

RISK PROFESSION

Business role features in disaster recovery

The business community has a major role to play in recovering from disasters like the Victorian bush fires, Queensland floods and terrorist attacks, says Philip Ruddock, Liberal MP for Berowra, NSW.

The former Attorney General, who sits on the Federal Government's Intelligence & Security Joint Statutory Committee, was speaking at RMI's Victorian Security Special Interest Group on *National security and the role of the private sector in protecting critical infrastructure*.

Mr Ruddock said physical facilities, supply chains and communication networks were regarded by the Attorney General's Office as critical. "If these are destroyed, degraded or unavailable for an extended period, it would negatively impact on the nation and affect Australia's ability to provide national security."

Mr Ruddock was speaking before the tragic events unfolded in Victoria and Queensland, but did not dismiss nature's impact.

"National security is about more than preventing a terrorist attack. Natural disasters, pandemics or the failure of critical infrastructure pose an equal threat to our community."



Philip Ruddock

He said continuity planning could save companies from going to the wall. "A well-prepared business community can play a critical role in helping recover from a devastating event.

"All businesses should view continuity planning as a type of insurance, not just for their own businesses, but for the broader community."

Mr Ruddock cited statistics from a Datapro Research Company study that found 43% of businesses hit by severe crises did not reopen and a further 29% failed within two years.

"Statistics from the US Federal Emergency Management Agency show similar levels of business failure. After Hurricane Andrew in 1992, 80% of businesses without business continuity plans failed within two years."

Mr Ruddock believed governments had a role to play as well. "The most effective way for government to protect the Australian community from dire economic consequences is to work closely with the business sector."

Australia's small-to-medium businesses made up 30% of the country's economic activity and should not be overlooked. "The risk of a terrorist attack is not high for most small businesses, however, natural disasters, such as storms, fires and floods, pose a very real and regular threat.

"Our entire country is prone to bushfires, our tropical north and west are affected by cyclones annually and many capital cities suffer from devastating storms.

"Without strategies in place to deal with such a wide range of potential hazards, businesses are letting themselves and their community down. However, it is important to remember that to develop effective strategies, business need to be able to count on government for accurate, timely information.

"I have encouraged businesses to make business continuity planning an integral part of their operations. I still emphasise the importance of making business continuity as much a part of boardroom decision-making as profits for shareholders," Mr Ruddock said.

Effective RM strategies for engaging contractors

Lawyer Richard Oldfield believes a risk manager's function is to eliminate and, if that's not possible, reduce risk in any commercial operation to a

manageable level with all competing interests in mind.

Mr Oldfield, of Sydney firm McCulloch & Buggy Lawyers, warned risk professionals to be aware of the potential pitfalls when hiring a contractor and giving up a large part of control of any undertaking.

He told RMI's NSW Chapter: "The risks faced when engaging contractors are many and varied, dependent on the nature of the contract, the purpose it serves and the identities of the contracting parties."

Mr Oldfield, and former law partner Matthew McDonald, have labelled time and cost overruns, OHS, terrorism, vandalism, pollution, property damage, third party liability and compliance with regulations and government directions as general risks.

But Mr Oldfield said more specific risks in engaging contractors included loss of control, contract management and logistics, *Trade Practices Act* issues, establishing agencies, continuing business relationships and dependencies, joint ventures, contractor bankruptcy and/or insolvency, unavailability of insurance, litigation and contractual disputes, industrial disputes, failure and/or destruction of the subject matter of contracts, and fraud.

"In determining how to deal with the risks when engaging a contractor, the first step is to determine what the likely risks are, and then which of these risks are to be dealt with.

"This is where competing interests rear, from a RM point of view, their ugly heads.

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"A decision may be made not to deal with a risk for any number of reasons.

"These include the chances of the risk materialising being so remote or the costs of dealing with it so prohibitive that the exercise becomes uncommercial. Likewise, some risks are simply uninsurable."

Most contracts were now let by tender and Mr Oldfield stressed the importance of obtaining advice from appropriate consultants before calling tenders.

"All probable or possible insurance, indemnity or other risk-passing methods should be disclosed in any request for tender, ensuring tenders are appropriately priced and avoiding well advanced negotiations breaking down," he said. "It will also allow the contractor to ensure adequate resources to meet any risk passed to it are in place," Mr Oldfield said.

"The final pre-contract step is to carry out due diligence on prospective contractors. It is essential to check, as far as possible, such things as the contractor's credentials, expertise, financial capacity, insurance arrangements, work method statements and referees. Failure to do so could well result in the principal's risk-passing steps being ineffectual."



Richard Oldfield

Companies can profit by adapting to climate change

Companies must act sooner rather than later if they are to maintain profitability in the face of climate change, says sustainability and climate change adaptation consultant Suzanne Ridding.

Ms Ridding, also a part-time sustainability manager with Statewide Superannuation in

Adelaide, told an RMIA SA/NT Chapter meeting that the cost of doing nothing could be the difference between surviving and prospering.

"It is important to look at sustainability in the boardroom and climate change is a part of that and needs addressing. CEOs are aware of climate change but very few are doing anything about it because they don't understand the implications for their business and therefore don't know what to do about it.

"What we can do is monetise the risk. Carbon RM is all about turning climate change risks into a financial number that boards can understand and use before they start to act but they need to act now."

Discussing the difference between those companies that will merely survive and those that will prosper, she said: "I'd rather be at the dinner table than on the menu. Companies can get a competitive advantage by acting early."

Motivation includes Federal Government initiatives such as the Carbon Pollution Reduction Scheme (due to be introduced in 2010) and compliance with the *National Greenhouse and Energy Reporting Act 2007*.

Stakeholder pressure from staff, customers and shareholders will have an impact and Ms Ridding thinks the ultimate catalyst will be company profitability.

"64% of Australians are concerned by climate change and 62% would prefer to deal with companies that are doing something about it. If companies don't act they could lose business.

"The government estimates that carbon will cost \$25 per tonne, which will be another new cost, but there are opportunities for savings if action is taken early.

"Companies can improve operational efficiency, access new sources of capital, identify new markets and show a responsibility to future generations."

Ms Ridding, one of former US vice-president Al Gore's climate change ambassadors, believes boards need to anticipate, by implementing risk and opportunity analysis, measure their company's carbon footprint and then develop a strategy to



Suzanne Ridding

adapt in anticipation of the introduction of the CPRS.

"Boards can use existing RM frameworks. The first step is to identify the risks and opportunities. They can then embed carbon costs into products and services and save money by reducing emissions.

"Any potential loss of business could be offset by gaining a reputation as an ethical company that people want to use and there is the

potential for the development and advancement of new technology."

Once a decision to act has been made, a strategy had to be drawn up that fits with the

company's organisational goals.

"Any strategy needs support from the board and senior management," Ms Ridding said.

"Communication and consultation with the rest of the workforce is also imperative.

"Responsibility needs to be assigned so people know who to go to for advice or if problems arise. Companies should consider establishing a champion of sorts, perhaps a company climate change council."

Cost should be taken into consideration, but not just outlay. "Boards need to work out the cost of doing against the cost of doing nothing and a context needs to be established with the business environment, scope and boundaries of any program very much in mind," Ms Ridding said.

"Once any scheme is implemented, adaptation strategies need to be regularly monitored and reviewed, so developing good systems and records for recording data is a must."

'Be at the table, not on the menu'

Risk managers 'over-cautious'



Graham Blackman

Charterhouse Group director Graham Blackman believes not enough risk managers are prepared to take a long-term view when it comes to risk management and the opportunities available.

Mr Blackman, speaking to the Qld RMA Chapter, said the traditional approach, embodied in AS/NZS4360:2004, had instilled a cautious mindset within RM and a more positive approach could be very rewarding.

"Traditionally, risk is seen as a negative term. As a result, caution is the byword. The AS/NZS4360:2004 standard is the industry bible and the terminology is negative. I think changing that would see a sea change in the way we think about risk."

Mr Blackman admitted that, as a risk and compliance manager, he was confronted by an environment and culture that was negative toward risk. "Even the concept of terminology is important. Risk is negative, but calling a risk a critical success factor is highly positive.

"We talk about mitigating problems and adverse impacts, but a positive view would be to see the opportunity, and opportunity is beneficial for strategic planning."

With the global financial crisis hitting balance sheets worldwide, many CEOs are not prepared to take chances with diminishing profits in mind. Mr Blackman agrees, but he believes a change in culture once the financial community starts to pick up could help the recovery process in the long term.

"You need bold leadership, but only if you have a stable environment. We are in the middle of a high pressure environment at the moment and things

are not likely to change at the wider strategic level.

"It's possibly too much change to make in the current environment but then risk managers are taking a short-term view. AS/NZS4360:2004 is good for now but, on a longer timescale, possibly not in the next 12 months, the opportunity model can work.

"You need clarity of purpose from the boardroom to ensure everyone is heading in the same direction and a change in culture and attitude. You can have the best systems in the world but if you don't have the people in place that system will not work," Mr Blackman said.

CPRM Profile

Accreditation helps risk managers 'get ahead'

WA Treasury Corporation's senior risk analyst says becoming a Certified Practising Risk Manager (CPRM) could become a prerequisite for risk managers who want to get ahead in the profession.

Father-of-three Mick Doyle had been thinking about gaining the accreditation since moving to Perth from Ireland two years ago.

After preparation work and attending an assessment weekend, he finally got the good news in January. "After doing some research and talking to other risk managers, I decided RMA's CPRM 'title' was the one that was the most sought after and respected."

Mr Doyle, who has been in RM for almost a decade, was very impressed with the scrutiny his application was put under before he was granted the accreditation.

"It was a very comprehensive process, as you would expect. It took me some time to put together my submission.

"It's certainly not off the cuff or the kind of thing you can just knock together in your lunch break. You really have to earn it.

"Going through the process, it was good to be able to tick all the boxes when looking back over my career and see the experience I have gained and what I have to offer as a CPRM-accredited risk manager."

He expects the accreditation to help him stand out from the crowd, saying: "This is very different from other organisations I've been a member of. It's definitely a step up from the rest, and I think it will give me a real leg up in terms of professional standing.

"I think it will open doors for me in the long term and be good regarding networking and peer reviews. It's very handy to have a professional qualification that is recognised by people within companies who will be employing risk managers."

His bosses at WATC, who funded the accreditation, were very supportive. While he has yet to see any benefit since becoming a CPRM, he has no doubt it will be a boost, not only for him but for his employer.

"You don't want an industry that is over-regulated, but you need certain standards. If you have the CPRM, any prospective employer can be sure you have the right qualities to do a good job.

They will also know you have the experience which, with the financial maelstrom around us at the moment, is a very good thing because risk managers should be focused on the long term."

The former financial controller, who is a big rugby union fan, thinks the groundswell among other risk managers to achieve the accreditation will see it become more of a necessity in the future.

"It will be self-fulfilling to have the award, which in turn will make it a defacto industry standard.

"Having the formal qualification is obviously a benefit. If you are investing a lot of capital, I think having the award is tick point in that you'll be head and shoulders above those who don't," Mr Doyle said.



Mick Doyle

RMIA Update



NEW WORKSHOP - FUNDAMENTALS OF RISK CONTROL

A new Risk Controls workshop is for individuals working in all types of organisations who need to acquire knowledge of how controls help identify and manage risks.

The workshop aims to give participants fundamental and essential information to be successfully able to identify, assess and improve controls in organisations.

The one-day workshop is currently in its final stages of development and review by subject matter experts, industry experts and education specialists to ensure the content is current, valid and relevant to public and private organisations. On completion of the review, the workshop will become RMIA endorsed.

Scheduled dates are:

- Melbourne - March 25
- Brisbane – April 24
- Canberra - May 28
- Sydney - June 24
- Adelaide - July 28
- Perth - July 29
- Hobart - September 2

For more information, email education@rmia.org.au.



WORKSHOPS ON OFFER - FUNDAMENTALS OF MANAGING RISK

Participants who attend the Fundamentals of Managing Risk workshop acquire the skill and knowledge to apply the RM process in their organisation by understanding the AS/NZS 4360:2004 standard.

Reference is also made to the draft ISO 31000 RM standard throughout the workshop.

The delivery method is a combination of practical application of theory through case studies in an interactive individual and group environment. The workshops are delivered by facilitators who are RM practitioners and qualified, experienced presenters.

Content and learning outcomes:

- An understanding of the concept of managing risk,

- Insights into the strategic elements of managing risk, including enterprise-wide RM and risk appetite,
- Insights into linkages with allied activities, including compliance, internal audit, assurance and governance, and
- A comprehensive understanding of each element of the AS/NZS 4360:2004 process and its application to organisational risks, including the importance of evaluation and the application of risk controls.

The workshop has been endorsed by RMIA and a Quality Assurance panel consisting of industry experts and educational specialists to ensure the content delivered is current to industry trends and climate.

For workshop dates and further workshop information [click here](#).



PROGRESS REPORT ON ISO 31000

Following a meeting of the ISO Working Group on RM in Singapore at the end of November, where a total of 656 comments on DIS 31000 and 415 on ISO CD2 of Guide 73 were addressed, approval was given for the documents to proceed to the final stage of voting by ISO member organisations.

The first step involved an editing committee taking decisions made at the Singapore meeting and producing final drafts of both documents. The work was finalised at a meeting in Tokyo at the end of January.

The finalised documents have now been sent to ISO in Geneva for translation into French. They will then be sent to all ISO member organisations for ballot.

If the current momentum can be sustained, the documents should be available for purchase in Q3 2009.

Once approved and published, ISO 31000 will replace AS/NZS 4360. Once an ISO standard is approved it replaces any national standard unless there are specific reasons, such as legislation, that would preclude that happening.

In the case of ISO 31000, which has had significant input from Australia and NZ, it is

reasonable to assume AS/NZS 4360 will be withdrawn from sale and replaced by ISO/AS/NZS 31000:2009.

The Australian/NZ Joint Technical Committee is already revising HB 436 and other handbooks it has produced to conform with 31000.



CPRM INTENSIVE PROGRAM

An intensive program in management of risk will be developed at an equivalent to degree level as a transition pathway to CPRM accreditation.

The program will become available to CRMT-accredited members and other members working towards CPRM accreditation.

Phase 1 - invite RM experts in industry and education to discuss and develop content

Phase 2 - invite subject matter experts to develop content for the panel to review and endorse

Phase 3 - RMIA endorsement

Phase 4 - develop pathways to higher education relating to formal qualifications in RM



CRMT EXCLUSIVE SESSIONS

As the number of RMIA CRMT-accredited members is rapidly increasing, an invitation is being extended to those interested in developing a special interest group to share information, knowledge and expertise.

Send expressions of interest to the Education Manager, education@rmia.org.au.



RMIA ACCREDITATION

Congratulations to the following members who have attained CPRM or CRMT accreditation:

Robert Andronaco, CRMT, Victoria
Amanda Dobie-Brown, CPRM, NSW
Michael Doyle, CPRM, Western Australia
Dianne Romaniuk, CPRM, South Australia
Ian Scrutton, CPRM, NSW

If you're interested in RMIA accreditation, which is a licence to practise as a risk professional, contact education@rmia.org.au to receive more information.

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