an Executive Director to be analysed and assessed at TKM and a risk mitigation plan put in place where appropriate.

d **Step by Step Guidelines for Risk Assessment**

The Risk Rating guidelines outline the steps required for risk assessment at Ara. The outcome (Risk Rating) at the end of the process will determine if the risk needs to be elevated to an Executive Director. The guidelines are designed to support you as you complete the Risk Register. Once completed the risk will have been assessed and a rating applied.

Step 1: A risk has been identified by a colleague and brought to the attention of a manager.

Step 2: Linking identified risks to objectives

The first step is to ensure that the identified risk is a risk to the achievement of the Ara goals and objectives by allocating a **Risk Type**, **Risk Category**, and mapping it to a Strategic Outcome. These have been defined in the Risk Register template as follows:

Risk Type:

i   Transformation

ii   Business Controls

iii   Learner Outcomes

iv   Colleague Capability

Risk Category *(designed to align the risk to an area of service delivery)*:

i   Attraction and retention of learners

ii   Strategic

iii   Financial

iv   Project/Asset Management

v   Programme delivery

vi   Technology

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vii   Compliance

viii   Recruitment and retention of colleagues

ix   Business Continuity

Strategic Outcomes *(risks are also mapped to the three key strategic outcomes)*:

i   Personalised, flexible learner journey to achievement

ii   Responsive and agile portfolio and delivery

iii   High performing organisation

Step 3: Determine the impact of the risk

The third step is to determine the impact the risk would have. Five types of impact have been identified, as well as five levels for rating the impact.

Type of Impact:

i   Reputational

ii   Strategic

iii   Operational

iv   Compliance

v   Financial

Level of Impact:

There are five levels of impact rating ranging from Minor to Extreme. (Note: the identified risk should be assessed against each of them.)

Table 1: Risk Impact Criteria

	*Note: (The Type of **impact** must also be considered against each risk e.g., Reputational, Strategic, Operational, Compliance, Financial)*			
Rating	**Level of Impact**	**Example impacts**	**Level of Interest**	**$ Value**
1	**Minor**	Minor reduction of learners **Undesired loss of colleague** Minor impact on organisational strategic goals and operational activities	Minimal public or local interest Event that involves Level 400 Manager management time	Under $1m in any 12-month period
2	**Moderate**	Moderate reduction of learners **Undesired loss of colleagues** Moderate impact on organisational strategic goals and operational activities	Moderate public or local interest Event that involves Level 300 Manager management time	$1-2m in any 12-month period.
3	**Significant**	Undesirable reduction of colleagues and learners in a course Undesired loss of an academic course Significant impact on organisational strategic goals and operational activities	Significant public or local interest Event that involves Level 200 Manager management time	$2-3m in any 12-month period.
4	**Major**	Undesirable reduction of colleagues and learners in a programme Undesired loss of an academic programme Organisational strategic goals and operational activities are impacted such that there is an undesired loss of colleagues and curtailment of activities	Major public or media attention Event that involves CE management time	$3-5m in any 12-month period.

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Rating	Level of Impact	Example impacts	Level of Interest	$ Value
	Note: (The Type of **impact** must also be considered against each risk e.g., Reputational, Strategic, Operational, Compliance, Financial)			
5	**Extreme**	Undesirable reduction of colleagues and learners in a Department/Institution Undesired loss of a Department/Institution Organisational strategic goals and operational activities are impacted such that there is an undesired loss of colleagues and closure of Department/Institution	Serious or sustained public and media attention Event that involves the Board management time	Greater than $5M in any 12-month period

Step 4: Determine the likelihood of the risk occurring.

The second rubric on which the risk is assessed is the likelihood of the risk occurring. The following definitions of likelihood are used:

Rating	%	Likelihood Criteria (within 12-24 months)
1	0 - 10	Highly unlikely to occur
2	10 - 25	Possibility of occurrence
3	25 - 75	Real possibility of occurrence
4	75 - 90	Likely to occur
5	90 - 100	Almost certain to occur

Step 5: Multiply the Impact and Likelihood Ratings to produce the Risk Rating

The next step is to multiply Impact by Likelihood to produce the overall risk rating.

- Impact x Likelihood = Overall Risk Rating

Given that we have used a five-scale rating for Impact and Likelihood, this will result in a number between 1 and 25. The following impact ratings were used to categorise the overall risk:

Impact					
5	5	10	15	20	30
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	2	3	4	5
			Likelihood		

Overall Risk Ratings	
1, 2, 3	Minor
4, 5, 6	Moderate
8,9,10,12	Significant
15,16	Major
20, 25	Extreme

Step 6: Next steps

The risk rating automatically calculates on the register.

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The rating applied determines the next steps – see below.

Overall Risk Rating		Step 1	Step 2	Step 3	Step 4
1, 2, 3	Minor	Manager adds it to the Department register	Risk Treatment applied; Accepted, Reduced, Transferred, Eliminated, Removed	Monitored & reviewed by Manager. Ownership with Manager. An action tracking column is maintained in the risk register, which allows Ara to identify ownership	Monitoring occurs through regular reporting to TKM, the CE and Audit & Risk Committee
4, 5, 6	Moderate				
8, 9, 10, 12	Significant	Escalated to Executive Director	Risk Assessed at TKM TKM informs Executive Director Governance & Strategy ED Ops updates Key Risk Register	Risk Mitigation Plan put in place by accountable Executive Director. Board informed.	Monitoring occurs though regular reporting to TKM, the CE and Audit & Risk Committee
15, 16	Major				
20, 25	Extreme				

Key points to note when applying risk ratings:

- For the Risk Ratings, when assessing a general risk (such as, "Critical ICT system failure resulting in loss of critical data"), the impact and likelihood of the event will vary widely, depending on the nature of the event.

- It is not practical to attempt to define all ICT system failure events that may lead to loss of data since many will not be of sufficient significance to warrant this effort.

- Therefore, the approach is to apply the lowest Impact and Likelihood Ratings that will still result in the risk being rated as Significant.

  Either:

  "Impact = 3, Likelihood = 3, Risk Rating = 9" OR
  "Impact = 2, Likelihood = 4, Risk Rating = 8" OR
  "Impact = 4, Likelihood = 2, Risk Rating = 8"

- Management determines what type of events fall into which category, based on the Impact and Likelihood definitions.

3.4 Monitoring and Review

a   **Process**

Operations maintains a **Risk Register** that identifies and registers **Key Risks**. The register is informed by risks identified at department and division level across the organisation.

b   **Reporting**

The **Key Risk register is** formally reported to TKM, Audit & Risk Committee, and the Board as laid out in the Schedule below.

New risks as well as any change to risk assessments are reported monthly to TKM. ***Note:*** *Risks which are assessed as Significant, Major, or Extreme are referred immediately to TKM and the Chief Executive for assessment and mitigation, and the Board informed.*

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Proposed Key Risk Register Review & Reporting Schedule				
Month	Operations Review	TKM Risk Report	ARC Risk Register Report	Board Risk Register Report
January	✓	Review		
February	✓	TKM		
March	✓	Review	ARC	
April	✓	Review		Board
May	✓	TKM		
June	✓	Review	ARC	
July	✓	Review	ARC	Board
August	✓	Review		
September	✓	TKM		
October	✓	Review	ARC	
November	✓	Review		Board
December	✓			

3.5 Review

To provide an early signal of increased risk exposure to the organisation, review of the 'key risk Indicators' will occur at TKM and Academic Committee meetings, as well as at Management meetings across the organisation, namely AIR Leadership Team, Ākonga Success, Corporate Services, People and Capability and Treaty Partnerships.

The **Key Risk Register Indicators** will be tabled at management meetings with a short purpose statement to encourage a conversation around new risks, and a corresponding review of the **Key Risk Register Controls** to ensure they are adequate to manage the risk.

Key Risk Indicators
• Insights from TEC through the relationship with Ara. • Failure of another ITP. • Learner/colleague feedback and communication. • Negative media coverage on the transformation and change programme and impact on local communities.
• Stakeholder feedback that we are not being responsive to their needs. • Declining international applications by market. • Failure to renew collaborative agreements. • Non-compliance with the agreements. • Drop in stakeholder survey results. • Failure to reach agreement. • Lack of clarity of party responsibilities. • Limited work integration opportunities impacting on our ability to place learners.
• EPIs • Dropping of enrolments. • Immigration policy change monitoring of projects expected benefits not reached. • Staffing viability. • Benefits realisation.
• Pattern of applications and enrolments, e.g., low enrolments in some regions and programmes. • Conversion of applications into enrolments. • Reduced revenue. • Withdrawal trends. • Priority group participation targets.

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- Student satisfaction surveys.

- Inconsistent / variable data.
- Unanticipated performance outcomes.
- Reliance on external data.

- Health and Safety incidents are not reported (low near missed and incident reporting).
- High number of sick days.
- High turnover of colleagues.

- Usage of professional development budget.
- Percentage of staff with Professional Development plans in place.
- student survey results in respect of tutors etc.

- Learner or colleague health and safety notifiable incident.
- Learner or colleague complaints.
- Union tensions - interaction with union colleagues before Ara colleagues.
- Programmes closed due to minimum numbers of students not being met.
- Comply With non-compliance detection increases or is consistently flagged.
- Media coverage.

- Employer/ Voice survey.
- Colleague survey.
- Learner survey.
- Employment Outcomes of Tertiary Education (government data).
- Feedback from Industry Advisory Groups.
- External Evaluation Review report.

- Increased number of minor incidents.
- Connectivity issues.
- Helpdesk call logging.
- Service level agreements in place.
- Testing and monitoring environment.

- Fire drill response.
- Facility non-compliance.
- Maintenance programmes.

3.6 Review and Improve

The Ara Risk Management process will be reviewed using the Ara continuous improvement cycle.

Schedule 1: Roles and Responsibilities

Specific roles and responsibilities for risk management at Ara are as follows:

All Colleagues	• Responsibility for risk management rests with every colleague. All colleagues (where appropriate) are required to identify and report new risks or a change in the status of existing risks in a timely manner to their line manager.

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Heads of Department and Division Managers	• Identify and analyse strategic, operational and project risks within Departments/Divisions. • Elevate significant risks to an Executive Director for consideration at TKM. • Record and monitor minor to moderate risks on a risk register, determining whether to minimise the risk or accept it. • Identify and report new risks or the change in the status of existing risks in a timely manner to their line manager.
Te Kāhui Manukura (TKM)	• TKM Executive Directors are accountable for risk management within their portfolios. • Identify, analyse, monitor and report on Key risks, strategic, operational and project risks. • Risk owners of Key Risks within the organisation. • Risk assessment, management, monitoring and reporting to the ED Ops for all risks. • Delivery of all relevant risk mitigation plans which contribute towards the management of risk within Ara. • Approval of the Risk Management and Legislative Compliance Frameworks.
Executive Director Operations	• Delegated responsibility for management of the risk policy, monitoring and maintenance of the risk register, and regular reporting to Audit & Risk committee and the Board on the status of those risks. • Maintenance and dissemination of the Risk Management Procedures and Diagram. • Management oversight of risk management and legal compliance. • Regular maintenance and review of the risk register ensuring mechanisms are in place for effective risk management.
Chief Executive	• Management responsibility for risk management and legal compliance. • The Chief Executive is responsible for overall risk management.
Audit & Risk Committee	• Maintain overview of financial risk and legal compliance at Governance level. • Review the risk management framework ensuring it meets requirements and includes policies and processes to effectively mitigate/manage risks. • Review risk reporting to the Board, including the annual review of the risk register.
Board	• The Board, through its Audit and Risk Committee, is responsible for overseeing a system of internal control that supports the achievement of its Strategic and Investment Plans. • Governance responsibility for risk management and legal compliance at Ara, including approval of the levels of acceptable risk and risk treatments.

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