Risk management procedure

Related policy:	Risk management policy
Procedure reviewed and approved:	The Board on 23 October 2024
Next review due:	31 October 2025
Distribution:	Available on Ipu. Hard copies will be provided where required.

This procedure should be read together with ENZ's risk management policy. This procedure outlines the procedures for all staff, contractors, and Board members to implement the risk management policy. It is the responsibility of each one to understand and apply this procedure.

Purpose

To outline the procedures and processes necessary for Education New Zealand Manapou ki te Ao (ENZ) to implement, support and sustain effective risk management practices in keeping with the risk management policy. This procedure provides the basis for identifying, evaluating, and monitoring organisational risk on an ongoing basis, including ENZ's risk management framework (**Appendix 1**), rating matrix (**Appendix 2**), and the Board's risk appetite framework (**Appendix 3**) which are resources to support ENZ in achieving its purpose and strategic objectives.

Risk management procedure

Risk management is an enabling function that adds value to ENZ's activities and increases the ability of achieving the organisation's strategic objectives and the Government's mandate.

Risk will be minimised or managed, as effectively and efficiently as possible in keeping with the framework, by ensuring that:

- policies and procedures are in place that reinforce sound internal controls and compliance with legislation

- adherence to policies is monitored regularly

- policies are reviewed regularly

- planning and budgeting processes are used to set objectives, agree action plans and allocate resources

- the internal audit programme covers the review of the effectiveness of the internal control system within ENZ

- external audit provides feedback to the Audit and Risk Committee on the operation of the internal controls reviewed as part of the annual audit.

ENZ undertakes an annual legislative compliance survey using ComplyWith to identify the legislation and regulations which are relevant to the organisation.

Risk management framework

ENZ's risk management framework is set out in **Appendix 1** and is the overarching process that provides the foundation and organisational arrangements for identifying, designing, managing and mitigating, monitoring, reviewing, reporting, and continually improving the management of risk for ENZ. The risk management framework is consistent with Australia and New Zealand's Risk Management Standards[1].

The risk management framework is embedded in systems and processes to ensure it is part of everyday decision-making, including:

- annual planning and budgeting processes
- project and programme management
- development and review of ENZ's policies and procedures
- procurement and asset management.

When a new risk to ENZ is identified, the risk management framework is used to assess the risk. ENZ will annually undertake an assessment of risks throughout the organisation using the framework, to:

- establish the context for the assessment to occur in
- identify the risks
- analyse the identified risks
- evaluate the identified risks using the **inherent** risk management rating matrix which is set out in **Appendix 2**
- establish the treatment of the identified risks
- reevaluate the identified risks using the **residual** risk management rating matrix which is also set out in **Appendix 2**
- monitor and review the identified risks.

The Board is responsible for communicating its risk appetite to management, to lead the organisation to take appropriate (higher or lower) levels of risks to realise the strategic objectives. A framework to support the Board identify its risk appetite is in **Appendix 3.**

Risk management tools

To support a risk-aware culture, ENZ is committed to actively managing its risks by using the following tools:

- **Education** – as part of ENZ's risk management processes, all staff at different levels will receive appropriate risk training and support so that they can identify, manage, and mitigate risks within their areas of work and build awareness of their responsibilities.

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[1] Australian/New Zealand Handbook: Risk management guidelines – Companion to AS/NZS ISO 31000:2009

- **Issues and risks registers** – the issues and risks registers record information about ENZ's identified issues and risks and how they are being managed and mitigated. The strategic issues and risk registers are living documents that are continually updated as part of the Senior Leadership Team's monthly review.

Appendix 1: Risk management framework

Risk identification

- Brainstorm possible risks associated with your plan/project/activity, including system and organisational/ENZ level risks
- Discuss risks with others.
- Identify any other potential risks
- Does everyone have a good understanding of what the actual risk is?
- Potential Risk Areas: Financial – Technology – People – Programme – Relationships (including Māori/Crown) – Issues – Environment – Legal – Health and Safety – Reputation – honouring Te Tiriti o Waitangi.

Analyse the risks

- What is the likelihood or probability of the risk occurring?
- What is the impact or consequence should the risk occur?
- What is the ranking/priority of the risk?
- Do I need to escalate the risk information?

Maintain the Risk Register

- Describe the risk
- Describe the risk priority ranking
- Describe the planning/mitigation strategies in place
- Record who the Owner of the risk is and ensure they are aware of their responsibility for the risk
- Make it available for others to learn from

Assess the risks

- Strategic Risk: Risk that affects the achievement of ENZ strategies, key goals, or the Government's mandate.
- Programme/Project: The risk of something preventing you from achieving your programme/project goal and objectives.
- Operational: The risk of something going wrong with the daily operating aspects of the business.

Identify the planning / managing / mitigating strategies

- Do I have sufficient mechanisms in place to manage the risk?
- Are these mechanisms effective?
- How often do I need to review these mechanisms?
- What additional things do I need to do to prevent the risk occurring?
- What can I do to contain the risk if it occurs?
- Who do I need to tell and when?

Monitor and review

- Has there been a change to the likelihood?
- Has there been a change to the consequence?
- Have plans and priorities altered?
- Are plans and mitigation strategy options still the most appropriate?

Appendix 2: Risk management rating matrices

The following matrix is a framework for rating for ENZ's **inherent risks.** This matrix provides a rating for risk with an existing set of controls before actions are taken to alter a risk's likelihood or impact. The matrix combines the consequence and likelihood levels, with the resulting rating is used to determine the severity of risk.

		Inherent risk rating			
Impact	**3**	**High** For example: • Could severely or significantly compromise strategic objectives, or fails to meet Minister's Letter of Expectations or Government's mandate • Could severely or significantly compromise whole programme or project outcomes or benefits • Could severely or significantly impact the international education sector • Severe political or reputational damage • Potential to breach law • Impact cannot be managed without significant extra resources (financial or human) and reprioritisation	**3** High impact & unlikely	**6** High impact & moderately likely	**9** High impact & highly likely
	2	**Moderate** For example: • Could compromise a strategic objective • Could compromise whole programme or sub-project outcomes • Limited potential impact on some international education providers • Limited potential impact on ability to deliver services to the agreed level • Limited potential for political or reputational damage • Impact can be managed with some replanning and modest extra resources (financial or human)	**2** Moderate impact & unlikely	**4** Moderate impact & moderately likely	**6** Moderate impact & highly likely
	1	**Low** For example: • Minor impact on ability to deliver services to the agreed level • Minor impact on a strategic objective • Minor impact on a small number of international education providers • Impact can be managed within current resources, with some replanning	**1** Low impact & unlikely	**2** Low impact & moderately likely	**3** Low impact & highly likely
			1	**2**	**3**
			Likelihood		

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The following matrix provides a rating for ENZ's **residual risks.** This matrix considers the effectiveness of additional mitigations taken with a four-point assessment scale. The resulting rating provides an overall risk rating, which is used to determine which risks require management and further treatment to either reduce the likelihood of an event occurring, or the impact of an event should it be realised.

			Residual risk rating					
Mitigation effectiveness	4	**Needs improvement** *significant improvement opportunities*	4 Low	8 Moderate	12 Moderate	16 High	24 High	36 High
	3	**Adequate** *moderate improvement opportunities*	3 Low	6 Moderate	9 Moderate	12 Moderate	18 High	27 High
	2	**Effective** *to the extent ENZ can **influence***	2 Low	4 Low	6 Low	8 Moderate	12 Moderate	18 High
	1	**Strong** *to the extent ENZ can **control***	1 Low	2 Low	3 Low	4 Low	6 Low	9 Moderate
			1 Low impact and unlikely	**2** Low impact and moderately likely or moderate impact and unlikely	**3** Low impact and highly likely or high impact and unlikely	**4** Moderate impact and moderately likely	**6** High impact and moderately likely or moderate impact and highly likely	**9** High impact and highly likely
			Inherent risk rating					

Appendix 3: Board's risk appetite framework

The following framework is for the Board to identify its risk appetite. The framework is a four-scale rating system to provide the Board with a range of options to determine the amount of risk it is willing for ENZ to accept in achieving the organisation's strategic objectives.

Averse	Cautious	Receptive	Open
Avoidance of risk and uncertainty is a key objective, with a focus on effective and reliable controls to manage errors, risk, and uncertainty to the lowest possible level.	Preference for safe options that have a very low degree of risk and have limited potential for benefits.	Willing to consider all options and choose the one that is most likely to result in successful delivery while also providing acceptable risks.	Eager to be innovative and to pursue opportunities offering potentially higher benefits while recognising greater justified risk.