

MADEC Organisational Policy



Title: Risk Management Policy	Document Number: MOPO 6-1-1/08-03 Custodian: Chief Executive Officer
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1. PURPOSE

This policy and procedures dictate MADEC's risk management practices to ensure a strategic and formal approach to risk management, improving decision-making and enhancing outcomes and accountability, and to ensure that the commitment of the board to risk management is understood and replicated within the organisation.

2. SCOPE

This policy and procedures apply to all Units and Branches of MADEC including the Board of MADEC.

3. REFERENCES

- AS/NZS 4360:2004 Risk Management Standard
- HB 436:2004 Risk Management Guidelines
- Inspired Strategies – Risk Management Strategies & Techniques for Not for Profits
- MADEC Strategic Plan February 2007 – December 2009

4. DEFINITIONS and ACRONYMS

Definitions

A complete list of Risk Management definitions are listed in the Standards Australia Risk Management Standard, AS/NZS 4360:2004 – Risk Management.

Risk – is the chance of something happening that will have an impact on the achievement of MADEC's objectives.

Risk Assessment – is the overall process of risk identification, risk analysis and risk evaluation.

Risk Management – is the culture, processes and structures that are directed towards realizing potential opportunities whilst managing adverse effects.

Risk Management Process – is the systematic application of management policies, procedures and practices to the tasks of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.

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Acronyms

CEO	- Chief Executive Officer
CMT	- Corporate Management Team
FSA	- Financial Systems Administrator
OHS	- Occupational Health and Safety

5. STATEMENT OF POLICY

MADEC aims to - use world's best practice in risk management to support and enhance our activities, in all areas of our organisation and where appropriate these procedures will be consistent with AS/NZS 4360:2004 – Risk Management Standard; ensure risk management is an integral part of all our decision making processes; use a structured risk management program to minimise reasonably foreseeable disruption to operations, harm to people and damage to the environment and property; identify and take advantage of opportunities as well as minimising adverse effects; train our people to implement risk management effectively; strive to continually improve our risk management practices.

5.1. Responsibility for Risk Management

MADEC Board – on a quarterly basis, as required, identify, assess, develop and monitor key strategic organisational risks.

CMT - on a monthly basis, as required, identify, assess, develop and monitor key organisational and operational risks.

Managers and Staff – on a monthly basis, as required, identify, assess, develop, and monitor key operational risks.

6. PROCEDURES

6.1. Risk Management Process Overview

Communicate and consult – communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.

Establish the context – establish the external, internal and risk management context in which the rest of the process will take place. Criteria will be established and the structure of the analysis defined for the evaluation of risks.

Identify risks – identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of MADEC objectives.

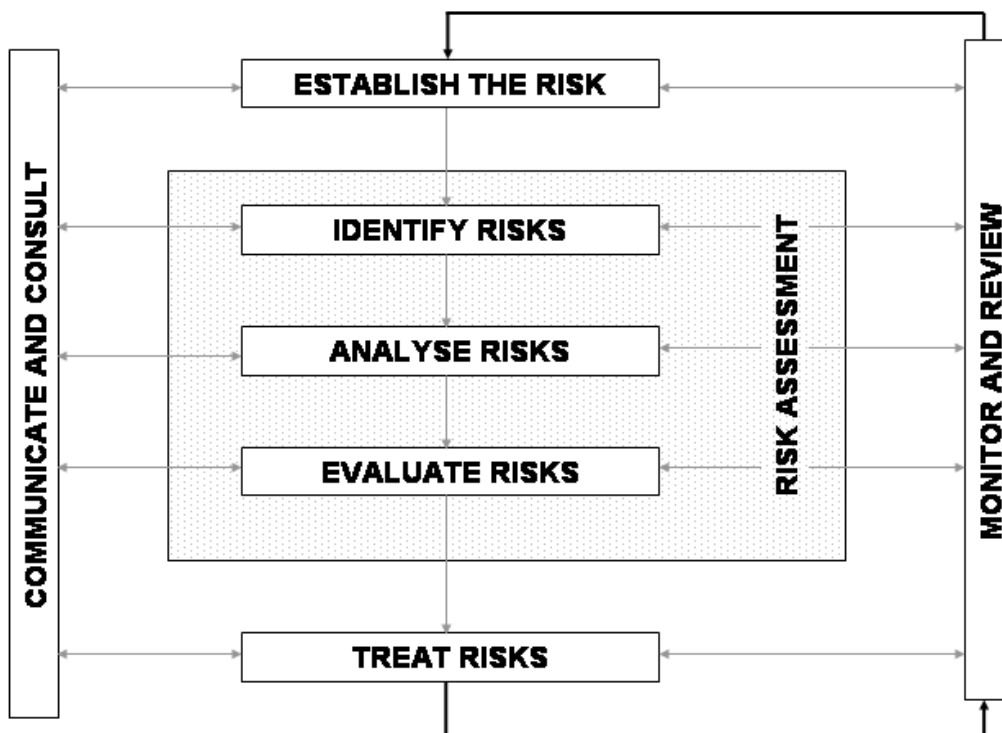
Analyse risks – identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis will consider the range of potential consequences and how these could occur.

Evaluate risks – compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.

Treat risks – develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.

Monitor and review – monitor the effectiveness of all steps of the risk management process aiming for continuous improvement. Risks and the effectiveness of treatment measures will be monitored to ensure changing circumstances do not alter priorities.

RISK MANAGEMENT PROCESS - OVERVIEW



6.2. Risk Context

6.2.1. In establishing MADEC's risk management context the following key questions will be considered:

- a. What are the Strategic, Organisational and Stakeholder functions of the organisation?
- b. What risk criteria should be established?
- c. What is the best way of structuring risk identification?
- d. What are the major outcomes expected?
- e. What are the cost and revenue considerations?
- f. What are the significant factors in the organisation that impact on this area?
- g. What is the policy, program, process or activity?
- h. What were the issues identified by previous reviews?

6.2.2. In line with MADEC's Strategic Plan, the scope and depth of review of risks will be considered, but not limited to, the following areas:

- a. Corporate Services
- b. Education and Training Services
- c. Employment Services
- d. Community Development
- e. Information Technology
- f. Quality
- g. Marketing
- h. Human Resources Management
- i. Buildings and Facilities
- j. Financial Management
- k. Occupational Health and Safety
- l. Environmental
- m. Business Issues
- n. Community Groups
- o. Contract Management
- p. Project Management
- q. Systems and Data
- r. Research and Development

6.2.3. The context analysis will be documented in the MADEC Risk Register.

6.3. Risk Assessment

Through facilitated discussion all parties will conduct risk assessment and will use the MADEC Risk Register to record the outcome of these assessments.

The Board of Management will conduct risk assessment of key strategic organisational risks on a monthly basis, as required through the Board Audit Committee and during the annual risk management review.

The CMT will conduct risk assessment of key organisational and operational risks during monthly CMT meetings, as required and during the annual risk management review.

Managers will conduct risk assessment of operational risks during monthly staff meetings, as required.

6.3.1. Risk Identification

6.3.1.1. Both internal and external risks will be identified during the risk assessment process. Risks can be identified through:

- a. SWOT analysis
- b. Survey or questionnaire
- c. Brainstorming
- d. Expert judgement
- e. Incidents or accidents
- f. Audits or inspections
- g. Legislative requirements/amendments
- h. System reviews
- i. Organisational or personal experience
- j. Scenario analysis
- k. Interviews/focus groups
- l. Other factors as identified.

6.3.1.2. Risk identification information is documented in the MADEC Risk Register.

6.3.2. Risk Analysis

6.3.2.1. The following tables 1 and 2 shall be used by all parties in the analysis of identified risks.

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Table 1

RISK IMPACT (CONSEQUENCE) SUMMARY

Impact Rating	Description	Definition	Impact Areas					
			Financial	Human	Business Interruption	Environmental	Reputation & Image	Legal
5	Catastrophic	Most objectives cannot be achieved	Above \$10M	Multiple deaths or significant irreversible effects to >50 persons	Critical service loss for more than one (1) month	Very Serious, long-term environmental impairment of ecosystem functions	Public inquiry	Significant prosecution and fines. Very serious litigation including class actions
4	Major	Some important objectives cannot be achieved	\$1M - \$10M	Single death and/or severe irreversible disability (>30%) to one or more persons	Critical service loss for up to one (1) month		Embarrassment for our organisation	Major breach of regulation. Major litigation
3	Moderate	Some objectives affected	\$100,000 - \$1M	Moderate irreversible disability or impairment (<30%) to one or more persons	Critical service not back in agreed time	Serious medium term environmental effects	Wide spread community concern	Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible
2	Minor	Minor effects that are easily remedied	\$10,000 - \$100,000	Injury treatment requiring hospitalisation	Local only, service loss for minimum period	Moderate, short term effects but not affecting ecosystem functions	Local community concern	Minor legal issues, non-compliances and breaches of regulation
1	Low	Negligible impact upon objectives	Up to \$10,000	First Aid	Negligible impact, brief loss of services	Minor effects on biological or physical environment	Resolved in day-to-day management	

Table 2

Risk Likelihood (Probability) Summary

Rating	Description
Almost Certain	There is little doubt that the event will occur. History of regular occurrence in organisation. The event will or is expected to occur on an annual basis.
Likely	There is a strong possibility that the event will occur. History of frequent occurrence in organisation. The event has or will occur once every three years.
Possible	There is a possibility that the event will occur. History of casual occurrence in organisation. The event might or is expected to occur once every ten years.
Unlikely	There is a slight possibility that the event will occur. History of minimal occurrence in organisation. The event does or is expected to occur once every thirty years.
Rare	There is a slight possibility that the event will occur. History of minimal occurrence in organisation. The event does or is expected to occur once every thirty years.

6.3.2.2. The following methods of analysis and questions may be used by MADEC during the risk analysis process.

- a. Qualitative methods for generating information for risk analysis include but are not limited to:
 - Evaluation using multi-disciplinary groups;
 - Specialist and expert judgement; and
 - Structured interviews and questionnaires.
- b. Quantitative methods of risk analysis include but are not limited to:
 - Consequence analysis;
 - Statistical analysis of historical data;
 - Fault tree and event tree analysis;
 - Influence diagrams;
 - Life cycle; cost analysis;
 - Network analysis
 - Simulation and computer modelling;

- Statistical and numerical analysis;
- Test marketing and market research; and
- Probability analysis.

6.3.2.3. Key questions in analysing risk include:

- a. What current systems may prevent, detect or lower the consequences or likelihood of undesirable risks or events?
- b. What current systems may enhance or increase the consequences or likelihood of opportunities or beneficial events?
- c. What are the consequences or range of consequences of the risks if they do occur?
- d. What is the likelihood or range of likelihood of the risks happening?
- e. What factors might increase or decrease the likelihood or the consequences?
- f. What additional factors may need to be considered and modelled?
- g. Are there limits of likelihood and consequence beyond which the analysis does not hold true?
- h. What are the limitations of the analysis and assumptions made?
- i. How confident are you in your judgement or research specifically in relation to high consequence and low likelihood risks?
- j. What drives variability, volatility or uncertainty?
- k. Is the logic behind the analysis methods sound?
- l. For quantitative analysis, what if any statistical methods may be used to understand the effect of uncertainty and variability?

6.3.2.4. Risk analysis information is documented in the MADEC Risk Register.

6.3.3. Risk Evaluation

6.3.3.1. The following tables 3 and 4 outline risk ratings and the required level of evaluation and treatment, and shall be used in evaluating risks.

Table 3

RISK RANKING MATRIX

RISK = Likelihood x Consequence

		← Consequence →				
		Low	Minor	Moderate	Major	Catastrophic
Likelihood ↓		1	2	3	4	5
Almost Certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Rare	1	1	2	3	4	5

Table 4

Catastrophic Risk = 20-25	→		Requires detailed research, planning and decision making. Key strategic organisational extreme risk issues should be addressed by the Board of Directors. The Corporate Management Team should alert Managers to the extreme risk area(s).
Major Risk = 15-19	→		Board of Directors attention. Corporate Management Team attention and action required.
Moderate Risk = 9-14	→		Corporate Management Team attention and action required.
Minor Risk = 4-8	→		Management attention and action required.
Low Risk = 1-3	→		Can be managed by routine procedures. (Staff)

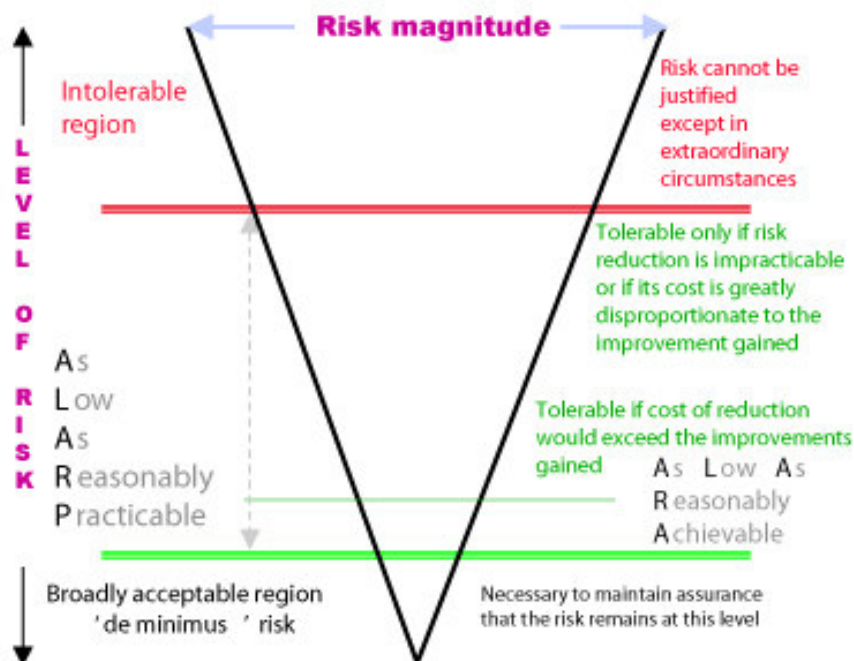
6.3.3.2. Key questions to consider in evaluating risk include:

- a. Do the opportunities outweigh the threats to such a degree that the risk is justified?
- b. Is the cost excessive compared to the benefit?
- c. Is there no treatment available?
- d. Is the level of risk so low that treatment is not appropriate?

6.3.3.3. The ALARP (As Low as Reasonably Practicable) Principle as illustrated below should be considered when evaluating risks. Risks can be divided into three bands

- a. An upper band where adverse risks are intolerable and the activity must cease, unless risk can be reduced.
- b. A middle band where costs and benefits are taken into account. When risk is close to the intolerable level, risk should be reduced unless the cost of reduction is disproportionate to the benefits gained. When risk is close to the negligible level, risk should be reduced only where benefits exceed the cost of reduction.
- c. A lower band where risk is negligible and can be accepted without specific treatment other than monitoring.

ALARP Principle



6.3.3.4. Information obtained during the risk analysis process will be used during risk evaluation to decide on future actions. Consideration shall be given to:

- a. Whether an activity should be undertaken
- b. Whether a risk needs treatment
- c. Priorities for treatment

6.3.3.5. Risk evaluation information is documented in the MADEC Risk Register.

6.4. Risk Treatment

6.4.1. Treatment plans will be developed and implemented to assist in managing risks that can not be eliminated. Treatment options may be to accept, avoid, reduce, transfer or retain risks. Key questions to be asked when assessing treatment or control options to minimise risks are:

- a. Do the risk treatments comply with legal requirements, government and organisational policies, including those concerning access, equity, ethics and accountability/
- b. What is the extent of risk reduction versus the benefits?
- c. What is the cost of implementing versus the benefits?
- d. What is the feasibility of each treatment option?
- e. What are the resources needed (human, financial, technological)?
- f. What opportunities are created by the risk?
- g. What are the criteria of acceptability?

6.4.2. Treatment plans shall be prepared by deciding:

- a. Which option is the best choice?
- b. Who is best placed to treat each risk?
- c. What will be monitored and reviewed to determine the success of the treatment?
- d. Who is accountable and responsible for treatment of the risk?
- e. What job design and work organisation options are appropriate for staff treating risks?

6.4.3. Avoiding risks involves deciding whether to:

- a. Cease the activity
- b. Choose an alternative, more acceptable activity
- c. Choose an alternative, less risky methodology or process within the activity.

6.4.4. Actions to reduce or control likelihood can include:

- a. Control strategies
- b. Preventative maintenance
- c. Training and education
- d. Security devices and/or processes
- e. Compliance programs
- f. Inspection and process controls

6.4.5. Actions to reduce or control consequences can include

- a. medical and first aid procedures
- b. disaster/contingency plans
- c. off-site data and information storage
- d. fraud control planning
- e. fire suppression

6.4.6. Risk may be transferred, where appropriate, by insurance, contractual transfer, exclusion clauses, outsourcing, sub-contracting and/or partnerships.

6.4.7. At the completion of risk reduction measures the residual risks are retained.

6.4.8. Risk Treatment and control options are documented in the MADEC Risk Register and the MADEC Risk Treatment Plan.

6.5. Risk Monitoring and Reporting

6.5.1. All risks and associated process outcomes shall be recorded in the MADEC Risk Register and maintained by the FSA. The Risk Register shall record the:

- a. Risk Category;
- b. Risk Source;
- c. Risk;
- d. Risk Likelihood rating;
- e. Risk Consequence rating;
- f. Risk Rating;
- g. Risk Ranking;
- h. Risk Control Measures;
- i. Responsible Officer;
- j. Monitoring Procedure Performed;
- k. Consequences and
- l. Review Date

6.5.2. The CMT will hold a copy of the Risk Register and associated documents for review and reference at all times, including Treatment Plans.

6.5.3. Extreme risks will be reported to the Board of Directors, including details of how they will be managed, and any risks that the Board has accountability for.

6.5.4. All risks will be monitored by the risk owner and/or Senior Management or the Board as per the Risk Register and/or Risk Treatment Plans.

6.5.4.1. Key questions to be considered when monitoring and reviewing risks included:

- a. Are the risk treatments effective in minimising the risks?
- b. Are the risk treatments comparatively efficient/cost effective in minimising risks?

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- c. Do the risk treatments comply with legal requirements, government and organisational policies, including access, equity, ethics and accountability?
- d. Are the management and accounting controls adequate?
- e. Do the performance indicators address the key elements for risk treatment?
- f. How can improvements be made?

7. DOCUMENTATION AND RECORDS

Specific documents to be used in the implementation of this procedure are:

Document	Title
	MADEC Risk Assessment Worksheet
	MADEC Risk Register
	MADEC Risk Treatment Plan
	OHS Task Risk Assessment Form
	OHS Task Risk Treatment Form

8. FLOW CHART

Nil

9. REVIEW

This policy and procedure will be reviewed on a periodic biennial basis (or more frequently as required – from audit, complaints, non-conformances) or as new or changing processes, technologies, or products or customer requirements are introduced.

Reviewed: 10.06.2010 – Authorised by CMT

Authority

Pat Thorburn
Chief Executive Officer