Contents

1 PURPOSE

This Framework articulates the commitment of Polytechnic Institute Australia (PIA) to approaching and managing risks effectively. It acknowledges PIA's obligations under the Higher Education Standards Framework (Threshold Standards) 2015 and establishes Risk Management as integral to responsible business practice and governance. This Framework is intended to protect students, staff and the operations and financial sustainability of PIA.

2 SCOPE

This Framework applies to all staff, students, and all PIA's operations, functions and business activities.

3 DEFINITIONS

PIA is guided by and adopts the definitions and concepts used in International Standard on Risk Management AS/NZS ISO 31000:2018.

Risk: "effect of uncertainty on objectives"[1]

Risks can emanate from internal and external sources. Risks can include issues such as student and/or staff dissatisfaction, adverse publicity, physical safety and security concerns, low performing staff, equipment or computer failure, legal and contractual matters and fraud.

Risk Appetite: "the amount and type of risk that an organisation is willing to pursue or retain"[2]

Risk appetite refers to the amount of risk, the types of risk and levels of risk that PIA is comfortable in accepting in pursuing our objectives.

Risk Management: "coordinated activities to direct and control an organization with regard to risk"[3]

Risk management is the systematic management of activities that involve a material degree of risk of loss or other damage to PIA.

Risk Management Framework: "set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring reviewing and continually improving risk management throughout the organization"[4]

4 RISK GOVERNANCE

PIA's Board of Directors has ultimate responsibility for Risk Management at PIA. The BoD has delegated aspects of Risk Management to other governance entities and individuals within the organisations. The roles and responsibilities are set out below:

4.1 Role of the Board of Directors

PIA's Board of Directors (BoD) has oversight of the funding, strategic direction and management of PIA, in addition to ensuring that the Institute continues to meet legal, regulatory, financial and social obligations and responsibilities. In accordance with their Terms of Reference, the BoD is responsible for overseeing and monitoring the assessment and management of risk and ensuring PIA has strategies to mitigate risks that may eventuate.

[1] ISO 31000:2018 Risk Management Guidelines
[2] ISO GUIDE 73:2009 Risk management — Vocabulary (Reviewed and confirmed in 2016)
[3] ISO 31000:2018 Risk Management Guidelines
[4] ISO 31000:2009 Risk Management Guidelines

The BoD is responsible for:

- Approval and monitoring of PIA's Risk Management Framework;
- Setting the risk appetite;
- Monitoring the controls framework to ensure major risks are identified and managed; and
- Monitoring of all corporate, strategic and operational risk.

4.2 Role of the Quality and Risk Committee (QARC)

The Quality and Risk Committee (QARC) is a sub-committee of the Board of Directors (BoD) and its role is to provide advice and assistance to the BoD with the governance framework of PIA, including risk management, internal systems controls, regulatory compliance, policy and procedure compliance, and internal audit functions.

The QARC's responsibilities include reviewing and reporting to the Board of Directors matters relating to:

- Corporate, strategic, operational and project risks;
- The application and administration of the corporate risk management rule and framework;
- Reviewing and endorsing amendments to the Risk Management Framework; and
- Reviewing and continually updating the Risk Register.

4.3 Role of the Academic Board

The Academic Board is delegated responsibility by the BoD for the academic governance of the higher education operations of PIA. This includes academic policymaking, academic administration and oversight of the educational process.

The Academic Board's role in relation to risk management is:

- Identifying risks within PIA's higher education academic courses and operations; and
- Recommending mitigation strategies in relation to academic risks.

4.4 Role of the Chief Executive Officer (CEO)

The CEO has responsibility for the implementation of corporate risk management practices across PIA, and for ensuring significant risks are communicated and responded to.

The CEO is responsible for identifying, monitoring and communicating the following:

- Corporate risks to PIA's strategic objectives (strategic risks);
- the corporate risk appetite approach to each strategic objective and associated strategic risks; and
- the control environment for each strategic risk.

The CEO is also responsible for ensuring:

- approval of the corporate risk management framework;
- the Board of Directors have oversight of the management and assessment of corporate risk across PIA;
- adherence to the corporate risk management appetite by PIA representatives;

- application of the corporate risk management framework by PIA representatives; and
- provision of corporate risk management administration and guidance across PIA by the Quality, Audit and Risk Committee.

4.5 Role of the Executive Responsible for a Function or Business Unit

The Executive in charge of a PIA function or business unit is responsible for the management of the risks to the operational objectives of that function or business unit.

The Executive is responsible for identifying, monitoring and communicating the following:

- Corporate risks to the operational objectives they have authority over (operational risks);
- the corporate risk appetite approach to each operational objective and associated operational risks; and
- the control environment for each operational risk.

The Executive also ensure the application of the corporate risk management framework within their area of management responsibility.

4.6 Role of PIA Staff and Contractors

All members of staff and contractors are expected to develop an understanding of risk management processes and principles and to apply those principles in the areas for which they are accountable.

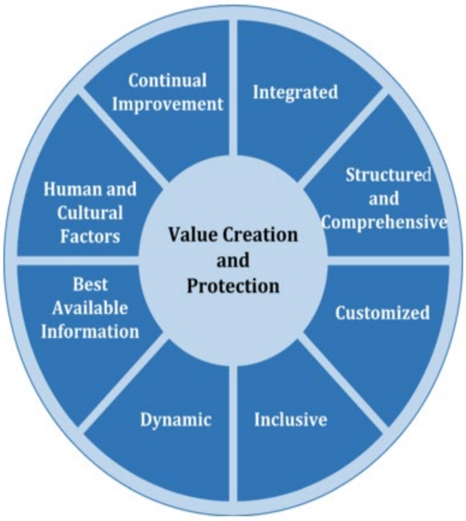
5 RISK MANAGEMENT

5.1 Risk Principles

PIA's approach to risk management is founded on the following principles:

- that risk is an inherent element of all business activity;
- that risks present the opportunity for improvement in performance and process; and
- that, since it is not possible to have a totally risk free environment, effective risk management does not necessarily eliminate risks; rather it seeks to minimise and manage risk levels.

The following are the Risk Management Principles taken from ISO 31000:2018 Risk Management Guidelines:



Integrated: Risk management is an integral part of all organizational activities.

Structured and comprehensive: A structured and comprehensive approach to risk management contributes to consistent and comparable results.

Customized: The risk management framework and process are customized and proportionate to the organization's external and internal context related to its objectives.

Inclusive: Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.

Dynamic: Risks can emerge, change or disappear as an organization's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.

Best available information: The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.

Human and cultural factors: Human behaviour and culture significantly influence all aspects of risk management at each level and stage.

Continual improvement: Risk management is continually improved through learning and experience.

5.2 Risk Management Objectives

PIA's risk management objectives are to:

- ensure that the major risks faced by PIA are identified, understood and appropriately managed;
- ensure that PIA's planning and operational processes focus on areas where risk management is needed; and
- create an environment where staff take responsibility for identifying and managing risk.

5.3 Measuring Provider Risk: TEQSA Risk Assessment Report

5.3.1 Conceptual Foundations

TEQSA has developed a method for quantifying provider risk in their Risk Assessment Framework (2019)[5]. The Framework develops the methodology TEQSA uses for conducting risk assessments on all of their registered providers – public and private – against the Threshold Standards.

Under the Framework, TEQSA focuses on four key areas derived from the Threshold Standards to support an overall judgement of 'High', 'Moderate', or 'Low' risk. The four key areas are:

1. Regulatory History and Standing
2. Students (load, experience and outcomes)
3. Academic Staff Profile
4. Financial Viability and sustainability.

Considered together, the four key areas provide TEQSA with the coverage they need to form a view on the provider's level of risk.

While the first area, 'Regulatory History and Standing', is qualitative in nature, the level of risk in all other areas employs quantitative data to arrive at severity ratings. In the case of 'Regulatory History, and Standing', a reasonable proxy measure in PIA's case would be the existence of any Registration Conditions imposed by TEQSA. Where Conditions exist, we can conclude that PIA possessed some level of risk in that area. In all of the other areas, TEQSA's quantitative indicators, broken down by key areas, are presented in the following table.

Key Area	Critical Consideration(s)	Approach to Measurement
2 Students	• Capacity to accommodate the current rate of growth • Attrition Rate • Progress Rate • Completions • Graduate Satisfaction • Graduate Destinations	• Benchmarking[6] • Benchmarking • Benchmarking • Benchmarking • Survey data • Employment survey

[5] https://www.teqsa.gov.au/sites/default/files/teqsa-risk-assessment-framework-v2-3-4-horizontal-layout-web.pdf?v=1564542617

[6] TEQSA calculates benchmarks separately for 'universities and not-for profits' on one hand, and 'for profits' on the other. Providers in lower percentile rankings are considered to be *potentially* at high risk.

Key Area	Critical Consideration(s)	Approach to Measurement
3 Academic Staff Profile	• Staff:Student Ratio • Number of Senior Academics • % Casual Academic Staff	• Benchmarking • Benchmarking • Benchmarking
4(a) Financial Viability[7]		• Operating margin • Liquidity • Total Liabilities • Debt Service Coverage • Operating Cash Flow Ratio
4(b) Financial Sustainability		• % Change in Revenue • Asset Replacement Ratio • % Change in Employee Benefits Ratio • % Change in Commencements • Revenue Concentration/Diversification

While the measurements in this table are quantifiable, TEQSA stops short of incorporating them into a formula but prefers to take a qualitative approach to its judgement of overall risk. In other words, taking account of all of the data, together with TEQSA's discussions with the provider, what level of risk does this provider pose to students?

5.3.2 Conclusion: The Risk Variables

The Board has agreed that the following nine variables will form part of the risk report:

- Capacity to accommodate the current rate of growth
- Attrition Rate
- Progress Rate
- Completions
- Graduate Satisfaction
- Graduate Destinations
- Staff:Student Ratio
- Number of Senior Academics
- % Casual Academic Staff

The Risk Register will serve as a primary source document containing all of the TEQSA provider risks and other risks relevant for a corporate environment. A summary of the sections of the Risk Register (a head Register) will be provided to the board. In this way, the Board can be guided in their assessment by a more manageable document than the full Risk Register.

[7] Formulae for calculating all of the variables in this key area and the next – Financial Sustainability – are provided in the technical notes accompanying TEQSA's *Risk Assessment Framework (2015)* (see above)

5.4 The Risk Management Framework Contents

PIA's Risk Management Framework is a set of components that establishes the foundations and benchmarks for PIA to identify, mitigate, monitor, treat, remediate, and manage risks. This is done with a view of continuous improvement.

PIA's Risk Management Framework includes, but is not limited to:

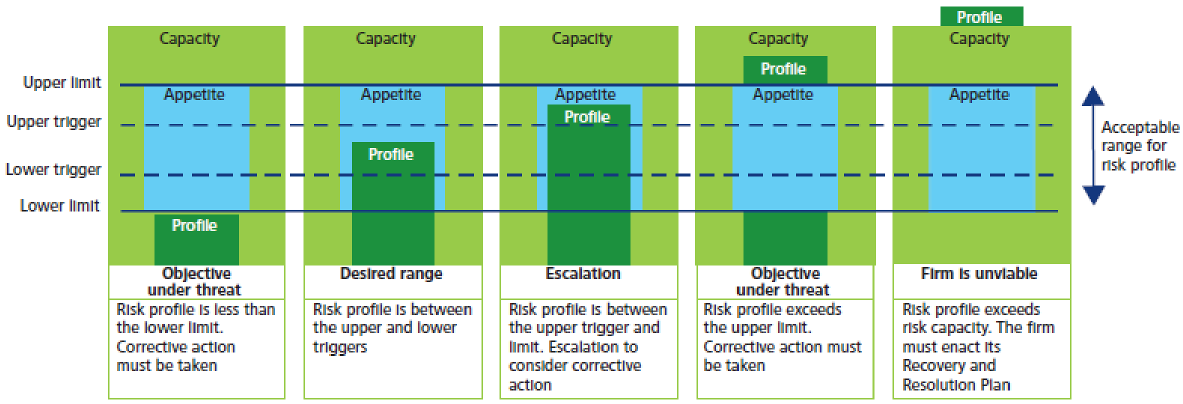
- This Risk Management Framework document
- The Compliance and Risk Management Policy and Procedure
- The Risk Register
- The Risk Appetite Statement
- Other Policies and Procedures which impact and intersect with Risk Management
- Governance structures and staff who are responsible for the management of risk

5.5 Risk Appetite

Risk appetite refers to the amount of risk, the types of risk and levels of risk that PIA is comfortable in accepting in pursuing its objectives. The Risk Appetite balances the benefits of change or innovation with the threats and pitfalls that could eventuate as a consequence of that change. It sets the limitations for the risks PIA can tolerate in its activities and helps PIA balance risk-taking and risk avoidance.

PIA's Board of Directors, management and staff will have regard to PIA's stated Risk Appetite in both strategic and operational decision making. While overall PIA has a limited appetite for risk in many of its activities, it is acknowledged that PIA must at times undertake activities that inherently carry greater risks.

To that end, PIA's risk appetite will often be different at an activity level from that at a whole-of-institution level. PIA's approach is to minimise its exposure to risks relating to its compliance, environment, culture and people, whilst accepting and encouraging an increased degree of risk in pursuit of its vision and strategic priorities. It recognises that the risk appetite varies according to the activity undertaken and that its acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established where required.[8]



[8] The approach taken by PIA is based on Deloitte's Risk Appetite Framework. Deloitte Australia (2014) Risk appetite frameworks: How to spot the genuine article, p 14.

As part of the framework, there will be a whole-of-institution Risk Appetite Statement and when needed for specific activities a Risk Appetite Statement for that activity.

5.6 Risk Ratings

Risks are rated according to the probability or likelihood of them occurring, the consequence of the risk eventuating, and the overall impact of the occurrence of the risk. The below tables set out the likelihood and consequences that PIA will use when rating risks.

Likelihood:

RATING	DESCRIPTION
Almost Certain	Is expected to occur in most circumstances
Likely	Will probably occur in most circumstances
Possible	Might occur at some time
Unlikely	Could occur at some time
Rare	May occur but only in exceptional circumstances

Consequence:

RATING	DESCRIPTION
Negligible	Operational performance of a specific area of PIA would not be materially affected. PIA would not encounter any significant accountability implications. The interests of stakeholders would not be affected. Public perception of PIA would remain intact.
Minor	Slight inconvenience/difficulty in operational performance of a specific area of PIA. Some accountability implications for the specific area of PIA but would not affect the ability to meet key operational requirements. Recovery from such consequences would be handled quickly without the need to divert resources from core activity areas. Some minor effects on the interests of stakeholders. For example, other sources or avenues would be available to stakeholders. Public perceptions of PIA would alter slightly, but no significant damage or disruption occurs.
Moderate	Operational performance of PIA would be compromised to the extent that revised planning would be required to overcome difficulties experienced by a specific area of PIA. The Institute would experience difficulty in complying with key regulatory requirements, which may jeopardise accreditation. Recovery would be more gradual and require detailed planning with resources being diverted from core activity areas. Stakeholders would experience considerable difficulty pursuing their rights and entitlements. Considerable adverse public reaction would result in some damage and disruption to PIA.
Major	Operational performance of a specific area of PIA would be severely affected with the Institute unable to meet a major portion of its obligations and liabilities. PIA's asset/resource base may be significantly depleted. PIA would not be able to comply with the majority of its regulatory requirements effectively. Recovering from consequences would be highly complicated and time-consuming. Stakeholders would be unable to pursue their rights and entitlements. Public reaction would result in major disruptions.

RATING	DESCRIPTION
Extreme	PIA would be rendered dysfunctional. Operational performance would be compromised to the extent that PIA is unable to meet obligations and liabilities in core activity areas. Severe accountability implications would result in PIA being unable to meet regulatory requirements. PIA would incur significant financial losses. PIA would be unable to recover from such consequences. Stakeholders would face major consequences. Major adverse repercussions would affect the public standing of PIA.

5.7 Risk Matrix

The Risk Matrix is a visual representation of the Risk Rating. The Risk Matrix maps the likelihood of a risk occurring against the consequence of the risk occurring and maps the Risk Ratings as Low, Medium, High and Very High. The Risk Ratings are used to rank risks that appear in the Risk Register.

	CONSEQUENCE				
LIKELIHOOD	Negligible	Minor	Moderate	Major	Extreme
Almost Certain	Medium	High	High	Very High	Very High
Likely	Medium	Medium	High	High	Very High
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium

5.8 Risk Management Cycle

The risk management cycle includes the following steps:

- **Risk identification and rating**

Risks are identified and categorised. Risks are then given a risk rating based on the Risk Matrix and added to the Risk Register if required.

- **Analysing and evaluating risks**

Risks are then analysed and evaluated to determine the potential impact of the risks, how the risks fit in with strategic and operational objectives and how the risks will be prioritised.

- **Responding to and treating risks**

Mitigation strategies, processes, controls and remedial plans are developed to mitigate and manage the risks.

- **Monitoring and reviewing risks**

Monitoring and review of risks, controls, mitigation strategies and remedial plans to determine any change to their risk rating or priority and associated changes to the Risk Register.

- **Reporting on risks**

The addition of new risks, deletion of risks, changes to risks, risk ratings and priorities are reported including updates to the Risk Register.

5.9 Risk Register

The Risk Register identifies and lists the significant risks which may impact PIA's operations. The Risk Register rates each risk in terms of impact and probability based on the Risk Matrix and considers how each risk might be mitigated to minimise exposure to the consequences of adverse events.

PIA's Risk Register will contain:

- Risk Categories
- Risk number
- Name and description of risk
- Likelihood, consequence and rating based on the Risk Matrix
- Consequences of risk eventuating
- Mitigations, controls, remediation plans and/or recovery strategies
- Owner of/responsible person for risk
- Due date (if applicable)

5.10 Risk Categories

Each risk will fall into at least one of the following Risk Categories. The Risk Categories that PIA will use for the Risk Register include:

1. Administrative and Regulatory Risks
2. Strategic and Business Operational Risks
3. Finance Risks
4. Student Risks
5. Academic Risks
6. Other Risks

The Risk Categories are designed to recognise and incorporate Part A of the Higher Education Standards Framework (Threshold Standards) 2021. These are:

- Student Attainment and Participation
- Learning Environment
- Teaching
- Institutional Quality Assurance
- Governance and Accountability
- Representation, Information and Information Management

6 RELATED LEGISLATION AND DOCUMENTS

Documents

- Business Continuity Management Policy and Procedure
- Quality Assurance Framework
- Risk Appetite Statement
- Risk Register
- Staff Code of Conduct
- Student Code of Conduct
- Work Health and Safety Policy and Procedure

This Framework supports compliance with the following legislation

Legislation	Standards/Clauses
Higher Education Standards Framework (Threshold Standards) 2021	Standard 6.2(1)e

7 FEEDBACK

PIA staff and students may provide feedback about this document by emailing policy@pia.edu.au.

8 APPROVAL DETAILS

Approval	Details
Approval Authority	Board of Directors
Administrator	CEO
Approval Date	29 July 2022