

# Risk Appetite Statement

## April 2019

The Professional Standards Councils lead the national system of professional standards regulation by enabling the creation of professional standards schemes and supervising their operation. This risk appetite statement is approved by the Council of each state and territory.

This statement sets out the amount of risk the Councils are willing to accept or retain to achieve their statutory objectives and strategic goals to facilitate and promote consumer protection through improvement in professional standards.

The Councils have established a systematic approach to identifying, assessing, and managing risk, to support effective statutory decision-making and to enhance regulatory performance. The Councils are willing to assume well understood and well managed risks. The Councils recognise that there will be uncertainties about which it has no knowledge, but which may affect its risk appetite. Environmental scanning in all decision-making will contribute towards developing mitigating actions. This statement will be reviewed annually.

### Statutory

The Councils are **cautious** to risks affecting their ability to fulfil their statutory objectives (for example, protecting consumers) or regulatory functions (for example, advising responsible Ministers). The Councils take a balanced and proportionate approach to enable the prioritisation and targeting of resources. The Councils are **averse** to risks threatening their ability to act in accordance with their legislated authority.

### Strategic

The Councils are **open** to taking well managed risks where innovation and change improve the opportunities for the benefits of professional standards schemes to extend to a broader range of occupational associations and consumers. The Councils are also **open** to risks in the development of new regulatory approaches and processes in accordance with the objectives of increasing professionalism and consumer protection.

### Financial

The Councils are self-funded through statutory fees and governed by the requirements of state and territory government financial management laws, regulations, standards and directions.

The Councils have a **minimalist** risk appetite towards financial sustainability and compliance, with a **cautious** appetite for utilising accumulated revenue where there is a good business case.

### Operational

The Councils are reliant on operational risk management by its service provider, the Professional Standards Authority, and the risk management framework of the NSW Department of Finance, Services and Innovation. The Councils encourage a **cautious** risk appetite towards sustaining appropriate operational processes, systems and controls to support delivery of services.

### Reputational

The Councils' reputation is an enabler to influence and secure the commitment of regulated associations and stakeholders, as well as to promote the system of professional standards regulation to governments as a consumer protection solution. The Councils have a **cautious** risk appetite, allowing for a forceful stance to be taken where it is necessary for the achievement of statutory objectives or regulatory functions, even where this may be opposed by some stakeholders.

### Appetite ratings

This statement characterises the Councils' appetite according to the following definitions:

Appetite	Description
Averse	Avoidance of risk and uncertainty is paramount. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Predilection to undertake activities considered to be very safe. Activities will only be taken where they have a low degree of inherent risk.
Cautious	Willing to accept a degree of risk, where there is scope to achieve significant reward and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Seeking to achieve a balance between a high likelihood of successful delivery and a high degree of reward and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.

Hungry	Eager to be innovative and choose activities that focus on maximising opportunities (additional benefits and goals) and offering potentially very high reward, even if these activities carry a very high residual risk.
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