

Governance Newsletter

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M. J. SMITH
& PARTNERS

Risk Management

A risk to an organisation can be broadly defined as “the chance of something happening that will have an impact upon the objectives of an organisation”. This definition encompasses a wide range of risks including, but not limited to, physical, financial, legislative and human resource risks.

Risk management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. The Board of Directors (the Board) are directly responsible for an organisation's actions (or inactions), and are required by law to undertake necessary steps to avert foreseeable risks. MJ Smith & Partners offers an effective Risk Management Strategy and policy process for its clients to undertake.

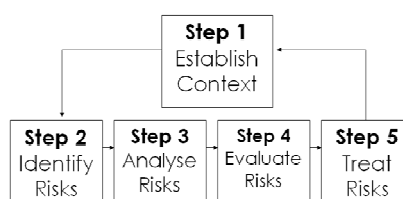
Importance of Risk Management

Risks by nature are rarely a hundred percent preventable which is why it is important to implement a Risk Management Strategy. A Risk Management Strategy is a program designed to reduce the incidence of major adverse events. The process enables clients to assess the likelihood of a risk occurring and then determining the significance of the consequence if the risk occurs.

A Risk Management Strategy gives the Board consistency in the processes of treating, defending and/or mitigating risk whilst also fulfilling their legal obligation.

Risk Management Process

The Risk Management Process is a sequential set of steps that can be used for any risk facing the organisation.



Role of the Board in Risk Management Process

Organisations ordinarily spend too little time on risk management until there is a major occurrence. While these are not frequent, inadequate planning is the norm. Board members are responsible for the company's actions and are obliged by law to maintain a safe workspace through meaningful measures relating to the identification, control and finance of risk management. The ability to assess risk accurately, create effective policy and monitor compliance has become essential for the maintenance of good corporate governance.

It must be clearly stated that it is not the place of the board to undertake the full risk assessment process. Rather, the Board's role is to monitor, supervise and direct the risk management process and issue appropriate directions to ensure the policies in place are adequate. Once an appropriate strategy is in place, the role of the Board falls back to reviewing major policies maintaining awareness of any changes in the operation

environment. The Board needs to be aware of the legislation that applies to the company and their responsibilities under the relevant legislation.

A risk management identification process should form part of the Board's strategic planning process.

Specific Legislation for Risk Management

Under the Workplace Health and Safety Act 1995, to properly manage exposure to risks, and organisation must:

1. Look for hazards;
2. Determine who might be harmed and how;
3. Decide on control measures;
4. Put controls in place; and
5. Review the controls.

Control measures should be implemented in the following order:

1. Get rid of the harm or prevent the risk;
2. If this is not possible:
 - Replace with something less harmful;
 - Separate people from the harm;
 - Change work processes or the physical work environment, for example, by redesigning work, plant, equipment, components or premises;
 - Apply administrative arrangements, for example, limit time spent in a hazardous area;
 - Use personal protective equipment.

For more information, please contact Mark Smith on (07) 3839 1233.

About MJ Smith & Partners

MJ Smith & Partners (MJSP) is a specialist management consultancy that provides clients advice and support in establishing Board and Corporate Governance processes including:

- Establishing and maintaining Boards;
- Board Practices and Protocols including Performance Monitoring, Role Clarification and Evaluation and Board Review; and
- Review and Development of Constitution and Rules.

MJ Smith & Partners Services & Products

Board of Directors Governance Procedure Manual

The Board of Directors Governance Procedure Manual provide the Board, its Executive and Chief Executive Officer with a set of agreed policies and procedures to assist in establishing a Governance framework and guidelines for effectively managing the authority, operations and delegations of the Board. The 'manual' provides the Board with operational procedures that bring its Constitution and Rules into practical execution.

Board of Directors Advisory Service

MJ Smith & Partners can also provide an organisation with immediate telephone or e-mail advice relating to general Governance issues or to any of the policies contained in the Board Governance Procedure Manual. This service includes:

- Access by the organisation's Chairperson, CEO and Board Members to a dedicated MJSP Partner with specialist knowledge and experience in the provision of Governance advice;
- Telephone or email advice on all Governance matters, including interpretation or application of your Constitution and Rules as well as policies within the Board Procedure Manual. For example:
 - Performance Management;
 - Delegations of Authority;
 - Conflict of Interest.
- Exceptionally quick turnaround time on any call / email.

Governance Workshops

MJSP have developed a number of half and full day workshops (and related services) on a range of Board Governance issues, including:

- Developing a new Constitution and Rules
- Introduction to Good Governance
- Managing Conflict and Internal Dispute Resolution
- Delegations of Authority
- Strategic Planning
- Roles of Board Members
- Policy Development
- Implementing a Procedure Manual
- Board Performance Appraisal
- Board Member Induction Program
- CEO Performance Management and Evaluation
- Board Meeting Procedure and Management
- Role of CEO & Relationship to the Board