

Policy Guideline Risk Management Reporting

The Accounts, Audits and Annual Report Ordinance 1995

Background

Clause 3(d) of the Accounts, Audits and Annual Reports Ordinance (the Ordinance) requires each organisation constituted by ordinance or resolution of the Synod or its Standing Committee to maintain a satisfactory system of risk management.

Clause 5 provides that the system of risk management must include –

- (a) procedures to identify and assess the key risks to the organisation, and
- (b) policies and procedures to manage the key risks, and
- (c) procedures to report to the members of the organisation significant breaches of the law and the policies of the organisation; and
- (d) procedures for the annual review of the key risks.

Under clause 14(e) of the Ordinance, each organisation is required to include, as part of its annual report to the Synod, a risk management report containing –

- (i) a summary of the key risks to the organisation;
- (ii) a summary of the main policies and procedures in place to manage the key risks; and
- (iii) confirmation that the organisation has in place procedures to report to the members of the organisation significant breaches of the law and the policies of the organisation.

The following guideline sets out what the Finance Committee expects from organisations in order to meet the risk reporting requirements under clause 14(e) of the Ordinance. The guideline does not address how organisations should maintain their risk management systems for the purposes of clauses 3(d) and 5. Further information about maintaining risk management systems can be obtained from the Australian Standard AS/NZ 4360:2004

Interpretation of risk reporting requirement

- (i) The requirement for a summary of an organisation's key risks would be satisfied if the organisation identifies those risks, covering both operational and strategic matters, that pose the greatest risk to (or opportunity for) the organisation. The process for identifying the key risks to an organisation is usually undertaken by assessing the likelihood and severity of the range of risks facing the organisation. Each key risk identified in the report should be accompanied with a brief explanation of the nature of the risk. Usually no more than 12 key risks need be identified in the report.
- (ii) The requirement for a summary of the main policies and procedures in place to manage (or mitigate) an organisation's key risks would be satisfied by a brief description of such policies and procedures. Where existing policies and procedures are considered inadequate, the organisation may wish to indicate policies and procedures, which need to be developed to adequately manage or mitigate a risk.
- (iii) An organisation would be able to confirm that it has in place procedures to report to its members significant breaches of the law and its policies if there is a process promulgated within the organisation which both requires and encourages staff and, in particular, managers to report such breaches. Such a process may be assisted if the board or council has a standing agenda item on risk management, which includes breach reporting.