

It's Time to Mandate Risk Management

'The time has come for an informed public debate led by the Federal Government on mandating risk management in the public interest. Risk management is essential for decision-making, accountability and good governance - and in light of the global financial crisis can no longer be 'optional' or 'voluntary' said Founding ARPI President Tony Charge today.

'Governance reform across the world in recent years has improved the integrity of professional advisory services and audit independence but has stopped short of mandating risk management, unfortunately leaving it to voluntary compliance' Tony Charge added.

'The cause of the global financial crisis and the effect on every Australian have proved beyond doubt that effective risk management could have prevented or at least reduced the impact of the financial crisis if risk management had been formally incorporated into decision-making processes. This can only be achieved for the future by mandating risk management, that is, making it legally compulsory – 'voluntary risk management' has clearly failed the world.'

In addition to the global financial crisis, there are a range of national policies affecting every Australian where mandatory risk management would improve public and private sector leadership, decision-making, services, governance, reporting, transparency, accountability and public confidence. Examples include:

- Investment schemes
- Insurance companies
- Superannuation schemes
- Government responsibilities such as –
 - National Security
 - Major infrastructure and equipment purchase projects
 - Air safety
 - Environment protection and impact statements
 - Health planning and delivery
 - Education – school curriculum outcomes and student safety
 - Transport planning

It would not be difficult to mandate through legislation requiring medium-to-large public and private sector companies, agencies and entities to comply with sound risk management practices in the public interest.

The Institute would be happy to work within a Government group formed to mandate risk management in Australia. In fact the Institute has already begun developing a range of regulatory options which could be considered by the Government if it agrees that it is now time to have this public debate.

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