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**P 2.7.3 RISK MANAGEMENT**

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**1. POLICY**

- i. It is the policy of Open Minds to maintain a comprehensive and systematic approach to managing risk directed towards the effective management of potential opportunities and adverse effects.
- ii. Open Minds risk management strategies are based on the principles of and comply with National and International Standards for Risk Management

**2. PRINCIPLES**

- 2.1 Open Minds will maintain a systematic approach to the identification, measurement and treatment of risk in its governance, administrative and service delivery activities. This systematic approach will:
  - i. Protect the interests of clients, staff, the organisation and other stakeholders
  - ii. Enhance quality of performance and effectiveness through planning, review and feedback
  - iii. Ensure asset and reputation protection across the company and in the broader community.
  - iv. Appropriately involve clients, staff and other stakeholders in discussions about relevant risks
  - v. Enhance statutory, legal and financial compliance and accountability through good corporate governance.
- 2.2 Open Minds risk management decisions and practices will be in accordance with its core values and leadership behaviours.
- 2.3 Open Minds views risk management as a continuous process, and a fundamental driver of effective Corporate Governance.
- 2.4 The Open Minds Risk Management Strategy shall identify, measure and proactively manage risk arising from all aspects of operation of Open Minds
- 2.5 The risk management strategy is divided into two major divisions: Corporate Risk Management (including financial risk, legal compliance, governance, technology, asset management and communications and fundraising) and Operational Risk Management (including service provision, workplace health and safety, human resources and quality management)
- 2.6 The likelihood and consequences of any known or potential risk should be reduced by actively integrating risk management strategies to ensure a consistent, efficient, and effective assessment of risk in the achievement of organisational goals.
- 2.7 Open Minds views risk management as integral to its strategic plan objective of creating and maintaining quality business operations and administration.

**3. SCOPE:**

- 3.1 This policy applies to:
  - i. The Open Minds Board of Directors, CEO and the Senior Management Team (management), and all staff;
  - ii. All activities undertaken by staff and/or consumers of Open Minds;
  - iii. All visitors to any Open Minds work environment.
- 3.2 The CEO has responsibility to the Board of Directors to manage, implement and monitor the risk management strategy with appropriate delegations to the Senior Management Team and nominated Key Personnel. It is a requirement that all staff take responsibility for the provision of timely notifications of any risk / potential risk identified within the work environment

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**P 2.7.3 RISK MANAGEMENT**

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**4. DEFINITIONS:**

For the purposes of this policy, the following definitions apply:

**“Risk”** – Refers to the chance of something happening that will have an impact on the achievement of Open Minds objectives. Risk is measured in terms of consequences and likelihood.

**“Retained Risk”** – refers to the level of perceived risk after risk management strategies have been implemented

**“Risk Assessment”** – Refers to the overall process of risk analysis and evaluation.

**“Risk Management”** – Refers to the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the Open Minds Services environment.

**“Risk Management Process”** – Refers to the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

**5. PROCEDURES:**

**5.1 Risk Management**

- i. Open Minds has divided its risk management portfolio into two distinct risk areas: Corporate Risk and Operational Risk
- ii. Corporate Risk refers to risk associated with the strategic and operational business of Open Minds
- iii. Operational Risk refers to risk associated with the day-to-day core business activity of Open Minds, namely providing support to people with mental illness, acquired brain injury and intellectual disability

**5.2 Risk Assessment and Management Framework**

- i. Open Minds will maintain procedures to provide a systematic view of the risks faced in its Corporate and Operational areas. This will require Open Minds to:
  - a. Identify Risks. This is the identification of risks associated with the performance of normal workplace activities and the environment in which they are carried out using a variety of risk assessment tools
  - b. Analyse Risks. This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls (see ‘Appendix A: Calculating Risk’)
  - c. Evaluate Risks. This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritized (see ‘Appendix A: Calculating Risk’)
  - d. Treat Risks. For higher priority risks, Open Minds shall develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored
  - e. Monitor and Review. This is the monitoring and reviewing of the risk management system and any changes that might affect it. This occurs throughout the risk management process and requires utilising / monitoring a variety of registers
- ii. A Risk Assessment will be developed annually by management and evaluated by the Finance, Compliance and Risk (FCR) Committee using **F2701 Annual Risk Assessment and Management Action Plan: Section 1 – Risk Assessment**
- iii. A Risk Management Action Plan will be developed annually following the completion of the Risk Assessment and will be monitored periodically by the Finance, Compliance

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**P 2.7.3 RISK MANAGEMENT**

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and Risk Committee using **F2701 Annual Risk Assessment and Management Action Plan: Section 2 – Risk Management Action Plan**

- iv. A Compliance Register (**F2702 Compliance Register**) will be developed annually and will be monitored monthly by the Finance, Compliance and Risk Committee

**5.3 Risk Management Practices**

- i. Key risks should be identified and analysed on an annual basis as part of the Strategic Planning and review process, and during the planning phase of any major business project or business change.
- ii. The identification and proper management of risk within the organisation is an important priority of the Board and the Senior Management Team
- iii. Monitoring risks consists of both formal and informal processes applied by the Board and Senior Management Team to measure the effectiveness of risk management strategies
- iv. Open Minds views that successful risk management will be achieved through the development of a management culture where the consideration of risk is instinctive in day to day activities.
- v. In developing these capabilities, management are authorised to act in accordance with agreed policies and procedures and clearly defined delegations of authority.
- vi. Successful risk management requires the maintenance of a culture that encourages employees and managers to communicate risk management issues, concerns and recommendations without fear of retribution.
- vii. Open Minds is of the view that not every aspect of risk management can be formalised and therefore places reliance on the skill, experience and judgement of its people to take risk managed decision within policy guidance.

**5.4 Strategic and Planning Elements**

- i. Open Minds fundamental purpose is to generate sustained superior performance for its clients through the provision of support services that enable clients to develop opportunities to optimise skills, community participation and lifestyle choice.
- ii. The annual strategic planning process is integral to identifying, communicating and focussing on those factors that are critical to Open Minds achieving its fundamental purpose.
- iii. The strategic planning process forms one of the key elements of Open Minds risk management framework.
- iv. It is through effective planning that management identify, analyse and document risks and risk management strategies.
- v. Additionally, it is through this planning process that key risks and risk management strategies are communicated to the Board.

**5.5 Responsibility for Risk Management**

**Board of Directors**

- i. The Board is responsible for oversight of the risk management framework, including the consideration and review of this policy on an annual basis

**Board Risk Management Committee**

- i. The Finance, Compliance and Risk Committee advises the Board on risk management and is responsible for establishing policies, for approval by the Board, and reviewing the effectiveness of Open Minds approach to risk management including the status of major risks.

**P 2.7.3 RISK MANAGEMENT**

**Chief Executive Officer**

- i. The Board has delegated responsibility for implementation of this policy to the CEO.
- ii. The CEO is responsible for establishing procedures that will enable the development and review of Open Minds risk profile the aim of which is to provide the Board, through the Finance, Compliance and Risk Committee, assurance that:
  - a. Major business risks are being identified and consistently assessed and
  - b. Management plans are in place to identify and manage risk.

**Senior Management Team**

- i. The Senior Management Team are responsible for regularly assessing risks and the effectiveness and appropriateness of current risk management strategies.
- ii. Where risks change and/or current management strategies are amended these should be reported accordingly.
- iii. The obligations of the Senior Management Team in the implementation of risk management policies and procedures will be overseen by the CEO through:
  - a. Reporting of performance against budget and strategic objectives
  - b. Reporting of performance against policies and procedures
  - c. Reporting of changes anticipated in the economic, political and/or business environment and other factors considered relevant to future performance
  - d. Oversee compliance with applicable laws relating to the operation of their service or functional unit
  - e. Ensuring appropriate systems are in place for the protection of Open Minds people and assets
  - f. Establishing and maintaining an effective control environment

**Quality Manager**

- i. The Quality Manager is responsible for ensuring that all Open Minds risk management tools comply with relevant legislation and standards.

**Open Minds Staff**

- i. All staff of Open Minds are responsible for following risk management strategies developed at their worksite
- ii. All staff of Open Minds are responsible for bringing to the attention of management any risk that they believe has not been addressed.

**5.6 Risk Management Policy**

- i. As stated earlier, the major areas of risk have been broken down into the two broad areas: Corporate Risk and Operational Risk
- ii. The following Open Minds policies address specific areas of risk management and should be referred to in instances involving such risk:

Area of Risk	Risk Mitigation and Management Policy
<b>Corporate Risks</b>	
Financial Risk	P 2.7.6 Finance, Compliance and Risk Committee Charter
Environmental and Strategic Business Risk	P 2.7.2 Board Charter P 2.7.10 Governance Committee Charter P 2.7.6 Finance, Compliance and Risk Committee Charter P 2.7.15 Operational and Strategic Planning

**P 2.7.3 RISK MANAGEMENT**

Legal Compliance	P 2.7.6 Finance, Compliance and Risk Committee Charter
Governance	P 2.7.2 Board Charter P 2.7.10 Governance Committee Charter
Information & Communications Technology	P 2.3.8 Information and Communications Technology
Asset Management	P 2.4.1 Company Assets
Communications & Fundraising	P 2.5.5 Communications and Fundraising
<b>Operational Risks</b>	
Service Provision	P 3.1.13 Service Provision Risk Management
Workplace Health and Safety	P 2.6.8 WHS Risk Management P 2.7.2 Board Charter P 2.7.6 Finance, Compliance and Risk Committee Charter
Human Resources	P 2.2.22 Human Resources Risk Management
Quality Management	P 2.1.5 Quality Management Committee P 2.1.6 Continuous Improvement

**6. REFERENCES**

**7. RELATED POLICIES AND PROCEDURES**

- P 2.1.5 Quality Management Committee
- P 2.1.6 Continuous Improvement
- P 2.2.22 Human Resources Risk Management
- P 2.3.8 Information and Communications Technology
- P 2.4.1 Company Assets
- P 2.5.5 Communications and Fundraising
- P 2.6.8 WHS Risk Management
- P 2.7.2 Board Charter
- P 2.7.6 Finance, Compliance and Risk Committee Charter
- P 2.7.10 Governance Committee Charter
- P 2.7.15 Operational and Strategic Planning
- P 3.1.13 Service Provision Risk Management

**8. RELATED DOCUMENTS**

- F2701 Annual Risk Assessment and Management Action Plan
- F2702 Compliance Register
- Appendix A Calculating Risk

P 2.7.3 RISK MANAGEMENT

**Appendix A: Calculating Risk**

Risk comprises two components - **Probability** and **Impact**:

**‘Probability’** – refers to how likely it is that an event / harm will occur

Level	Descriptor	Description
1	Rare	May occur only in exceptional circumstances
2	Unlikely	Could occur at some time
3	Possible	Might occur at some time
4	Likely	Will probably occur in most circumstances
5	Almost Certain	Is expected to occur in most circumstances

**‘Impact’** – refers to the significance of the harm / injury in the event of it’s occurrence

Level	Descriptor	Description
1	Insignificant	<ul style="list-style-type: none"> <li>No disruption to capability,</li> <li>Low financial loss,</li> <li>No impact on community standing</li> </ul>
2	Minor	<ul style="list-style-type: none"> <li>Minor disruption to capability,</li> <li>Medium financial loss,</li> <li>Minor impact on community standing</li> </ul>
3	Moderate	<ul style="list-style-type: none"> <li>Some ongoing disruption to capability,</li> <li>High financial loss,</li> <li>Modest impact on community standing</li> </ul>
4	Major	<ul style="list-style-type: none"> <li>Ongoing disruption to capability,</li> <li>Major financial loss,</li> <li>Major impact on community standing</li> </ul>
5	Catastrophic	<ul style="list-style-type: none"> <li>Permanent disruption to capability,</li> <li>Mission critical financial loss,</li> <li>Ruinous impact on community standing</li> </ul>

**P 2.7.3 RISK MANAGEMENT**

**Calculating Level of Risk:**

For each component of the activity subject to risk analysis, Open Minds should evaluate the probability and consequences as per the matrix below (Table 1: Risk Rating Calculation Table).

1. Evaluate the likelihood of a risk occurring, according to the ratings in the top row of the table.
2. Evaluate the consequences if the incident occurred, according to the ratings in the left-hand column.
3. Calculate the risk rating by finding the intersection between the likelihood and the consequences.

		LIKELIHOOD				
		Rare	Unlikely	Possible	Likely	Almost Certain
CONSEQUENCES	Insignificant	Low	Low	Low	Moderate	High
	Minor	Low	Low	Moderate	High	High
	Moderate	Moderate	Moderate	High	High	Extreme
	Major	High	High	Extreme	Extreme	Extreme
	Catastrophic	High	Extreme	Extreme	Extreme	Extreme

**Table 1: Risk Rating Calculation Table**

**Understanding the Codes:**

- Risks coded **Green** are usually routine no-impact issues, which are not likely to present problems to the organisation. These are classified as **Low Risks**.
- Risks coded **Yellow** might have untoward consequences for the organisation and therefore should be explored in more detail. These are classified as **Moderate Risks**.
- Risks that will definitely cause problems are coded **Orange** and require much more detailed investigation and a formal risk treatment plan. These are classified as **High Risks**.
- Risks that will lead to significant harm are coded **Red** and required thorough investigation and formal risk treatment plan, then reassessment to ensure that risk has been significantly reduced before proceeding. These are classified as **Extreme Risks**.

**Retained Risk:**

For all activities for which risk management strategies are implemented, a reassessment of level of risk is required. Open Minds should evaluate the probability and consequences of retained risk in accordance with ‘Calculating Level of Risk’ as above and with consideration to the benefit of implemented risk management strategies