

# Tackling risk-based regulation

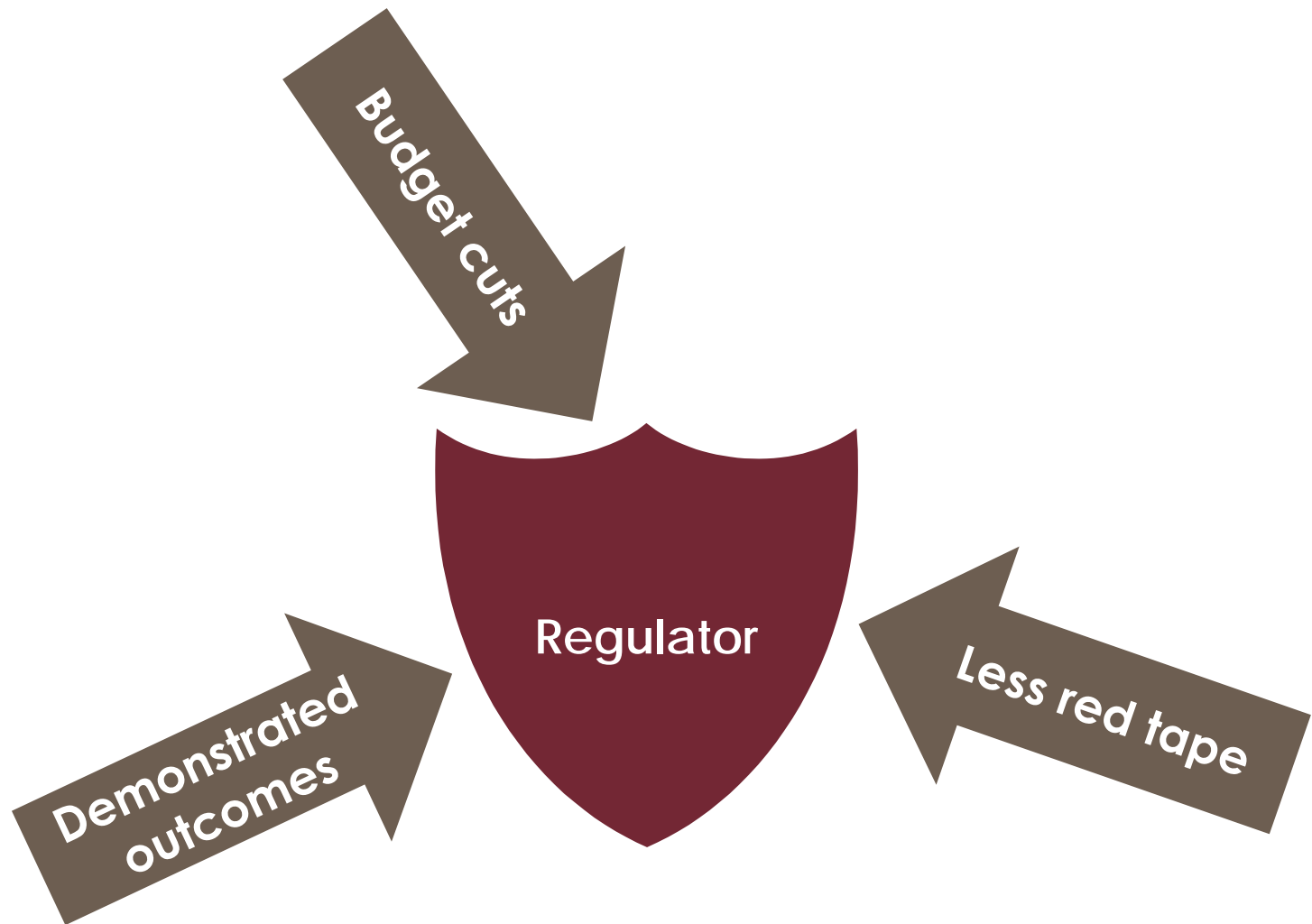
Presentation to IPAA/ANZSOG Public Sector Regulators'  
Community of Practice

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Commissioner VCEC  
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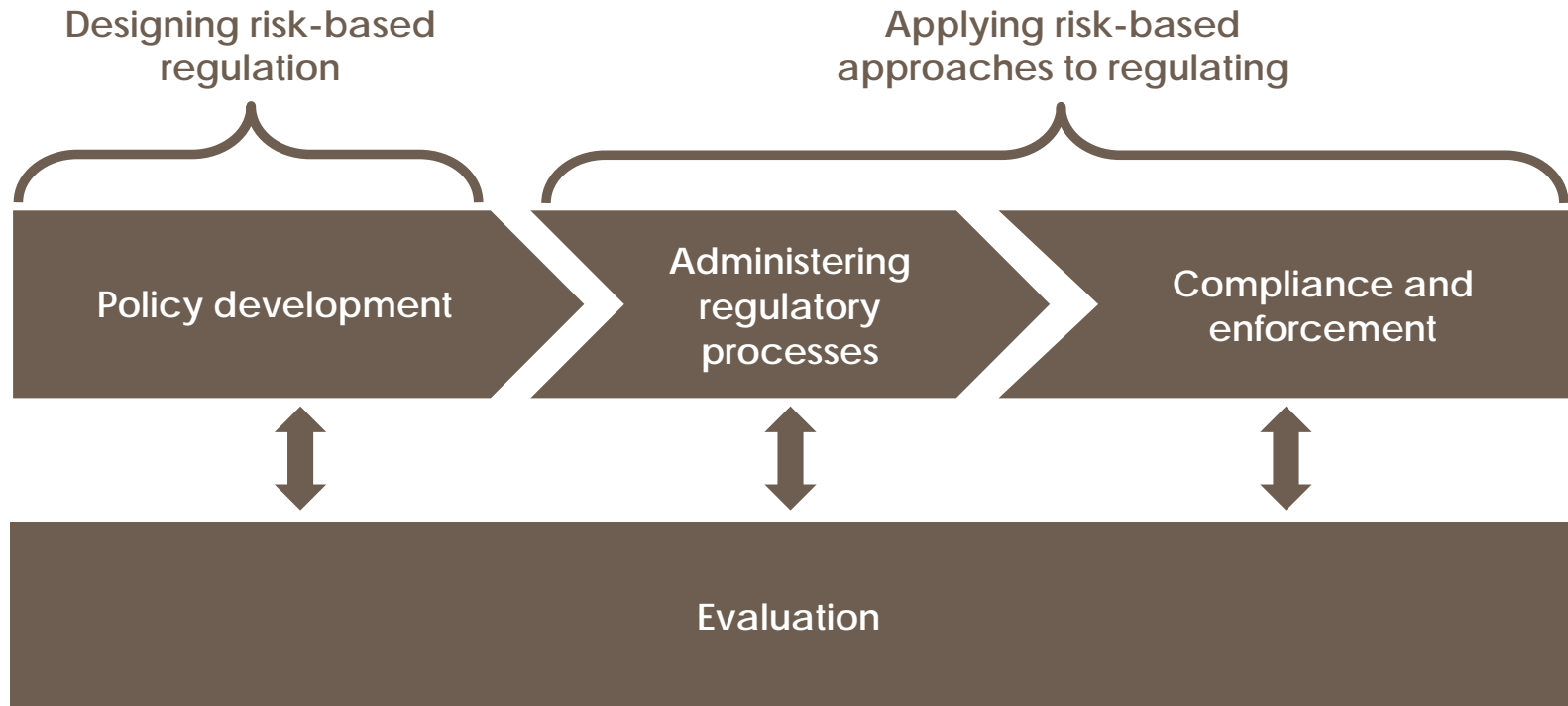


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Commission

# The challenge for regulators



# Regulatory cycle



# The progression to risk-based regulation

## Risk aware

Risk is recognised but its application is limited

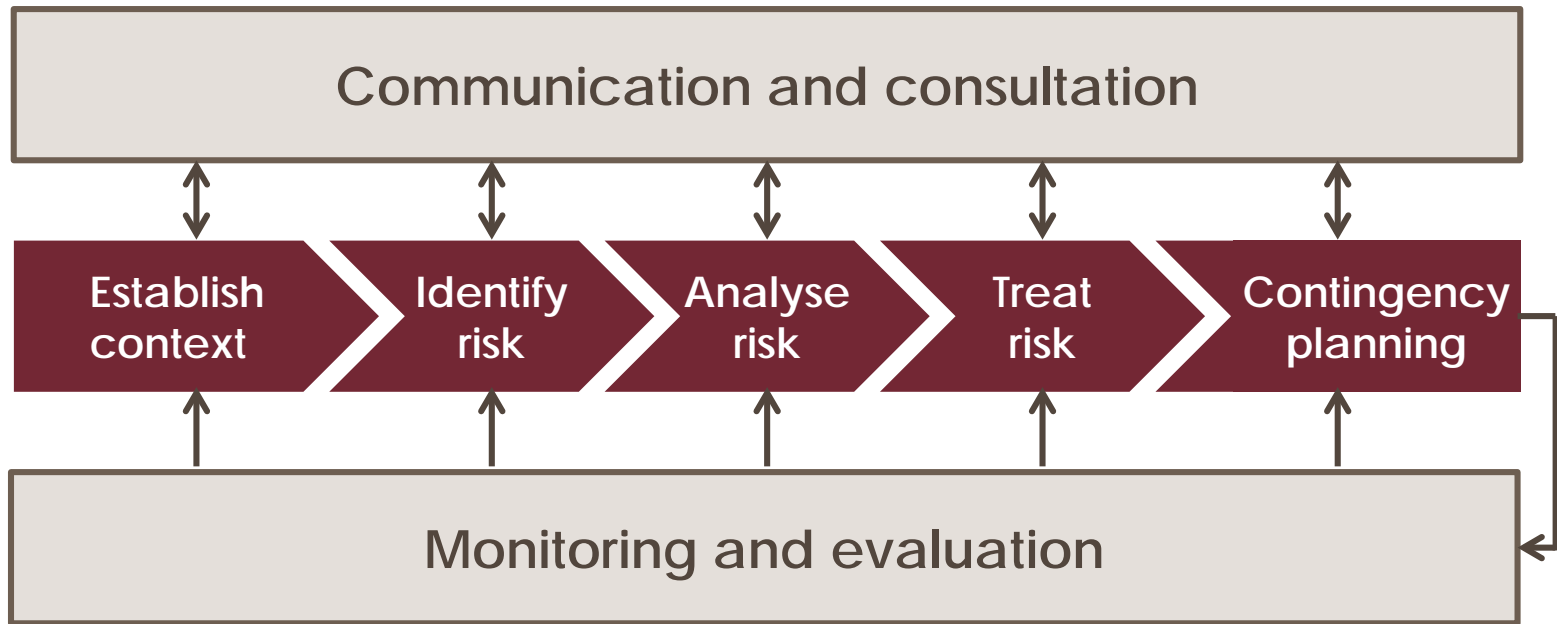
## Risk informed

Risk is defined and analysed and processes explicitly recognise risk

## Risk-based

Comprehensive risk-based methodologies are embedded in the process

# Risk-based regulation framework



Differences:

- focus on reducing risks that affect external parties not the regulator
- implemented across the regulatory cycle and agencies
- importance of monitoring and contingency planning to external communication

# Processes for risk-based decision-making by regulators



# Establish Context



- Identify the policy context including regulatory objectives
- Identify relevant stakeholders and their interests
- Describe the government's attitude to risk
- Describe the current regulatory process

# Attitude to risk

- Risk statement specifies at a minimum
  - Risks and harms that are being managed
  - The approach to managing those risks
  - The regulator's area of responsibility compared with other agencies
- Improve statements over time to be more explicit about the attitude to and tolerance for risk
- Risk attitude can be expressed as
  - The target outcome relative to similar outcomes in related areas
  - The rate of improvement being targeted
  - Whether the policy should prioritise harm reduction or avoiding overregulating



# Identify and analyse risk



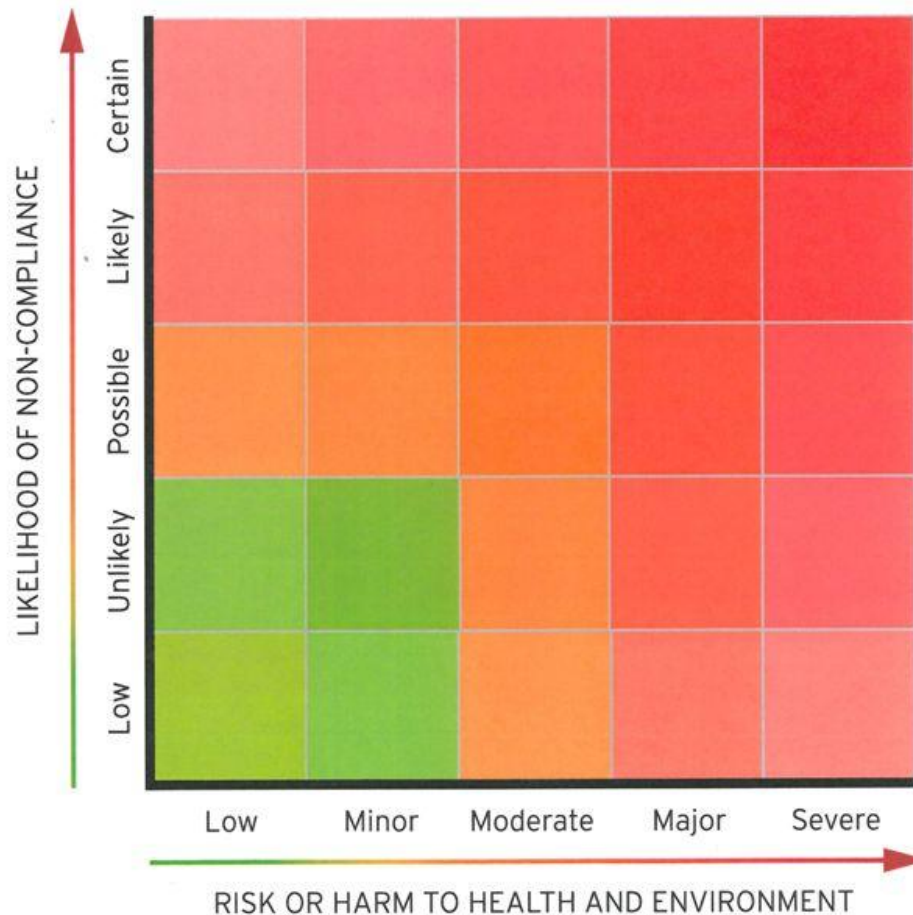
- Determine material risks and assess their likelihood and consequences
- Categorise risks using quantitative and qualitative indicators
- Evaluate substantial risks and identify risk drivers
- Determine the level of acceptable risks
- Define how to measure success in reducing risk

# Identify and analyse risks

Consequences	High			
	Medium			
	Low			
		Low	Medium	High
	Likelihood			

# Including the risk of non-compliance

EPA's approach to targeting enforcement

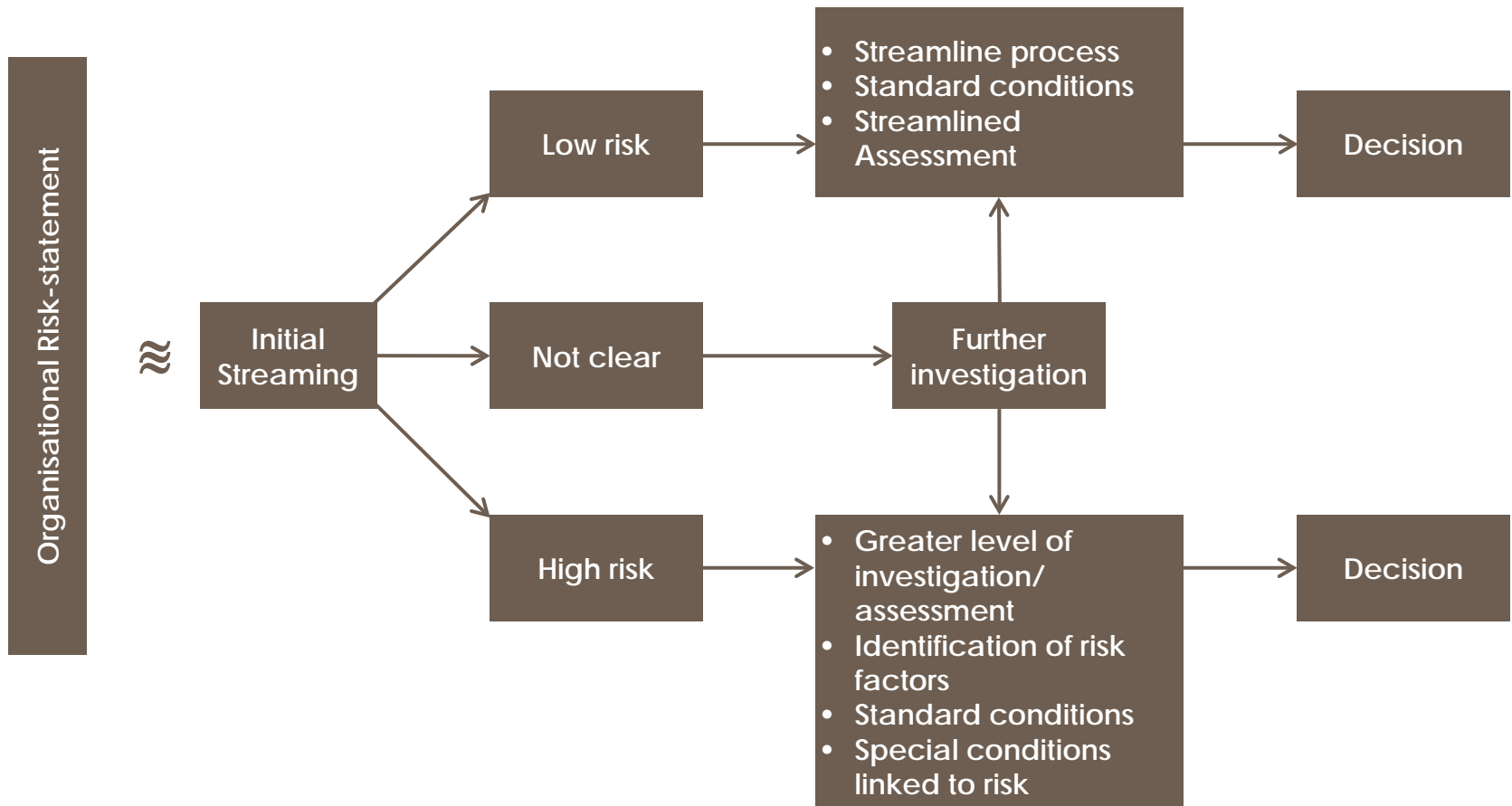


# Treat risk and contingency planning



- Determine the most effective risk treatments
- Plan implementation
- Plan monitoring to identify and respond to emerging issues

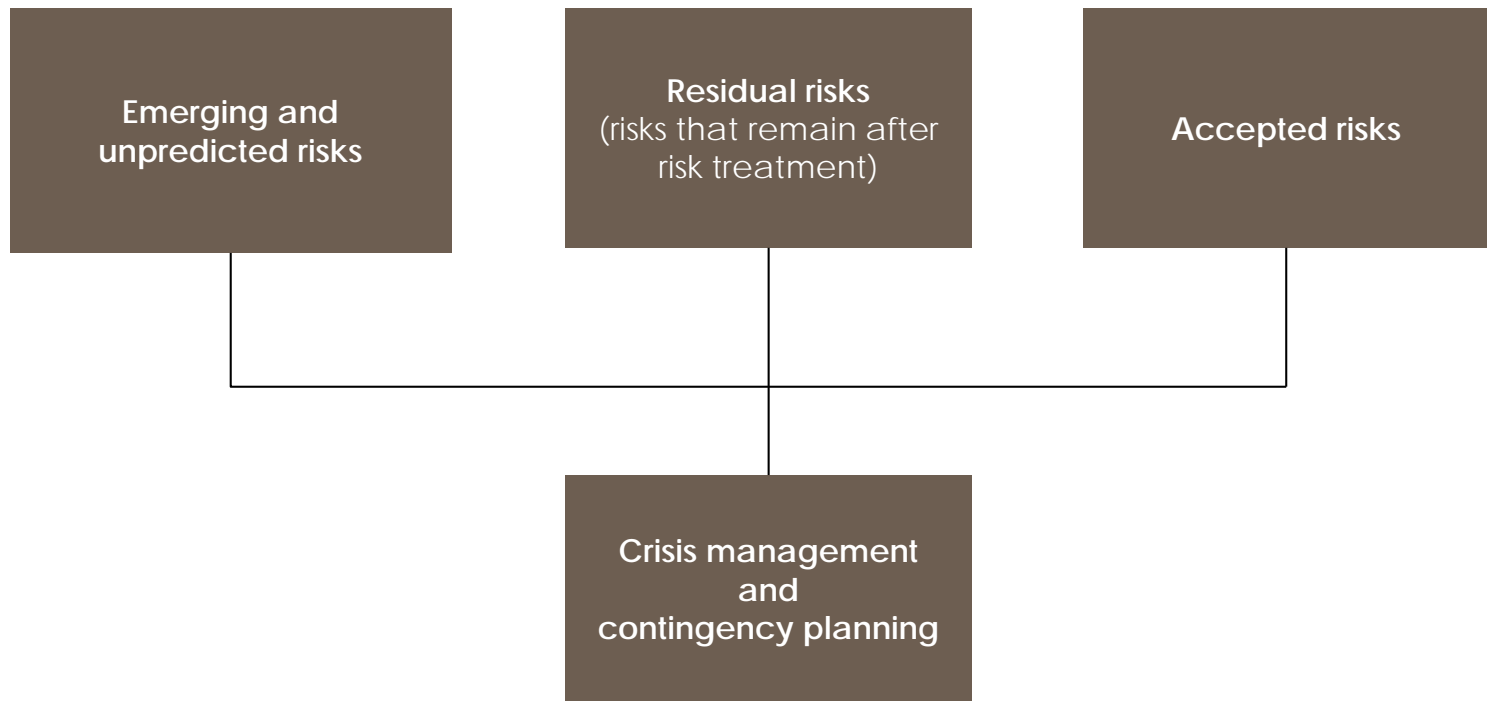
# Example of a risk-streamed regulatory process



# Prioritising compliance and enforcement activity

1. Identify substantial risks
2. Prioritise activity according to the greatest reduction in risk at the lowest cost
3. Adjust the prioritisation if needed to reflect other objectives
4. Implement strategies within the resources available to the regulator
5. Establish monitoring and contingency planning

# Contingency planning and crisis management



# Evaluation



- Establish data collection and feedback processes
- Evaluate the outcomes and build a culture of improvement



# System-wide improvement

