RACP Risk Management Framework
# RACP Risk Management Framework

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### Document Version

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<tr>
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<th>Comment Change</th>
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</table>

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### References

1. AS/NZS ISO 31000:2009 Risk management — Principles and guidelines
2. HB 266-2010 Guide for managing risk in not-for-profit organisations
3. RACP Risk Management Policy
4. RACP College Risk Management Committee By-law
5. RACP Template Risk Assessment
6. RACP Template Risk Treatment Plan
7. WHO: Rapid Risk Assessment of Acute Public Health Events
1 Purpose of this document

The purpose of this document is to provide details of the structures and processes supporting the RACP Risk Management Policy. The manual will assist rapid and defensible decision-making about events that pose a risk to the achievement of the College's stated objectives, through application of a systematic process from risk identification and risk assessment to communication with key stakeholders and the public and implementation of appropriate and timely control measures.

2 Introduction

This risk management framework supports the RACP Risk Management Policy. Other policies and procedures related to risk management, such as Working Together, Acceptable Use of Technology, and Procurement support the management of specific risks within the College.

These documents are applicable to all parts of the College and to all of Fellows, trainees, employees, and volunteers working for the College or any affiliated entity, program or initiative.

The risk management framework is based on and is consistent with the AS/NZS ISO 31000:2009 Risk management — Principles and guidelines (“the Standard”).

2.1 What is risk?

The Standard defines risk as “the effect of uncertainty on [an organisation’s] objectives.” More simply put, a risk is anything which affects an individual or organisation’s chances of achieving their objectives. This may be either an impediment to an existing activity, or failure to take advantage of opportunities as they arise.

2.2 What is risk management?

Simply put, risk management is a process intended to allow the College to identify potential impediments to the achievement of the College’s objectives, and to decide

- how likely they are to arise,
- what their effects may be,
- whether we can accept those consequences, and
- what we can do to limit either the likelihood or the effect if we cannot.

The process involves communication with the persons involved in College processes (Fellows, College Bodies, staff, various levels of government), to identify contributing or mitigating factors, and obtaining ‘buy in’ to improve the chances of successful ‘treatment’ of the risk.

Risks may be addressed in a number of ways:

- Avoiding the risk (don’t undertake the risky activity);
- Sharing the risk (take out insurance, or collaborate with other Colleges or agencies);
- Minimising the risk (install smoke alarms and fire extinguishers);
- Accepting the risk (looking at the likelihood and consequences of an adverse event and making a conscious decision to go ahead with the activity).
Managing risk is a part of daily life, one of which we are not even conscious when we do it. Every person involved in the running of the College makes countless daily decisions which in some way affect the achievement of the College’s objectives.

Normally, we manage risk so as to minimise the negative effects of uncertainty (taking out insurance), and to maximise their positive aspects (buying a lottery ticket).

2.3 Principles for managing risk
The Standard states that Risk Management should:

- a) Create value
- b) Be an integral part of processes
- c) Be part of decision making
- d) Explicitly address uncertainty
- e) Be systematic, structured, and timely
- f) Be based on the best available information
- g) Be tailored to the College’s needs
- h) Take human and cultural factors into account
- i) Be transparent and inclusive
- j) Be dynamic, iterative and responsive to change
- k) Facilitate continual improvement and enhancement of the organisation

3 The Framework

![Figure 1: The Risk Framework](image)
3.1 Mandate and Commitment

The Board has recognised that the effective management of risk is central to the achievement of the College’s strategic goals. This means that the College must have a current, correct and comprehensive understanding of its risks, and that those risks must be of a type and at a level that are acceptable to the College. By understanding its risks and treating its undesirable risks the College can provide greater certainty and security for its Fellows, its employees, regulators, and all stakeholders. The College will be better informed, more decisive, and function with increased confidence to achieve its goals.

To assist in this process, the Board has approved the creation of the College Risk Management Committee and the appointment of a Risk and Compliance Officer to facilitate the implementation of a risk management framework and process for the College.

It is important for all Fellows, trainees, employees, and volunteers to understand that they will, in some way, have responsibilities for the management of risk.

Risk management is not a ‘box ticking’ or ‘compliance’ exercise. Yes, there are forms and tools used to support the process and report to the Board, but these should be a by-product of:

a) Identifying when a risk to the College arises – normally when significant decisions for the College and its objectives are made, or periods of change;

b) Understanding what the risks are, and who the best person is to manage the risk;

c) Reviewing the policies, processes, and tools in place to reduce the risk to a level that is acceptable;

d) Treating those risks that cannot be tolerated by the College.

---

**Two days before the clinical examinations, the airline pilots’ union calls a three-day work stoppage . . .**

The Chair of the Assessment Committee determines that:

1) There is a risk that examiners may not be able to get to examination sites;

2) The consequence would be that examinations would have to be cancelled or postponed;

3) This would have financial, reputational, and logistical repercussions, which are clearly unacceptable;

4) Alternative means of transport need to be identified, bookings made, and details communicated to examiners;

5) The College has a travel policy and a preferred travel service supplier;

6) The College Examinations and Assessments staff are available to assist.
4 The risk management process

Just as in a differential diagnosis in clinical medicine one would
• document the symptoms;
• set about identifying potential environmental and other factors contributing to the condition;
• review key information about the condition; and
• rank potential causes when more than one is considered a possible cause of the condition;

so too is risk management an iterative process, built around seven core elements:

Figure 2: The Risk Management Cycle
### 4.1 Establish the context

Establishing the context defines the basic parameters within which risks will be managed and sets the scope for the rest of the risk management process. The context includes our external and internal environment and the purpose of the risk management activity. This also includes consideration of the interface between the external and internal environments. This is important to ensure that the objectives defined for the risk management process take into account the organisational and external environment.

The management of health in Australia is affected by a number of factors including:
- population density and demographics;
- the differing contexts in which health services are delivered – local, state, interstate (e.g. cross-border), or national – and associated funding, reporting, and decision-making processes;
- the availability and geographic dispersal of health care resources and technical disciplines (e.g.: the majority of pathology labs are found in major urban centres);
- the level of community awareness of particular health risks;
- ethnic and religious diversity (and concentration) and differing attitudes to vaccination and immunisation;
- the level of risk accepted by decision-makers and society (i.e. the acceptable risk).

### 4.2 Identify risks

Comprehensive identification of possible risks using a structured and systematic process is critical, because any risk not identified will be excluded from further analysis. Identification should include all risks, whether or not under the control of the College. This is not a one-person task, nor something that a committee or steering group can manage. Risk identification should be a part of our everyday operations.

The risk environment is always changing. New risks arise and the effects of existing risks change through changes in practices, regulations or laws. Risk identification is therefore a never-ending challenge. Whenever we see a change, or encounter a situation outside of our experience, we should consider its effect on risk.

- Influenza epidemics occur annually, typically during autumn and winter, resulting in high levels of worker absenteeism and productivity losses.
- Clinics and hospitals can be overwhelmed when large numbers of sick people appear for treatment during peak illness periods.
- In 2011, over 25,000 confirmed cases of influenza were reported to the National Notifiable Diseases Surveillance System (NNDSS). Nationally, weekly notifications for this season peaked in the week ending 5 August 2011 with 1,989 influenza notifications.
- Influenza viruses are constantly mutating affecting their virulence, patterns of natural immunity to the strain, and infection vectors.

### 4.3 Communicate and consult

Communication and consultation are important considerations at each step of the risk management process. To be effective, risk communication needs to be planned and initiated early in the process and to continue as an iterative process throughout all phases of risk management.

The process should be a dialogue with stakeholders, with efforts focused on consultation and ‘buy-in’ rather than a one-way flow of information from the risk managers to other stakeholders. If this does not happen, it is easy for stakeholders to perceive the

- Health authorities identify the stakeholders with whom they need to communicate, including:
  - front-line health care providers;
  - state and regional health authorities;
  - the World Health Organisation;
  - ministers and government officials;
  - pharmaceutical manufacturers
  - the public at large;
  - high-risk sections of the community.

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### 4.4 Analyse risks

Risk analysis is about developing an understanding of the risk. It provides an input to decisions on whether risks need to be treated and the most appropriate and cost-effective risk treatment strategies.

Risk analysis involves consideration of the sources of risk, their positive and negative consequences and the likelihood that those consequences may occur for the College. Factors that affect consequences and likelihood may be identified. Risk is analysed by combining consequences and their likelihood. In most circumstances existing controls are taken into account. Risk analysis is discussed in more detail below.

<table>
<thead>
<tr>
<th>Likelihood:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual influenza epidemics can seriously affect all age groups, but the highest risk of complications occur among</td>
</tr>
<tr>
<td>- children younger than age two,</td>
</tr>
<tr>
<td>- adults age 65 or older,</td>
</tr>
<tr>
<td>- people with medical conditions, such as chronic heart, lung, kidney, liver, blood or metabolic diseases (such as diabetes), or weakened immune systems.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illnesses result in hospitalizations and deaths mainly among high-risk groups. Most deaths associated with influenza in industrialized countries occur among people age 65 or older.</td>
</tr>
<tr>
<td>In Australia in 2011:</td>
</tr>
<tr>
<td>- 14 influenza associated deaths were notified to the NNDSS</td>
</tr>
<tr>
<td>- 13 per cent of persons hospitalised with influenza were admitted to ICU².</td>
</tr>
</tbody>
</table>

### 4.5 Evaluate risks

The purpose of risk evaluation is to make decisions, based on the outcomes of risk analysis, about which risks need treatment, and treatment priorities. Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered.

The objectives of the College and the extent of opportunity that could result should be considered. Where a choice is to be made between options, higher potential losses may be associated with higher potential gains. The appropriate choice will depend on context, and may lead to a decision to undertake further analysis.

<table>
<thead>
<tr>
<th>The team will consider what response is appropriate at this time, based on factors including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- the level of acceptable risk determined in the context setting phase;</td>
</tr>
<tr>
<td>- the virulence of the strains of influenza known to be in circulation at the time.</td>
</tr>
</tbody>
</table>

Previous experience has shown that the most effective way to prevent the disease or severe outcomes from the illness is vaccination. Safe and effective vaccines have been available and used for more than 60 years. Among healthy adults, influenza vaccine can prevent 70% to 90% of influenza-specific illness.

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4.6 Treat risks

Risk treatment involves identifying the range of options for treating risks, assessing these options and the preparation and implementation of treatment plans. At times the College will undertake activities that have significant risks associated with them.

A vaccination program is designed based on factors including:
- the efficacy and known side effects of the treatment options available (including the match between stocks of vaccine on hand and the strains known to be in circulation);
- available distribution channels for vaccines
- potential religious and societal resistance to proposed treatments;
- Likelihood of panic or adverse media coverage;
- Political aspects of the situation (jurisdictional boundaries, decision-making processes, etc.).

The program is most likely to focus on groups at higher risk of serious influenza complications, and for people who live with or care for high risk individuals, such as:
- nursing-home residents (the elderly or disabled)
- elderly individuals
- people with chronic medical conditions
- other groups such as pregnant women, health care workers, those with essential functions in society, as well as children from ages six months to two years.

4.7 Monitor and review

Ongoing review is essential to ensure that the management plan remains relevant. Factors that may affect the likelihood and consequences of an outcome may change, as may the factors that affect the suitability or cost of the treatment options. It is therefore necessary to repeat the risk management cycle regularly.

Actual progress against risk treatment plans provides an important performance measure, and will be incorporated into performance management and reporting systems.

Monitoring and review also involves learning lessons from the risk management process, by reviewing events, the treatment plans and their outcomes.

Mechanisms are put in place to monitor the effectiveness of the vaccination program and identify trends or spikes in infection rates which indicate that the treatment is not working. These include the NNDSS on whose data portions of this case study are based.

Assessments are also made of the proportion of cases are not seeking care from health services and therefore not included in the official reporting mechanisms.

On a weekly timetable or based on new information as it becomes available, the risk assessment and treatment plan are updated, building on the previous assessment.

The data and information available at the time each decision is made is documented, to show clearly the basis for the decisions on the level of risk and the appropriateness of any changes to the chosen response plan.

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3 WHO Fact Sheet N211, [http://www.who.int/mediacentre/factsheets/fs211/en/](http://www.who.int/mediacentre/factsheets/fs211/en/)
5 RACP Risk Management Roles and Responsibilities

The roles outlined below are not mutually exclusive. A member of the RACP Board may simultaneously be a member of the College Risk Management Committee, a process owner, and a risk owner.

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| RACP Board                          | The primary governing body of the Royal Australasian College of Physicians. The overall role of the Board is to govern the College and to promote the College’s interests in the pursuit of its objectives. The Board does this by setting strategic direction and context and focussing on issues critical to the College’s success.  | 1) Determining the appropriate level of risk that the College is willing to accept;  
2) The implementation of a sound system of risk management and internal control which, in all material respects, implements the policies adopted by the Board;  
3) Championing the Colleges’ risk management processes, encouraging the right attitude to risk management amongst Fellows, trainees, employees, and volunteers;  
4) Reviewing recommendations from the College Risk Management Committee and determining future actions;  
5) Making any reports and disclosures relating to risk required by law or regulation.                                                                                                                          |
| College Risk Management Committee   | A Committee established by the RACP Board to assist the Board in fulfilling its responsibilities in relation to management of risk at the College.                                                                                                                                                                               | 1) Overseeing the risk management activities at the College;  
2) Monitoring the implementation of the risk management framework;  
3) Providing advice on appropriate risk management related procedures and measurement methodologies throughout the College;  
4) Liaison with management in monitoring key risks;  
5) Receiving reports on the effect of material business risks;  
6) Monitoring and approval of the College’s list of material business risks and risk treatment strategies (risk register);  
7) Reporting to the Board concerning the management of risks within the College;  
8) Annually, and upon request, presenting to the Board an up-to-date register of the key risks facing the College;  
9) Assigning ownership of risks (see below);  
10) Assessing whether the College’s risk management process is continually maturing to reflect the changing environment and allowing the College to identify and respond to emerging issues and risks. |
| College President                   | The Chair of the RACP Board, elected by the Fellows by ballot at every second Annual General Meeting.                                                                                                                                                                                                                                              | 1) Ensuring that risk management activities beyond the authority of the CEO are carried out effectively;  
2) Championing the College’s risk management processes, encouraging the right attitude to risk management amongst Fellows, trainees, employees, and volunteers                                                                                         |
| Chairs of College Bodies            | The Chair of each Body as defined in the Governance of College Bodies By-Law                                                                                                                                                                                                                                                                  | 1) Understanding the College risk management process;  
2) Diligent identification of risks related to the functions carried out by their body;  
3) Acting as a Process Owner.                                                                                                                                                                                                                                             |
| Chief Executive Officer             | The individual appointed by the Board to oversee the management of the College.                                                                                                                                                                                                                                                                                  | 1) Ensuring that risk management activities are carried out effectively within the College;  
2) Championing the College’s risk management processes, encouraging the right attitude to risk management amongst Fellows, trainees, employees, staff and volunteers                                                                                       |
<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| **Senior Leadership Group (SLG)** | The Senior Management of the College                                         | 1) The development of systems, policies, processes and procedures that promote effective risk management;  
   2) Ensuring that risk management activities are carried out in the College in accordance with the Risk Management Policy;  
   3) Assessing the current and planned approach to managing material business risks;  
   4) Monitoring the status of risk treatment strategies;  
   5) Reporting on material business risks to the College Risk Management Committee;  
   6) Ensuring that the risk management framework is implemented across the different areas of operations;  
   7) Identifying and prioritising material business risks. |
| **Process Owners**           | The person charged with the leadership and oversight of a particular function of the College or one of its Bodies. Examples of functional managers could include Chairs of College Bodies, Lead Fellows in areas such as site accreditation, Service Managers such as the Fellows Learning Support Manager or the Information Technology Manager, or individual members of the SLG. | 1) Ensuring that persons under their direction and leadership are adequately trained in risk assessment and are acquainted with the College’s risk management policies and procedures.  
   2) Prepare the analysis of consequence and likelihood of an event occurring, including an analysis of existing controls.  
   3) Prepare the risk treatment plan, including an analysis of alternative treatment plans, resources required, and additional risks created by the proposed treatment.  
   4) Implement process changes and/or risk treatment strategies.  
   5) Monitoring the day-to-day operation of controls. |
| **Risk Owners**              | The person or entity with the accountability and authority to manage a risk. Examples include College Bodies such as the College Education Committee, Chairs of College Bodies, individual members of the Senior Leadership Group, or individual process owners. | 1) Confirm the risk analysis performed by the Process Owner;  
   2) Confirm the risk treatment plan created by the Process Owner;  
   3) Take responsibility for, and oversee the implementation of the risk treatment plan confirmed by the College Risk Management Committee;  
   4) Report to the College Risk Management Committee on implementation and operation of risk treatment plans and the results of risk assessments performed on new initiatives. |
### 6 Types of Risks

The most obvious risks to any organisation, and the ones most frequently thought of, are financial, but risk management must take into account a broad spectrum of potential risks, which may include:

#### 6.1 Financial and Asset value

Financial risks are the easiest to quantify, as they relate directly to assets, either money or the valuation of assets.

#### 6.2 People effects

Such aspects as the health and safety of Fellows, trainees, employees, and volunteers performing tasks on behalf of the College and the loss of corporate memory and experience when key College staff move on or Fellows become less involved in College activities.

#### 6.3 Service disruption

Anything which can affect the operations of the College, from an airline strike which prevents examiners from reaching clinical exam centres, to an event which reduces staff availability (such as an epidemic or an earthquake), to a delay at the printers which affects the mail-out of a brochure.
6.4 **Reputation**

Warren Buffett stated that “It takes twenty years to build a reputation, and five minutes to ruin it.” The reputation of the College can be affected by a number of factors, as shown in the diagram below:

![Reputational Risk Factors Diagram](image)

**Figure 3: Reputational Risk Factors**

6.5 **Legal and compliance**

As a company limited by guarantee under the Corporations Act, the College, its Officers, and Board have certain legal obligations with which we must comply. Failure to do so can lead to financial and reputational consequences for individuals and the College as a whole.

6.6 **Fellow and Management Impact**

Fellow and management impact refers to the effects on the achievement of the College objectives of the distraction of College Management, the Board, Committees, and employees from our operational and strategic objectives to dealing with specific issues and ‘fighting fires.’

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4 Source: “Managing risks to reputation – from Theory to Practice,” J-P Louisot & J Rayner
7 Risk Assessment

In assessing risks, we look at the interaction of two key factors:

- How likely is it that the risk will arise?
- What are the consequences if it does?

7.1 Likelihood

Likelihood is the chance of something happening, normally expressed as a probability or a frequency over a given time period. The College has adopted the following definitions of likelihood for use in risk assessments:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Definition</th>
<th>Annual chance of occurring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost certain</td>
<td>Risk is expected to occur in most circumstances; would be surprised if it did not happen.</td>
<td>&gt;95%</td>
</tr>
<tr>
<td>Likely</td>
<td>Risk will probably occur in most circumstances; more likely to happen than not.</td>
<td>60%-95%</td>
</tr>
<tr>
<td>Possible</td>
<td>Risk might occur at some time; just as likely to happen as not to happen.</td>
<td>45%-59%</td>
</tr>
<tr>
<td>Unlikely</td>
<td>Risk could occur at some time but it is improbable; less likely to happen than not.</td>
<td>5%-44%</td>
</tr>
<tr>
<td>Rare</td>
<td>Risk may occur only in exceptional circumstances; would be surprised if this happened.</td>
<td>&lt;5%</td>
</tr>
</tbody>
</table>

7.2 Consequence

Consequence is the outcome of an event affecting the College’s objectives, which can:

- be certain or uncertain and can have positive or negative effects on objectives;
- be expressed qualitatively or quantitatively;
- be direct or indirect; and
- escalate through knock-on effects.

The table on the next page describes the definitions of consequence adopted by the College.
### RACP Risk Management Framework
#### 6B Risk Assessment

<table>
<thead>
<tr>
<th>Consequence</th>
<th>Financial / Asset Value</th>
<th>People effects (employees, volunteers and trainees)</th>
<th>Reputation</th>
<th>Service outputs</th>
<th>Legal and Compliance</th>
<th>Fellow and Management impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catastrophic</td>
<td>&gt;$20m loss</td>
<td>Fatality and/or severe irreversible disability to one or more people</td>
<td>Prolonged negative media coverage - national</td>
<td>Loss of preferred service provider status; AMC suspends accreditation</td>
<td>Possibility of custodial sentence for Directors or Office Bearers</td>
<td>Restructuring of College with the loss of many senior managers and experienced Fellows</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CEO and majority of Board departs involuntarily</td>
<td>Complete unavailability of pro bono workforce</td>
<td>Litigation costing &gt;$20m</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Irreparably impaired reputation of the Board as a group and as individuals</td>
<td>Total cessation of multiple services for many months</td>
<td>Investigation by regulatory body resulting in long-term interruption of operations</td>
<td></td>
</tr>
<tr>
<td>Major</td>
<td>$5m-$20m loss</td>
<td>Extensive injury or impairment to one or more people</td>
<td>Government inquiries into College activities</td>
<td>No examinations or assessments take place during the year</td>
<td>Major breach of regulation with punitive fine</td>
<td>Significant event or disruption that will require considerable Board, College Body, and/or senior management time over several weeks or months</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CEO and one or more Board members departs involuntarily</td>
<td>Disruption of multiple services for several months;</td>
<td>Litigation extending over many weeks, between $5m and $20m legal costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Significant staff turnover in business unit</td>
<td>Significant staff turnover in business unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Majority of Pro Bono workforce becomes unavailable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>$1m-$5m loss</td>
<td>Short-term disability to one or more people</td>
<td>Negative media coverage – State, over several days</td>
<td>Noticeable loss of Pro Bono workforce for several months</td>
<td>Breach of regulation with investigation by authority and possible moderate fine</td>
<td>Event or disruption that will require Board, College Body, and/or senior management time over several weeks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>One or more senior managers departs involuntarily</td>
<td>Total cessation of one service for a few months / multiple services for several weeks and subsequent disruption</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Management of government programs (e.g. STP) taken away from the College</td>
<td>All College examinations or assessments delayed for over a month</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minor</td>
<td>$100k-$1m loss</td>
<td>Significant medical treatment, lost injury time &lt;2 weeks</td>
<td>Negative media coverage - local</td>
<td>Some service disruption in one area</td>
<td>Breach of regulations</td>
<td>Event or disruption that can be managed with careful attention. Will require some Board, College Body, and/or senior management time over many days or a few weeks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Complaint to management</td>
<td></td>
<td>Minor fine or legal costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Minor litigation</td>
<td></td>
</tr>
<tr>
<td>Insignificant</td>
<td>&lt;$100k loss</td>
<td>First aid or minor medical treatment</td>
<td>No media coverage; Complaint to employee</td>
<td>Minimal disruption</td>
<td>Minor legal issues, or breach of regulations</td>
<td>Will require some Board, College Body, and/or management attention</td>
</tr>
</tbody>
</table>
7.3 Risk Triage

A level of triage is required to determine what risks to address and the priority of responses to them.

<table>
<thead>
<tr>
<th>Outcome of triage</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified risk is not a threat to the College’s objectives</td>
<td>• Discard the “risk”. • Communicate with stakeholders to address their perception of risk.</td>
</tr>
<tr>
<td>Risk is confirmed but is not an immediate threat to the College’s objectives</td>
<td>• Undertake a full risk assessment and document the controls in place to manage the risk • Monitor events and update risk assessments as new information becomes available • Communicate with stakeholders to address their perception of risk</td>
</tr>
<tr>
<td>Risk is confirmed and may be considered an immediate threat to the College’s objectives</td>
<td>• Undertake a full risk assessment • Provide recommendations for decision-makers, including which actions should be taken and which should have the highest priority (e.g. recommended control measures, key communication messages) • Undertake additional risk assessments and modify recommendations for decision-makers as new information becomes available. • The actions taken as a result of the risk assessments may differ at different organisational levels</td>
</tr>
</tbody>
</table>

7.4 Exposure

The tool used to perform triage and prioritise response is the level of exposure, expressed as a combination of likelihood and consequence. The more likely something is to happen, and the greater the consequences from the event, then the greater the exposure. This is expressed in the following matrix:

<table>
<thead>
<tr>
<th></th>
<th>Insignificant</th>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
<th>Catastrophic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost certain</td>
<td>High</td>
<td>High</td>
<td>Very High</td>
<td>Very High</td>
<td>Extreme</td>
</tr>
<tr>
<td>Likely</td>
<td>Medium</td>
<td>High</td>
<td>Very High</td>
<td>Very High</td>
<td>Very High</td>
</tr>
<tr>
<td>Possible</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
<td>Very High</td>
</tr>
<tr>
<td>Unlikely</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Rare</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
</tbody>
</table>

The timing and level of response to a risk is determined by the level of exposure. In general terms the greater the exposure, the sooner a response is required, and the more resources will be allocated to the response. Care must be taken that the treatment plans do not exceed the cost of the exposure, or prevent the College from operating efficiently and effectively.

---

5 Adapted from WHO: Rapid Risk Assessment of Acute Public Health Events
## Exposure vs. Suggested treatment

<table>
<thead>
<tr>
<th>Exposure</th>
<th>Suggested treatment</th>
<th>Suggested timing (dependent on circumstances)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extreme</td>
<td>Analyse options and devise a risk treatment plan setting out actions to improve the controls and modify the risk to an acceptable level.</td>
<td>Within one month</td>
</tr>
<tr>
<td>Very High</td>
<td>Analyse options and devise a risk treatment plan setting out actions to improve the controls and modify the risk to an acceptable level.</td>
<td>Immediately or short term, one to three months</td>
</tr>
<tr>
<td>High</td>
<td>Where control effectiveness is already as high as economically possible, consider other treatment options.</td>
<td>Within 1 year</td>
</tr>
<tr>
<td>Medium</td>
<td>Enhanced monitoring of the controls is required to assure their effectiveness; or where controls could be improved or changed a risk treatment plan should be developed to modify the risk. This is done in keeping with all other priorities.</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>Requires attention and monitoring within existing operations. A higher level of surveillance is needed for the risks with negative consequences that rely on a few critical controls.</td>
<td>Control assurance part of normal management cycle</td>
</tr>
</tbody>
</table>

The diagram on the next page sets out a process to show how information should flow through the College regarding risks which are identified, and who is responsible for the tasks in the risk management process. Some roles and responsibilities in this process are set out below. These roles are not mutually exclusive: the Board may identify a risk, and the risk owner may own the process as well.

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Identifier</td>
<td>• Identify potential risks to the achievement of the College’s objectives, including an initial description of the potential consequences.</td>
</tr>
<tr>
<td>Risk Officer</td>
<td>• Collate and record risks identified; Identify Risk Owner and Process Owner; Facilitate the performance of the risk analysis and creation of the risk treatment plan; Initial review of the risk analysis and risk treatment plan for completeness, challenging the bases of assumptions included; Advise on design and/or implementation of risk mitigation or management processes; Update the risk register; Collation of reporting information for College Risk Committee and Board.</td>
</tr>
<tr>
<td>Process Owner</td>
<td>• Prepare the analysis of consequence and likelihood of an event occurring, including an analysis of existing controls; Prepare the risk treatment plan, including an analysis of alternative treatment plans, resources required, and additional risks created by the proposed treatment; Implementation of risk treatment plans.</td>
</tr>
<tr>
<td>Risk Owner</td>
<td>• Confirm the risk analysis performed by the Process Owner; Confirm the risk treatment plan created by the Process Owner; Take responsibility for, and oversee the implementation of the risk treatment plan confirmed by the College Risk Management Committee; Reporting through the Risk Officer to the College Risk Management Committee on implementation and operation of risk treatment plans.</td>
</tr>
<tr>
<td>Independent Reviewer</td>
<td>• Confirm the risk analysis performed by the Risk Owner; Confirm the risk treatment plan created by the Risk Owner.</td>
</tr>
<tr>
<td>College Risk Management Committee</td>
<td>• Confirm that the appropriate person within the College has been allocated as Risk Owner; Confirm that the risk analysis prepared by the Process Owner reflects the Consequence to the College of the risk(s) identified and the Likelihood of the event occurring; Based on the risk analysis prepared by the Process Owner, determine whether the risk is to be accepted or a risk treatment plan prepared, consistent with the College’s stated risk attitude; Confirm the appropriateness of the risk treatment plan prepared by the Process Owner and approved by the Risk Owner; Monitoring of risk treatment; Reporting to Board.</td>
</tr>
</tbody>
</table>
# 8 Glossary

For the purposes of risk management in the RACP, the following terms and definitions will apply.⁶

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
</table>
| Communication and consultation| Continual and iterative processes that the College conducts to provide, share or obtain information and to engage in dialogue with Directors, Fellows, trainees, employees, volunteers and external stakeholders regarding the management of risk. The information can relate to the existence, nature, form, likelihood, significance, evaluation, acceptability and treatment of the management of risk. Consultation is:  
  • a two-way process of informed communication between the College and its stakeholders on an issue prior to making a decision or determining a direction on that issue;  
  • a process which impacts on a decision through influence rather than power; and  
  • an input to decision making, not joint decision making. |
| Consequence                   | The outcome of an event affecting objectives, which can lead to a range of consequences. A consequence can  
  • be certain or uncertain and can have positive or negative effects on objectives;  
  • be expressed qualitatively or quantitatively;  
  • be direct or indirect; and  
  • escalate through knock-on effects. |
| Context, external             | The external environment in which the College seeks to achieve its objectives. This can include:  
  • the cultural, social, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local;  
  • key drivers and trends having impact on the objectives of the College; and  
  • relationships with, and perceptions and values of, external stakeholders. |
| Context, internal             | The internal environment in which the College seeks to achieve its objectives, including:  
  • governance, organisational structure, roles and accountabilities;  
  • policies, objectives, and the strategies that are in place to achieve them;  
  • the capabilities, in terms of resources and knowledge (e.g. capital, time, people, processes, systems and technologies);  
  • information systems, information flows and decision-making processes (both formal and informal);  
  • relationships with, and perceptions and values of, internal stakeholders;  
  • the College's culture;  
  • standards, guidelines, procedures and models adopted by the College; and  
  • form and extent of contractual (and non-contractual, e.g. Specialty Society) relationships. |
| Control                       | A measure taken to modify risk, including any process, policy, device, practice, or other actions which modify risk. Controls may not always exert the intended or assumed modifying effect.                                                                                                                                  |
| Effect                        | A deviation from the expected — positive or negative.                                                                                                                                                                                                                                                                                     |

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⁶ Definitions adapted from AS/NZS ISO 31000:2009 Risk management— Principles and guidelines
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
</table>
| Event                         | An occurrence or change of a particular set of circumstances. An event can:  
  • be one or more occurrences, and can have several causes;  
  • consist of something not happening;  
  • be referred to as an “incident” or “accident”.  
  An event without consequences can also be referred to as a “near miss”, “incident”, “near hit” or “close call”.                                                                                                                                                                                                                                                                                                                                                   |
| Level of risk                 | The magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood.                                                                                                                                                                                                                                                                                                                                                      |
| Likelihood                    | The chance of something happening, such as a probability or a frequency over a given time period.                                                                                                                                                                                                                                                                                                                                                                                                       |
| Monitoring                    | Continual checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected. Monitoring can be applied to a risk management framework, risk management process, risk, or control.                                                                                                                                                                                                                                                                                     |
| Residual risk                 | Risk can never be reduced to zero. Even after treatment, some level of risk remains, also referred to as “retained risk.” Residual risk can contain a level of unidentified risk.                                                                                                                                                                                                                                                                                                                                               |
| Risk                          | The effect of uncertainty on objectives, expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.                                                                                                                                                                                                                                                                                                      |
| Risk analysis                 | A process to comprehend the nature of risk and to determine the level of risk. Risk analysis provides the basis for risk evaluation and decisions about risk treatment, and includes estimation of the consequences of the risk.                                                                                                                                                                                                                                                                       |
| Risk assessment               | The overall process of risk identification, risk analysis and risk evaluation.                                                                                                                                                                                                                                                                                                                                                                                                             |
| Risk tolerance                | The College’s approach to assess and eventually pursue, retain, take or avoid risk. This is a key component of decision-making, particularly at Board and SLG level.                                                                                                                                                                                                                                                                                                             |
| Risk evaluation               | The process of comparing the results of risk analysis with the risk tolerance to determine whether the risk and/or its magnitude is acceptable or tolerable, to assist in the decision about risk treatment.                                                                                                                                                                                                                                                                                   |
| Risk identification           | The process of finding, recognizing and describing risks, including risk sources, events, their causes and their potential consequences. Risk identification can involve historical data, theoretical analysis, informed and expert opinions, and stakeholder’s needs.                                                                                                                                                                                                                                         |
| Risk management framework     | A set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the College.  
  • The foundations include the policies, objectives, mandate and commitment to manage risk.  
  • The organisational arrangements include governance, plans, relationships, accountabilities, resources, processes and activities.  
  • The risk management framework is embedded within the College’s overall strategic and operational policies and practices.                                                                                                                                                                                                                       |
| Risk management policy        | A statement of the overall intentions and direction of the College related to risk management.                                                                                                                                                                                                                                                                                                                                                                                                  |
| Risk management process       | The systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk                                                                                                                                                                                                                                      |
| Risk profile                  | The description of any set of risks, relative to the whole College, part of the College, or as otherwise defined.                                                                                                                                                                                                                                                                                                                                                                             |
| Risk source                   | An element which alone or in combination has the intrinsic potential to give rise to risk. Can be tangible or intangible.                                                                                                                                                                                                                                                                                                                                                                          |
### Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
</table>
| Risk treatment| The process of modifying risk. Risk treatment can involve:   
|               | • avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;    
|               | • taking or increasing risk in order to pursue an opportunity;  
|               | • removing the risk source;  
|               | • changing the likelihood;  
|               | • changing the consequences;  
|               | • sharing the risk with another party or parties (including contracts and insurance); and  
|               | • retaining the risk by informed decision.  
|               | Risk treatments that deal with negative consequences are sometimes referred to as "risk mitigation", "risk elimination", "risk prevention" and "risk reduction".  
|               | NB: Risk treatment can create new risks or modify existing risks. Assessment of the potential 'side effects' should form part of the risk assessment. |
| Stakeholder   | A person or entity that can affect, be affected by, or perceive themselves to be affected by or have an interest in a decision or activity. |
| Uncertainty   | The state, even partial, of deficiency of information related to, understanding or knowledge of, an event, its consequence, or likelihood. |