

Anga Whakahaere Tūraru | Risk Management Framework

He arotake tuhinga me te whakaaetanga | Document review and approval

This document has been reviewed and approved by the Finance, Risk and Audit Committee under delegated authority from Te Pūkenga Council.

Document History

Version	Approval date	Next review date	Key changes
1	4 May 2021	November 2021 (being 6 monthly reviews during the transition phase)	N/A
2	2 November 2021	May 2022 (being 6 monthly reviews during the transition phase)	Further organisational contextualisation.
3	24 February 2023	August 2024	N/A
4	30 August 2024	TBC	Updated to reflect organisation transitional changes.

Introductory note

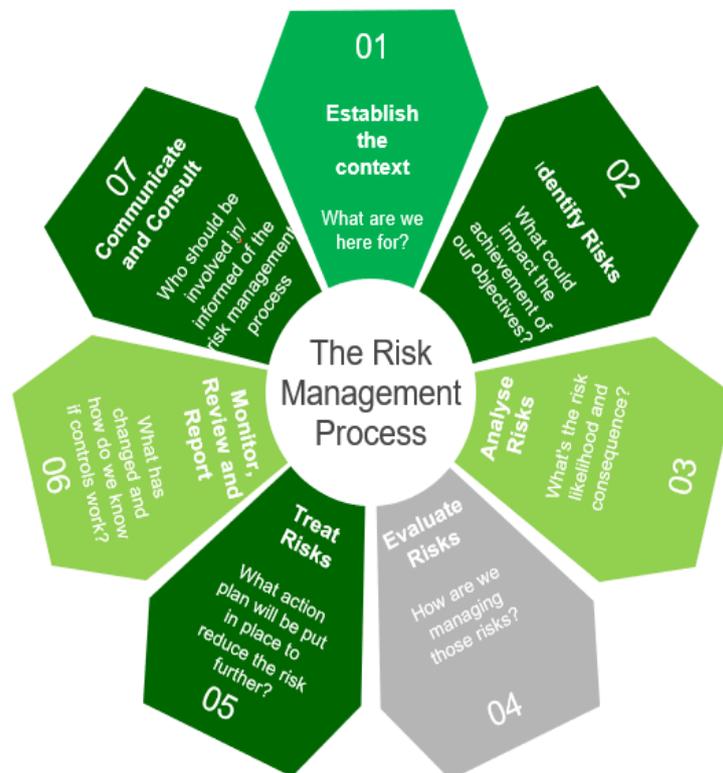
The purpose of this Risk Management Framework is to support Te Pūkenga in achieving its objectives and to demonstrate compliance with its obligations. The Framework acknowledges our unique operating context and is designed to support the organisation’s transition through to disestablishment.

The document achieves this purpose through establishing a structured and systematic approach to identifying, assessing, mitigating, and monitoring risk that is consistent across the network.

This framework aims to enhance decision-making, ensure regulatory compliance, and protect the reputation of Te Pūkenga and its business divisions - enabling them to better navigate uncertainties and challenges, and ultimately support our core function to provide high-quality education and training across Aotearoa.

Risk Management Process

The Risk Management Process at Te Pūkenga is guided by the ISO 31000:2018 Risk Management Standard and consists of the steps depicted in the diagram below. For more information on each of the steps, refer to the supplementary guidance **Te Pūkenga Risk Management Process**.



- 1. Establish the Context** - Establishing the context defines the scope for the risk management process and sets the criteria against which risks will be assessed. The scope should be determined within the context of organisational objectives alongside external factors such as regulatory, legislative, cultural, competitive, financial, and political environment.

2. **Identify risk** - Identify any uncertainty that has the potential to compromise the achievement of objectives.
3. **Analyse risks** - The purpose of inherent risk analysis is to comprehend the nature of the risk and its characteristics including, where appropriate, the level of risk and includes assessing the likelihood and consequence of the risk.
4. **Evaluate for residual risk** - Once the inherent risk rating has been established, assess the likelihood and consequence of the risk after considering the effectiveness of controls in place. The residual risk rating is the resultant level of exposure after taking into account the effectiveness of existing key controls.
5. **Treat risk** - The next step is to decide on the optimal level of risk (risk threshold) that would better ensure the achievement of objectives. For each risk scoring above the risk threshold, a practical and proportionate response should be actioned. Response may include: accept, transfer, avoid or treat, i.e. take action to mitigate either the probability of the risk occurring, or the severity of the impact were it to occur (or both). Such action is known as mitigation through an action.
6. **Monitor, review, and report** - Responsibility for monitoring and reviewing risk identified lies with risk owners, management, and governance.
7. **Communicate and consult** - Effective communication and consultation within divisions and across the network supports successful implementation of the Framework.

Risk Appetite Statement

Risk appetite guides the level of risk that should be taken in delivering on objectives. Te Pūkenga and its business divisions have the lowest appetite for risks associated with:

- disruption to learning and /or training for ākonga as a result of the transition to a new model for vocational education;
- significant reputational damage and/or financial loss;
- harm to learners, kaimahi, visitors, or other stakeholders;
- non-compliant or unethical conduct, including fraud and corruption;
- failing to meet legislative and regulatory obligations;
- any matter that could compromise Te Pūkenga or its business divisions operating in a manner consistent with expectations of a publicly funded entity.

Te Pūkenga has a duty to comply with its legislative obligations in its pursuit of quality outcomes and in responding to the needs of the regions of New Zealand, their learners, industries, employers and communities.

Te Pūkenga is willing to accept a higher level of risk when pursuing innovation and opportunities that support its objectives, and the intentions and priorities of Government, including:

- improving the financial performance of the network as a whole, ensuring each of the individual business divisions can become financially sustainable;
- supporting as much regional decision-making as possible;
- preserving the viability of regional provision;
- right-sizing operations and assets across the network to support sustainable operations and delivery into communities.

Risk assessment criteria

The following risk assessment criteria will be used for risk analysis at Te Pūkenga and within its business divisions. Risk analysis involves consideration of the sources of risk, the controls in place (and their actual effect), the consequences and the likelihood of those consequences being realised.

Likelihood assessment

Rating	Likelihood criteria (12-36 months or within project lifetime)
Almost Certain	Is expected to occur / Highly likely to happen Without additional controls the event is expected to occur in most circumstances
Likely	Will probably occur in most circumstances With existing controls operating this event will probably still occur with some certainty
Possible	Could occur at sometime The event has occurred in different industries with similar levels of controls and assurance in place
Unlikely	Not expected to occur The event hasn't occurred, but it could occur in some circumstances
Rare	Exceptional circumstances only / Improbable A small chance of event occurring that would be caused by conditions and/or events not previously seen or seen very infrequently.

Assessment of effectiveness of controls and mitigations

The following assessment criteria should be used to assess the overall effectiveness of the controls in place that are mitigating the risk. Note that the controls identified may not always exert the intended or assumed modifying effect, or may not yet be at a point where they are fully operational or effective.

Rating	Level of protection/mitigation
Effective	Optimal levels of Controls are in operation at all times. Control practices are embedded in business processes.
Partially Effective	Sufficient Controls are in place for day-to-day operations but control practices are not fully embedded in business as usual processes yet.
Non-effective	Insufficient Controls are in operation (i.e. yet to be implemented, not implemented effectively and/or additional Controls are needed). Control breaches are common. No identified or planned Controls.

Consequence Assessment

When determining consequence level, to safeguard from the unnecessary application of treatments and costs, the consequence rating applied should be the **most plausible**, not the most extreme, worst-case scenario.

Consequence should be considered within the context of the relevant business division, or at the enterprise level. The following page sets out the consequence assessment criteria for business division and enterprise risk.

Risk consequence matrix

CONSEQUENCE ASSESSMENT MATRIX					
	INSIGNIFICANT	MINOR	MODERATE	MAJOR	EXTREME
LEARNER AND ACADEMIC	Insignificant interruption to service delivery. No impact to ākonga experience and quality of service.	Minor, temporary interruption to service delivery with minimal impact on ākonga experience or retention. Potential for few complaints and/or temporary reduction in service and ākonga satisfaction.	Moderate interruption to service delivery with short-term impact on ākonga experience and quality of service. Multiple complaints and reduction in ākonga satisfaction. Impacts to enrolments or ability to continue with course offering. Potential to impact new programme approval and accreditation. Reputational damage with NZQA and/or responsible authorities.	Major interruption to service delivery with significant impact on ākonga experience and quality of service. Increase in complaints. Significant reduction in ākonga satisfaction. Ongoing loss of enrolments or significant retention issues. Impact future mix of provision/funding. Significant reputational damage with NZQA and/or responsible authorities	Extreme interruption to delivery of teaching and learning services. Facilities not useable, available or fit for purpose for more than 2 weeks. Significant increase in complaints from the community and/or reduction in ākonga experience. TEC funding recovered. Impacts to viability of programmes. Major reputational damage with NZQA and/or responsible authorities.
WELLBEING AND SAFETY	Mental and/or physical harm that does not need first aid or other intervention.	Mental and/or physical harm that can be treated or triaged through first aid.	Mental and/or physical harm that needs professional care and treatment.	Mental and/or physical harm that needs advanced and/or extended professional care and treatment.	Mental and/or physical harm that includes impacts such as death, serious disability and long-term, severe health problems.
COMPLIANCE AND LEGAL	Minor non-compliances unlikely to result in adverse regulatory response or action (negligible consequences).	Minor legal, regulatory and contractual compliance breach resolved without penalty. Minor liability exposure.	Breach of contract, Act, regulation or consent conditions. If applicable, regulator informed and potential for regulatory action. Potential for allegations of unlawful conduct	Major breach of contract, Act, regulations. Investigation, prosecution and/or major fines possible. Allegations of criminal/unlawful conduct.	Serious breach of legislation, contract with significant prosecution, fines. License to operate/funding at risk. Potential for litigation including class actions. Criminal or civil prosecutions.
RELATIONSHIPS AND REPUTATION	Insignificant reduction in trust and confidence. Rumours, no media or political attention.	Some negative local media coverage. Elements of stakeholder expectations not being met. Letters or complaints to CE, Executive etc.	Significant but short term damage to brand and/or reputation. Ākonga, stakeholder and/or community concern. Prominent local or regional negative media (up to 1 week) TEC/NZQA concern.	Sustained damage to brand/image/reputation regionally resulting in negative stakeholder sentiment. Extended negative regional or national media. Public confidence undermined. TEC/NZQA/Govt Liaison required.	Major damage to brand/reputation. Stakeholder loss of confidence in the organisation. Widespread persistent negative media. TEC/NZQA/Govt intervention or action.
FINANCIAL	Unlikely to impact on budget or funded activities.	Requires monitoring and possible corrective action within existing resources.	Moderate financial impact/loss requiring close monitoring of budgets and/or reallocation of existing budgets. Some mitigations required but no impact to operations.	Requires significant budget adjustment, control or cancellation to approved/funded projects or programs. Significant cost control measures required. Likely impact to future budgets and delivery of capital plans.	Major financial impact/loss (revenue shortfall or expense over-run) with no capacity to adjust within existing budget / resources. Extraordinary measures required. Interventions possible.
PERFORMANCE CAPABILITY AND PROJECTS	No impact on quality of services delivered. Negligible performance impact.	Minor/localised impact on delivery or quality of services. Project timeframes and or cost pressures escalating. Missed milestone but likely to recover. Readily contained and absorbed by local management response.	Some impact on the delivery or quality of services/project. Core service partially functional. Workarounds or additional effort or resource required to maintain operation of core service or activity or key milestone.	Considerable impact on the delivery or quality of services. Significant business disruption. Significant workarounds required and/or impact to BAU. Core system unavailable for less than 3 days. Significant impact to 1 or more divisions.	Major business disruption resulting in prolonged suspension of critical services. Debilitating impact on stakeholders. Immediate intervention required. Major impact to operations or viability of multiple programmes or divisions.

Risk tolerance and acceptability

This matrix is used to determine risk rating by combining the consequence and likelihood levels. The assessment is used to determine the severity of the risk and identify those which are unacceptable to the organisation and require management attention and further treatment. It also forms the basis of ongoing monitoring and reporting.

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

The table below provides guidance on the management of risk, based on the nature of the risk and the risk rating.

Residual Risk Rating	Required Action/Management
Very High	Intolerable - Immediate action required Consider options for reducing the impact or likelihood of the risk being realised: including ceasing associated activity, financing the risk, outsourcing the risk, and/or implementing mitigation strategies that are actioned within a 0-6 month timeframe.
High	May be tolerable level of risk if specifically considered and strategically approved. Ongoing management and monitoring required Significant management and monitoring required. Action should be taken to ensure risk level remains within the agreed risk appetite. Consider options for reducing the impact (new mitigations) or Likelihood of the risk occurring (through additional controls).
Medium	Tolerable level of risk Follow operating procedures. Able to be managed at local level with business as usual processes and existing controls. Consider options for additional controls where cost does not outweigh potential benefit.
Low	Tolerable level of risk Maintain existing controls. No additional controls required. Monitor for any escalation.
Very Low	Tolerable level of risk Maintain existing controls. No additional controls required.

Options to treat risk

For each risk outside risk tolerance, a practical and proportionate response should be identified. Responses may include:

- **Accept** – accept the risk and do not attempt to reduce it. When a risk is unlikely to occur or if the impact is minimal, then accepting the risk might be the best response.
- **Transfer** – transfer the risk to a third party (e.g., through insurance, outsourcing)
- **Avoid** – eliminate the risk (e.g., changing the objective or the approach being taken to achieve it, or by abandoning the objective entirely)

- **Treat** – take action to mitigate either the probability of the risk occurring, or the severity of the impact were it to occur (or both).

If it is determined that the current risk level is not acceptable and additional mitigation/control needs to be implemented to reduce the risk to an acceptable level, an action plan needs to be developed. As a general rule, risk rated High and Very High requires action.

Roles and responsibilities

Position	Roles and Responsibilities
Te Pūkenga Council	<ul style="list-style-type: none"> ● Accountability for ensuring Te Pūkenga has an adequate risk management system and process for monitoring compliance with legislative obligations in place. ● Approval of the Framework, relevant policy, and stated risk appetite ● Seek assurance that reporting systems are in place to identify and report potential risk events ● Review relevant risk as reported by Te Pūkenga Executive Leadership Team (ELT) and ensure appropriate actions are planned or underway to reduce the risk (delegate as necessary to FRAC) ● Monitor emerging risk reported by the Chief Executive of Te Pūkenga ● Use information derived through application of the Framework to ● inform planning and decision-making processes; and advise the Minister/Tertiary Education Commission (TEC) of emerging risk that they need to be aware of
Te Pūkenga Finance, Risk and Audit Committee (FRAC)	<ul style="list-style-type: none"> ● Endorse and recommend to Te Pūkenga Council the approval of the Framework, relevant policy, and stated risk appetite (or approve where Council so delegates to FRAC) ● Review and monitor relevant risk as reported by Te Pūkenga ELT (e.g., High to Very High, with a focus on impact) ensuring appropriate actions are planned or underway to reduce the risk.
Te Pūkenga Executive Leadership Team (ELT)	<ul style="list-style-type: none"> ● Ownership of risk arising from their respective business units. ● Accountable and responsible for ensuring appropriate reporting and monitoring processes are in place to keep ELT and Council informed of risk and legal compliance issues arising from within the network. ● Identify and report potential risk events ● Raise and report any emerging risks that may have an impact on the objectives of the organisation ● Promote risk awareness and a positive risk management culture
Director Risk and Assurance	<ul style="list-style-type: none"> ● Review and consolidate risks arising from business divisions and from ELT to inform an enterprise view of risk affecting the organisation. ● Maintain the Risk Management Framework and promote its use across the network. ● Provide support to reestablish divisional risk identification, management and reporting.
Business Division Leads	<ul style="list-style-type: none"> ● Ownership of business division risk ● Responsibility to ensure that risk and regulatory compliance is appropriately managed and to ensure that appropriate reports are submitted to the Chief Executive, while at all times having regard to the need to operate on a “no surprises” basis. ● Responsible for ensuring the division has processes in place to identify, assess, manage and report risk, and to monitor its compliance with legislative obligations. ● Report key risks through to the CE as part of monthly reporting, provide divisional risk register to Director Risk and Assurance as required. ● Use information derived through risk management to inform planning and decision-making processes; and ● Promote risk awareness and a risk management culture

Position	Roles and Responsibilities
All Managers	<ul style="list-style-type: none"> Engage with the processes developed within their business divisions to identify, analyse, evaluate, manage, respond, and report material risk Ensure the timely implementation of controls and mitigations Use information derived through application of the Framework process to: <ul style="list-style-type: none"> inform all planning and decision-making processes; and advise their manager of emerging risk that they need to be aware of
Risk Owner	<ul style="list-style-type: none"> Engage with the processes developed within their business divisions to identify, analyse, evaluate, manage, respond, and report material risk Review and provides updates as necessary to keep risk information current and senior leaders apprised of risk status
All Kaimahi	<ul style="list-style-type: none"> Identify and report potential risk events where these have the potential to have a significant impact on the division or Te Pūkenga.

Escalation, reporting and communication

Risk reporting is necessary to inform strategic and business planning processes and decision making. Risk is reported (together with comment on the status of risk improvement activities where these are being investigated or implemented) in accordance with the table below.

New risk and risks arising as a result of change will be added or updated in the relevant risk register as soon as they are identified and initially assessed and will be notified to the appropriate level based on the overall risk rating.

From	To	Reporting requirement	Frequency
Te Pūkenga Council	Minister, TEC	A summary of enterprise risk reporting for the period is included in the quarterly report to TEC.	Quarterly
Te Pūkenga Finance, Risk and Audit Committee	Te Pūkenga Council	Enterprise risk reporting.	Provided to Council monthly as part of FRAC papers
ELT	Finance, Risk and Audit Committee	Enterprise risk reporting.	Monthly
Business division	Chief Executive	Summary of key risks and issues provided in the business division's monthly report to Chief Executive. Business division risk register provided as required.	Monthly
Project managers	ELT/FRAC	Key risks arising from enterprise projects are reported through to ELT and FRAC as part of project status reporting.	As specified in the relevant committee's workplan
Risk Owner (SMEs/ Senior Managers in business divisions)	Business division Senior Leadership Team	Review risk register and discuss key risks affecting business division.	Recommend bi-monthly