
Overview


History

The 2004 version of the Australian and New Zealand Risk Management Standard AS/NZS 4360:2004 has been adopted by many Comcover Fund Members as the basis for the development of their approach to managing risk.

In 2007, the International Standards Organisation (ISO) moved to create a global standard based on AS/NZS 4360:2004. This resulted in the development of AS/NZS/ISO 31000:2009, which will be adopted by Australian Standards as the risk management standard superseding AS/NZS 4360:2004.

The new standard will be known as AS/NZS/ISO 31000:2009, and is suitable to be considered by Fund Members when developing and implementing their approach to managing risk.


What has changed?

AS/NZS/ISO 31000:2009 goes further than the current standard in defining the principles that Fund Members need to consider when evaluating their approach to managing risk. The most important shift for Fund Members to consider is that AS/NZS/ISO 31000:2009 requires agencies to align the management of risk to the achievement of their organisational objectives.

AS/NZS/ISO 31000:2009 states that risk management should contain the following principles:

- a) create value;
- b) integral part of the organisational process;
- c) part of decision-making;
- d) explicitly address uncertainty;
- e) systematic, structured and timely;
- f) based on the best available information;
- g) tailored;
- h) takes human and cultural factors into account;
- i) transparent and inclusive;
- j) dynamic, iterative and responsive to change; and
- k) facilitates continual improvement and enhancement of the organisation.

The new standard is supported by ISO Guide 73, which provides the definitions of terms related to risk management, as well as ISO/IEC 31010 which provide an overview of risk assessment techniques.

Together, these two supporting documents will provide Fund Members with a description of activities relating to the management of risk, and a consistent approach to the use of risk management terminology in processes and frameworks dealing with the management of risk.

**Definition of risk**

Under AS/NZS 4360:2004, the definition of risk was “the chance of something happening that will have an impact on objectives”. Under AS/NZS/ISO 31000:2009, the definition of risk is now “the effect of uncertainty on objectives”.

The retention of “objectives” as a key element in the definition recognises that risk management remains intrinsically focused on the strategic controls and the organisational performance of an organisation. However, the change in definition shifts the emphasis from “the event” (something happening) to “the effect”, which is the effect of the event on the objectives (be it achieving an agency's objectives, or individual project objectives).

The definition is quite simple and very relevant to Comcover Fund Members trying to define the risks that may impact on the achievement of their organisational objectives. It implies a top-down approach where risk management becomes a key focus and process to enable the agency to determine and achieve its objectives.

**No certification process**

There is no certification process for organisations under the new standard, with certification specifically precluded in the scope of the standard. The first principle of good risk management, under the new standard, states that risk management should add value. Risk management is designed in terms of principles and guidelines for implementation, but not for certification. The process of certification can lead to a compliance culture attitude to managing risk, which can diminish ownership and accountability in the risk management framework within organisations.

**Further information**

The Comcover Insurance and Risk Management Conference held in August 2009 featured a presentation from Mr Kevin Knight AM on transitions to the new risk management standard. This presentation is available on the Insurance and Risk Management Conferences section of the Comcover website: http://www.finance.gov.au/comcover/conferences/conferences-2009-august.html.