



## **PP4.5 – Risk Management Policy and Procedure**

Policy area	Governance
Standards	Outcome Standards for RTOs, Standard 4.3. Compliance Standards for RTOs, Standard, 19
Responsibility	CEO

### **1. Purpose**

The purpose of this policy is to:

- Identify, manage, and regularly review risks affecting compliance with standards, business development, students, and staff.
- Manage financial risks by maintaining a robust financial plan, along with appropriate monitoring and oversight of the financial position, performance, and cash flows.
- Establish and maintain a system for identifying, managing, and transparently disclosing real or perceived conflicts of interest.
- Provide a framework to measure the effectiveness of compliance strategies based on the assessed risk to expose the need for additional risk controls where required.
- Provide a framework for all staff at Newton College to participate in decision making about risk controls based on the agreed risk.

### **2. Definitions**

**Risk** is the possibility of an event or condition occurring that may have a negative impact on an organisations' objectives, resources, reputation, or stakeholders. It combines two key factors:

1. Likelihood: The probability or chance of the event occurring.



2. Consequence: The potential impact or severity of the outcome if the event does occur.

Effective risk management involves identifying these risks, assessing their likelihood and impact, and implementing controls to reduce the likelihood of occurrence and minimise the potential impact.

**Conflict of Interest** occurs when an individual's personal, financial, or other interests interfere with, or have the potential to interfere with, their ability to make impartial and objective decisions in their professional role. Conflicts of interest can arise in situations where:

- **Personal gain:** An individual stands to gain personally (financially, materially, or otherwise) from decisions or actions they make on behalf of their organisation.
- **Relationships:** Close personal relationships (such as with family or friends) could influence, or appear to influence, the person's decisions.
- **Competing loyalties:** The individual has obligations to another entity (like another employer, client, or organization) that could compromise their loyalty to their primary organisation.
- **Outside interests:** An individual's external activities (such as outside employment, investments, or board memberships) may create competing interests or affect their ability to act in the best interests of the organisation.
- **Gifts or benefits:** Receiving gifts, benefits, or favours from a third party that could influence decision-making or create an appearance of bias.

## 3. Policy statement

### 3.1 Risk management

As a general principle, the application of our risk management process is in the context of promoting high quality training and assessment. The risks will be analysed against our compliance with relevant standards and regulatory obligations. Specifically, risk will be managed in relation to:

- Outcome Standards for Registered Training Organisations 2025
- Compliance Requirements for Registered Training Organisations 2025



- Credential Policy for Registered Training Organisations 2025
- Financial Viability Risk Assessment Requirements 2021
- Data Provision Requirements 2020
- Disability Standards for Education 2005
- Relevant legislative obligations, including but not limited to:
  - National VET Regulator Act
  - Fair Trading law
  - Privacy law
  - Work Health and Safety law
  - Employment law
  - Anti-discrimination law
  - Consumer protection law
  - Fair Trading law

### 3.2 Financial risks

The CEO is responsible for completing a financial forecast each year to establish a delivery plan for the following calendar year. Financial forecasting is to be conducted on a calendar year basis and supported by an annual review of market analysis and course break-even analysis to ensure Newton College is delivering services that support our financial viability. This important work will commence in October leading to the Annual Delivery Plan finalised by mid-November. In summary, the sequence of these activities is:

- Financial forecast for the following calendar year. To include market analysis and course break-even analysis – By 15<sup>th</sup> October
- Annual Delivery Planning Meeting – By 31<sup>st</sup> October
- Financial year reporting by 15<sup>th</sup> November
- Annual Delivery Plan finalised – By 15<sup>th</sup> November

The CEO is responsible for ensuring financial stability, allocating resources efficiently, and planning for future growth or needs. As part of this financial planning process, we will identify potential



financial risks and develop contingency plans to manage these risks. The financial and delivery planning process outlined above will result in the establishment of a delivery plan that is aligned with our market conditions and targeted at delivering courses which support our financial stability.

The CEO is also responsible for monitoring the organisations financial performance throughout the year. This includes monitoring and managing cash flow and meeting with accounting advisors to stay informed about the financial position of Newton College, including how the financial position impacts the delivery of training and assessment in accordance with the Standards. Where variances are identified, we will adjust strategies if required to stay on track. The financial planning process outlined above will inform our management of risks.

### **3.3 Conflicts of interest**

All individuals are expected to avoid situations where personal, financial, or other interests may conflict, or appear to conflict, with the interests of the organisation. In cases where a conflict or potential conflict arises, individuals must disclose the situation promptly and in good faith.

All new staff must declare a *Conflict-of-Interest Disclosure* when they commence work with Newton College. Employees are responsible for disclosing any potential conflicts as they arise, even if not covered in the previous disclosure.

The CEO will review disclosed conflicts to assess potential impacts on objectivity, confidentiality, or fairness.

Depending on the nature of the conflict, the following actions may be taken;

- The individual may be removed from decision-making related to the conflict
- The individual may be asked to resolve the conflicting financial interest

Failure to disclose conflicts or comply with actions to mitigate conflict of interest may lead to disciplinary actions, including termination.

### **3.4 Management of third party arrangements**

Each third-party arrangement presents a different level of risk to Newton College's compliance with the Standards for Registered Training Organisations. This risk is influenced by the complexity of each



individual arrangement in regard to the scope of services being delivered, the commercial arrangement, and the type of third-party entity. Refer to *PP4.4 - Third Party Management* for our detailed policy and procedure on managing third party arrangements and the associated risks.

### 3.5 Review identification

Risks are identified through the following means:

- Annual Risk Assessment: We conduct an annual risk assessment identify potential risks within the organisation's activities, processes, and environment. Risk Reporting Mechanisms: We encourage staff, trainers, and students to report risk or concerns as they identify them.
- Routine Inspections: We conduct routine inspections of training facilities and equipment to identify hazards and potential risks.
- Incident Review: We review past incidents, complaints, and feedback to identify recurring or emerging risks

### 3.6 Risk Assessment

Risk assessment in the context of this policy is primarily concerned with management or compliance risk. This policy is not specifically focused on safety risk or hazards to health and safety as this is addressed in-depth. Compliance or management risk relates to the risk that Newton College will fail to comply with its regulatory requirements. This may happen because the operating and/or management arrangements we put in place to comply with these requirements were not adequate. The concept of risk assessment and management is to prevent non-compliance from happening. Moreover, it gives Newton College a way of measuring the effectiveness of our strategies for self-assurance and a framework to make decisions when considering quality vs efficiency. Risk assessment is to be recorded using the *Risk Assessment Sheet*.

We have two primary objectives in the delivery of services at Newton College. The first is to deliver high quality services that exemplify best practice in compliance with our regulatory obligations. The second is to deliver services efficiently to ensure the financial viability and prosperity of Newton College. Some may say these are competing priorities. It can be challenging to delivery high quality services at the same time as do so profitably. There is a sweet spot in there somewhere and risk



assessment and management give us the tool to consider these challenges and make informed decisions to get the balance right.

The following is a general description of how risk assessment works. This is not to replace the procedure but to establish a deeper policy level understanding for those participating in risk assessment and to ensure all staff members have a shared understanding:

- (i) **Identify the risk criteria.** Firstly, we get together as part of a planned risk assessment activity, and we identify the particular regulatory requirement that we are focusing on. We will generally focus on one regulatory requirement at a time. As an example, we may focus on just one clause of a standard within the Outcome Standards for RTO.
- (ii) **Confirm the risk context.** We then think through a particular regulatory requirement and discuss and understand what the regulatory requirements is about and what compliance looks like against that standard. This usually leads into a discussion about our operating context with regards to the requirement. What compliance looks like may vary slightly based on our operating context so it is important to recognise the unique aspects of our operating context that may inform our assessment of risk such as student numbers, locations, modes of delivery, funding sources, type of clients, number and capability of staff, etc.
- (iii) **Brainstorm the risks.** Once we have confirmed the regulatory requirement and established the operating context, we then brainstorm the possible negative impacts that could occur if we fail to comply with the requirement (the risks). What could happen if we are non-compliant? Non-compliance may effect our registration with the national regulator, it may negatively impact on the service that student receives, we may suffer a loss of reputation in the market, there may be a financial loss, etc. It is important to consider these risks big and small and not to get stuck just identifying the same risks every time. What are the specific risks that relate to each requirement?
- (iv) **Identify current controls.** Now that we understand the risks, what controls do we already have in place to prevent or control these risks? Do we have trained and competent staff, existing policy and procedures, sufficient time, any quality controls, management oversight, etc? Are these controls working? Before we consider the likelihood and consequences of these risks occurring, it is important to consider what existing controls we have in place now and if these are effective.



- (v) **Rate the risk.** Using the likelihood and consequence tables, we now consider and through consensus agree on the likelihood and consequence of Newton College being found non-compliant with the regulatory requirement considering the existing controls we have in place. We use the criteria in these tables to help make these decisions. We need to agree so this is about respecting each other's opinion and trying to reach a group consensus. We then use our assessed likelihood and consequence and the Risk Evaluation Matrix to rate the risk. As an example, if we had a likelihood of "Possible" and a consequence of "Major", we would rate the risk as "High Risk".
- (vi) **Risk acceptance.** It is the policy of Newton College that we should not accept a risk level that exceeds **Moderate**. To be clear, if the assessed risk rating is "High Risk" or "Extreme Risk" these risk ratings are not acceptable and additional risk controls would be needed to bring the risk rating down to Moderate or lower. This is where we need to make decisions around quality vs efficiency. The challenge is to identify additional risk controls that are smart and efficient whilst minimising the impact on students and trying to avoid additional heavy work processes on staff. This often requires full consideration of a work process and looking for the point in the process where we can improve to decrease the likelihood of a risk eventuating.
- (vii) **Identify additional controls.** When considering additional controls to reduce the risk rating, it is important to consider the difference between reduction strategies for both likelihood and consequence as they are different. Decreasing the consequence of a risk event often involves establishing resilience strategies that we implement after the risk has eventuated, such as having an established IT systems recovery plan in the event that our IT system was taken offline or was subject to a security breach. From this perspective, consequence reduction strategies can be considered "reactive" to a risk that has already eventuated. In difference to this, likelihood reduction strategies can be considered "proactive" to prevent the risk from ever eventuating.
- (viii) The following table provides some examples of consequence reduction strategies (reactive strategies) and likelihood reduction strategies (proactive strategies):





Examples of Likelihood reduction (proactive) strategies	Examples of Consequence reduction (reactive) strategies
<ul style="list-style-type: none"> <li>– Improving the inputs to a process such as the learning content or assessment tools</li> <li>– Providing training to staff performing tasks to improve performance.</li> <li>– Introducing work aids such as checklists or technology tools</li> <li>– Introducing quality control points to ensure outcomes being reported are valid and accurate</li> <li>– Introduce quality review points to evaluate the performance of a process that is underway</li> <li>– Establishing policy and procedure to support work performance</li> <li>– Introducing decision controls such as limited authority or delegation</li> <li>– Establishing timeframes of work components or deadlines</li> <li>– Establishing reporting arrangements to support decision making</li> </ul>	<ul style="list-style-type: none"> <li>– Having a contingency plan for when a trainer is not available such as a casual replacement trainer who can cover</li> <li>– Establishing emergency action procedures in the event of a building emergency</li> <li>– Putting in place first aid procedures and first aid equipment to respond to an accident of injury</li> <li>– Having continuity arrangements to carry on with service delivery if normal arrangements are interrupted such as moving training online</li> <li>– Establishing suitable insurance coverage for public liability, loss and damage or volunteer protection</li> <li>– Having access to counselling services in the event of a traumatic event</li> <li>– Establishing an IT system backup and recovery arrangement in the event of an IT system failure</li> </ul>

- (ix) It is also important to keep in mind when identifying additional controls, the components that make up a work process. These components are the things that we can evaluate and consider if





there are opportunities to improve these in a work process. Work processes are commonly comprised of the following components:

- a. Inputs to the work process such as learning materials, assessment tools, IT systems, equipment, facilities, consumables, etc.
  - b. Skills, knowledge and attitude of those performing the work.
  - c. Supervision or oversight of the work being performed.
  - d. Outputs which are produced in the performance of the work.
  - e. The work process that both proceeds and follow the work being performed (upstream / downstream work process).
  - f. Policies and procedures that guide how the work should be performed.
  - g. Forms, tools, templates, checklists, diagrams, that support the work.
  - h. IT systems used in the performance of the work process.
  - i. Training and development in support of those performing the work.
  - j. Quality controls or quality review of the work.
  - k. Timeframes or deadlines relating to the work.
  - l. Documentation and record keeping of the work.
  - m. Reporting arrangements relating to the work.
  - n. Feedback and continuous improvement of the work.
- (x) When you are considering strategies to reduce the likelihood or consequence, the above components which are present in relation to almost all work are worthy of considerations to try and identify additional controls that both support quality work outcomes and are efficient. The objective is to control the risk to a level of **moderate** or below whilst also supporting the productivity of Newton College.



- (xi) **Rate the risk again.** If the initial or current risk rating was considered too high and you have considered and agreed upon additional controls, you should now rate the risk again to determine how the additional controls have influenced the risk rating. If the risk is still considered too high (above Moderate), you should go through the previous step again to consider what additional controls could be applied. If you have landed on a risk of Moderate or below and you are satisfied with this level of risk, you would record this noting for final risk rating and the agreed controls which need to be implemented. This final risk rating is referred to as the “residual risk”. This is the risk that remains even after all controls have been implemented.
- (xii) **Implement new controls.** Following the risk assessment process, you will have identified new risk controls which have been agreed to during the process. These new controls need to be developed into the current operating arrangements, introduced to those responsible to implement them and implemented. This is to occur using the continuous improvement process. Following a risk assessment, the outcomes or recommendations that emerged from the assessment are to be recorded in the risk assessment record and raised as an opportunity for improvement using the Continuous Improvement Report and referred to the regular management meeting for further consideration and action.
- (xiii) **Don’t get bogged down and respect each other’s input.** As a final point about the risk assessment process, it is important to keep things moving ahead. When a risk assessment activity is organised, it will usually involve reviewing multiple risk criteria in the one day. There are often too many to complete in the time available, so it is important to make best use of time and work through the risk assessment of each criteria efficiently. This means staying focussed and minimising any unrelated chatter and not getting bogged down on points that do not have a big influence on the final outcome. Here are some guidelines to follow when organising and participating in a risk assessment activity:
- Clearly state objectives and boundaries at the start, reminding everyone to stay focused.
  - Assign a facilitator to actively manage and redirect discussions.
  - Use a structured agenda for the day and strictly follow it.
  - Set and enforce clear time limits for the assessment of each risk criteria.
  - Use a 'parking lot' to capture side issues for later consideration.



- f. Prioritise critical risks early, focusing on these first.
- g. Encourage participants to provide brief, concise contributions.
- h. Gently but firmly redirect conversations back on track when they drift.
- i. Agree on ground rules for managing discussions and interruptions.
- j. Treat each other with respect and value the input of each person.

### 3.7 Public liability insurance

In accordance with the Compliance Standards for RTOs, Newton College must hold public liability insurance that covers all the organisation's operations for the entire period in which the organisation is registered. In addition to the need to comply with this obligation, public liability insurance along with other relevant insurance is an important risk reduction strategy to reduce the effects of the likely consequences in the event of a risk eventuating.

The CEO is responsible for establishing ongoing public liability insurance coverage for Newton College. The CEO is to retain a record of the certificate of cover for public liability insurance and be able to produce this on request. The following considerations are to be given to the level of public liability insurance that Newton College requires:

- Industry type and risk profile;
- Regular business activities and interactions;
- Potential for injury, damage, or claims;
- Historical claim frequency;
- Contractual or regulatory insurance requirements;
- Annual business turnover and financial scale;
- Number of employees and subcontractors;
- Industry standards for insurance coverage;



- Business location and premises condition;
- Maximum financial exposure from potential claims;
- Client or customer coverage expectations;
- Cost and affordability of insurance premiums; and
- Professional recommendations from insurance advisors.

## 4. Procedure

Steps		Person/s responsible
<b>5.1 Risk Assessment</b>		
i.	<b>Schedule risk assessment</b>  Schedule the activity well in advance to allow people to plan and be available to participate. Identify the personal to participate based on their knowledge of the current operation an ability to contribute. Consider inviting some additional staff members who would benefit from being exposed to the activity for their professional development. Identify the risk criteria to be prioritised on the day. Organise access to relevant forms and the current risk register as a reference point. Ensure the availability of material to support the activity including post it notes, white board, stationary, computer and projector. Organise a morning tea and lunch as an incentive for personal to attend.	CEO
ii.	<b>Brief participants and allocate resources</b>  Brief participants and allocate resources. Provide a brief reminder of the risk assessment process and the ground rules for the day. Remember to:	CEO



	<ul style="list-style-type: none"> <li>– Clearly state objectives and boundaries at the start, reminding everyone to stay focused.</li> <li>– Set and enforce clear time limits for the assessment of each risk criteria.</li> <li>– Explain the use of a 'parking lot' to capture side issues for later consideration.</li> <li>– Identify the priority risk criteria to address.</li> <li>– Encourage participants to provide brief, concise contributions.</li> <li>– Remind everyone to treat each other with respect and value the input of each person.</li> </ul>	
iii.	<p><b>Identify the risk criteria</b></p> <p>Identify the regulatory requirement and establish clear risk assessment criteria. Begin by selecting one specific regulatory requirement, clearly defining the criteria against which risks will be assessed. Typically, this involves focusing on a single clause from a regulatory standard relevant to Newton College.</p>	CEO and participants
iv.	<p><b>Confirm the risk context</b></p> <p>Engage in a thorough discussion to ensure all stakeholders understand the selected regulatory requirement, defining clearly what compliance look like. Consider the operational factors relevant to this regulatory requirement, such as the number and diversity of students, delivery modes, delivery locations, funding sources, client types, and staff capabilities, as these elements can influence how compliance is interpreted and implemented.</p>	CEO and participants
v.	<p><b>Identify the risks</b></p> <p>Identify and discuss all possible risks or negative impacts arising from non-compliance with the regulatory requirement. Consider the existing identified risks and the risk to registration with the national</p>	CEO and participants



	regulator, adverse effects on student services, potential reputational damage, financial losses, and other specific issues relevant to the chosen requirement. Encourage input to capture a comprehensive list of risks, avoiding repetitive or narrow considerations.	
vi.	<p><b>Identify current risk controls</b></p> <p>Identify existing preventive or corrective measures currently in place to manage identified risks. This includes assessing the competence and training of staff, effectiveness of existing policies and procedures, adequacy of resource allocation, quality assurance practices, and management oversight. Evaluate whether these current controls are functioning effectively and reliably.</p>	CEO and participants
vii.	<p><b>Rate the risk</b></p> <p>Using the predetermined likelihood and consequence rating tables, work together to determine the likelihood and consequence of potential non-compliance occurring, considering existing control measures. Reach consensus as a group, valuing each participant's input. Apply these evaluations to the Risk Evaluation Matrix to establish the initial risk rating (e.g., High, Moderate, or Low).</p>	CEO and participants
viii.	<p><b>Is the risk acceptable</b></p> <p>Newton College does not accept a risk rating that is higher than Moderate. A risk rating of High or Extreme are unacceptable. In such cases, additional control measures must be identified and implemented to reduce risk to an acceptable level.</p>	CEO and participants
ix.	<p><b>Identify additional risk controls</b></p> <p>Identify additional risk control taking into consideration the guidance provided at policy paragraph 3.6 viii to x. This includes consideration</p>	CEO and participants



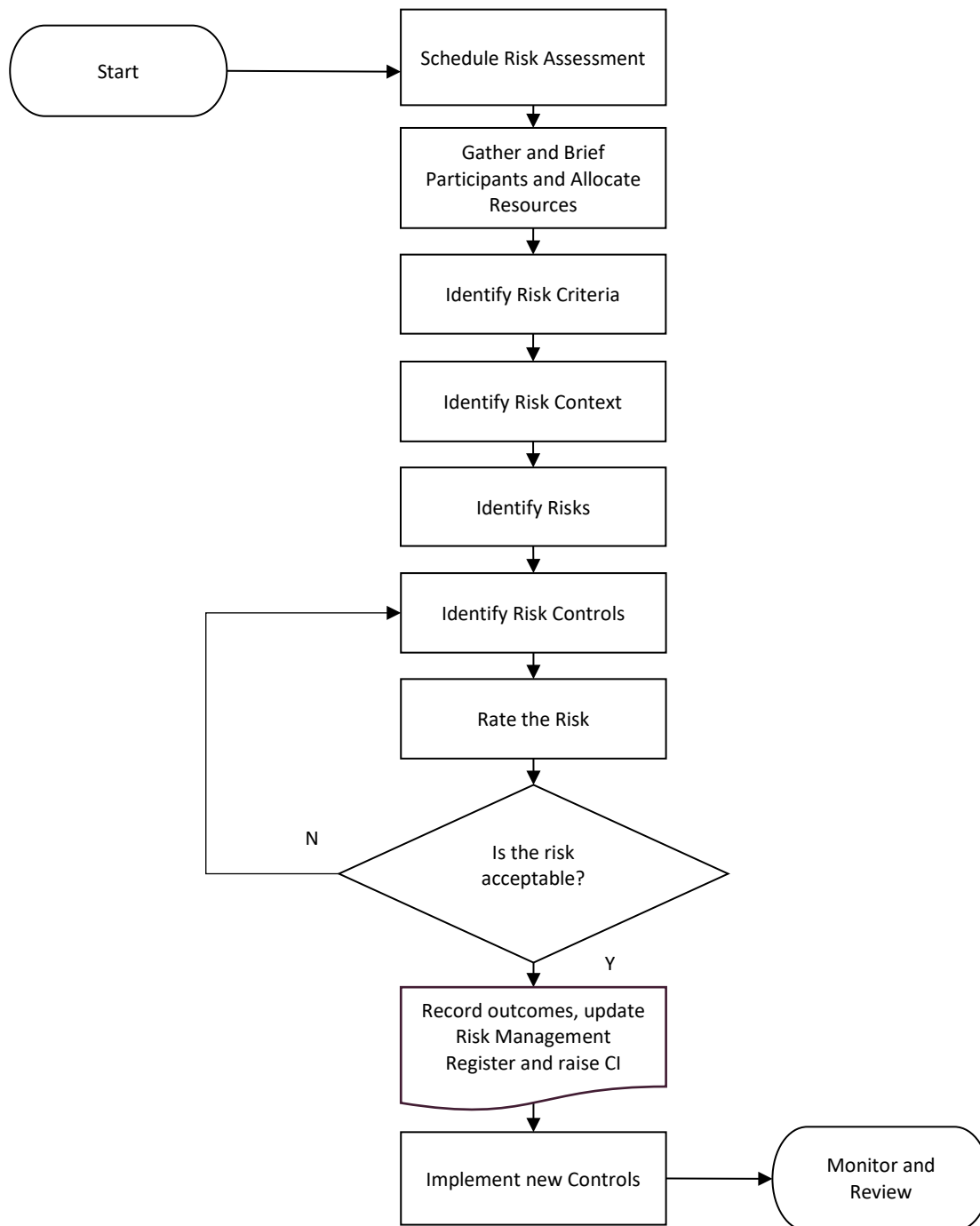
	of the relevant work process and distinguishing between reduction strategies for both likelihood and consequence.	
x.	<p><b>Rate the risk again</b></p> <p>Once additional control measures have been identified and agreed upon, reassess the risks using the same likelihood and consequence rating tables and the Risk Evaluation Matrix. If risks remain above the acceptable level, repeat the process of identifying additional controls. Continue this iterative process until reaching an acceptable residual risk rating (Moderate or lower), clearly documenting the final risk rating and agreed measures. Clearly record the outcomes of the risk assessment, including final residual risk ratings, all agreed-upon control measures, and assigned responsibilities.</p>	CEO and participants
xi.	<p><b>Report new risk controls via the Continuous Improvement process</b></p> <p>Record the final recommendations and outcomes in the <i>Risk Assessment Sheet</i> and raise a <i>Continuous Improvement Report</i> for all outcomes for consideration at a future management meeting.</p>	CEO
xii.	<p><b>Move on to the next criteria and repeat the process</b></p> <p>Once you have completed the risk assessment process relevant to that criteria, identify the next criteria and move straight on to repeat the process.</p>	CEO and participants





## 5. Flow chart

### Risk Management Process





## 6. Reference(s)

**Outcome Standards for RTOs, Standard 4.3.** Risks to VET students, staff and the RTO are identified and managed. The RTO demonstrates:

- (a) it identifies, manages and reviews risks to VET students, staff and the RTO
- (b) it manages financial risks to the organisation, including by maintaining a financial plan and appropriate monitoring and oversight of the RTO's financial position, financial performance and cashflows
- (c) a system for identifying, managing and disclosing (as relevant) real or apparent conflicts of interest
- (d) where the RTO offers training or assessment to VET students aged under 18, risks to their safety and wellbeing are identified and managed consistent with principles for child safe organisations, having regard to the training content and mode(s) of delivery.

**Compliance Standards for RTOs, Standard, 19.** An NVR registered training organisation must hold public liability insurance that covers all the organisation's operations for the entire period in which the organisation is registered under the Act.