# POLICY
# RISK MANAGEMENT

## 1.    Background and context

Complex organisations require a well structured, proactive approach to minimising risks. Risk management provides a structured framework to achieve this by promoting the understanding, defining, communicating, and investigating potential and actual risks. From the information gathered by these processes well-considered solutions are formulated, implemented and reviewed.

Our philosophy towards risk is not to be risk-averse, but to enable risks to be identified, discussed, mitigated and monitored in a balanced manner.

We are committed to establishing and integrating our risk management systems and processes to support this philosophy without creating an unnecessary burden on the organisation.

This policy sets out the processes, responsibility and accountability for risk management within Berry Street.  It provides an overview of the risk management concepts and how they are applied by all levels of management at Berry Street. Within the policy, key terms for risk and risk management are provided. The purpose, scope and responsibilities are described, and the 8 facets of risk management are detailed.

## 2.    Purpose and scope

Berry Street Board of Directors (Board) and all levels of management are committed to achieving business objectives and organisational strategy whilst minimising the potential occurrence and impact of adversities. Risk management is an integral part of Berry Street's activities and a central part of good management and corporate governance.

This policy sets a framework to effectively manage the risks involved in all of Berry Street's activities, to minimize the likelihood of adversity and to achieve improved outcomes based on informed decision-making.

Effective risk management requires:

- a strategic focus;
- forward thinking and proactive approaches to management; and
- balance between the cost of managing risks before they are realised and the anticipated benefits of enacting contingency plans after the adverse event has occurred.

The objectives of this policy are to:

- Protect Berry Street from those risks of significant likelihood and consequence in the pursuit of the organisation's stated strategic goals and objectives;
- Provide a consistent risk management framework in which  risks  will be identified, considered, and addressed in key approval, review and control processes;

- Encourage pro-active rather than re-active management;

- Provide assistance to, and improve the quality of decision making throughout Berry Street;

- Meet legal or statutory requirements; and

- Assist in safeguarding Berry Street's assets – people, finance, property and reputation.

This policy is applicable to all parts of Berry Street including all offices, outreach services and programs.  This policy will be communicated to all staff within Berry Street.

## 3.    Definitions

**Risk**: Risk can be defined as "a chance or possibility of danger, loss, injury, or other adverse consequences" (Concise Oxford Dictionary). At Berry Street a risk is the chance of any adverse occurrence(s) that would impact upon Berry Street's ability to provide and deliver services.

**Risk Management**: Is the culture, processes and structures that are directed towards the effective management of adverse effects in order to maintain and improve the delivery of services by Berry Street.

**Open Disclosure**: Open Disclosure refers to open communication when things go wrong in a way that impacts on clients.  The elements include:
- an expression of regret;
- a factual explanation of what happened;
- consequences of the event; and
- steps being taken to manage the event and prevent a recurrence.

## 4.    Policy provisions

This section describes eight facets of risk management.   Berry Street's Board and management endorse the implementation of all facets of risk management as follows:

### 4.1    Effective Communication and Consultation

Effective communication and consultation are integral to risk management. Dialogue with all stakeholders in the risk management process encourages active participation, ownership and formulation of solutions in relation to the identified problems. Effective communication is important to understand the basis on which decisions are made and actions required. It enables all participants to be aware of roles and responsibilities. It is important that the stakeholders perceptions of risk are identified, recorded and integrated into the decision making process.

Berry Street also commits to a process of open disclosure where an adverse event occurs.

### 4.2    Identifying the Situational Context of Risks

This facet of risk management seeks to understand the risks that arise from the context or environment which BERRY STREET operates within. It includes consideration of both the external and internal environments. Some guidelines to consider in this facet include:

- Clarifying the vision, mission and goals of Berry Street
- Identifying the external environment within which Berry Street operates
- Setting the scope and objectives for the risk management process
- Identifying the major stakeholders
- Identifying how risks will be measured
- Identifying what will be involved in the risk assessment process
- Identifying what key issues have emerged from previous reviews

A thorough investigation facilitates the identification of risks for each of the stakeholders in the risk management process. The reporting, monitoring, analyzing of incidents is best fostered within a 'just' culture.  There is very good evidence that blaming individuals for adverse events does little to improve safety.  Errors occur within systems and we can utilise systems to reduce the opportunity for human error.

## 4.3    Identification of Risks

The main aim is to identify all potential risks that might have an impact upon BERRY STREET achieving its goals. Berry Street management are committed to identifying all potential risks and submitting these items to the annual risk review meeting.

## 4.4    Analysis of Risks

The purpose this facet is to analyse each of the risks by using impact and probability of occurrence rating tables and to review the effectiveness of current work procedures.

Berry Street management uses an IT based risk analysis system that incorporates the following:

- Impact Rating table contains estimates of the likely consequences adverse events will have on Berry Street's operations and its ability to achieve its business objectives. (Appendix 1)

- Probability (Likelihood) Rating table contains estimates of the likelihood of adverse events occurring at Berry Street. (Appendix 2)

- Inherent risks are potential adverse events which are an unavoidable part of the activity, environment, or situation that is occurring.

- The Inherent Risk Ranking Matrix (Appendix 3) contains two variables the likelihood of an adverse event occurring (columns) and the impact that an adverse event is likely to have (rows). Risk ranking enables each risk to be classified as extreme, high, moderate or low.

- Control Rating table (Appendix 4) describes 4 degrees of operational control.

- Residual risk is the level of risk that remains after the operational controls are applied. The residual risk rating range is classified into colour groupings to reflect the level of exposure to residual risk. (Appendix 5)

Identified risks or sets of risks are classified into a Risk register (see Appendix 6 for outline of Risk Register framework).

## 4.5 Evaluation of Risks

The purpose of this facet of risk management is to make decisions about future actions to reduce the level of risk. Risks are prioritised into those which need to be reduced and those which do not. The cost of risk reduction is compared to the benefits gained from reducing the risk. If risk reduction is impracticable then an amount of residual risk may be tolerable.

## 4.6 Minimisation of Risks

Risk minimisation consists of three components which are:

- identifying options to minimise the level of risk;
- assessing the options; and,
- preparing and implementing action plans.

In selecting the appropriate option, all of the identified risks are considered and the priority levels are compared with each other. Resources are allocated according to level of priority. The aim is to minimise as many of the risks as possible with the available resources.

The risk minimisation options are

a)  Reduce the source of the risk.

Regardless of the risks, some activities have to proceed. This means that a plan of action must be formulated to ensure a reduction or elimination of the key risks associated with its activities.

b)  Accept or retain the residual risk.

The residual risk is the portion of risk that remains once the risk plan has been implemented. The Board and management of Berry Street determine if they are in a position to legally, financially, ethically and socially able to carry the level of residual risk.

c)  Reduce the likelihood or the impact of the risk.

For example, contingency planning, business continuity plans, regular audits and reviews, supervision and training, reviewing if adequate operational procedures are implemented, managing key relationships etc.

d)  Insure or transfer the risk.

This option relates to transferring the risk to another party or through the provision of insurance. Transferring risk is usually a contractual arrangement. Insurance is a means of arranging funding for particular types of losses in return for paying a premium. This choice will be based on the evaluation of the risk versus the benefit of implementing the options.

## 4.7 Monitoring and Reviewing of Risks

The aim of this facet is to measure the progress of risk minimisation in relation to the risk factors. Actual performance is compared with expected or required performance in accordance with the action plan. Effectiveness of control measures implemented to minimise risk are evaluated to determine if the

procedures are relevant. Reviews are generally periodic investigations of a current situation.

### 4.8 Documenting the Risk Management Process

Documenting the risk management process provides a record of the methodology, data sources, analyses and decisions. It provides all stakeholders with information on the progress in risk reduction and the achievement of business and organisational objectives.

# 5. Authorities and accountabilities

### 5.1 Overall

Everyone within Berry Street has a role in the effective management of risk. All staff should actively participate in identifying potential risks in their area, and contribute to the implementation of appropriate treatment actions.

### 5.2 Governance

The CEO will be responsible on behalf of the Board for ensuring that a risk management system is established, implemented and maintained in accordance with this policy.

The Quality and Safety Sub Committee of the Berry Street Board will be responsible for oversight and assurance of the processes for the identification and assessment of the strategic-level risk environment.

### 5.3 Operational

The application of this policy is the responsibility of the CEO. The CEO and the Executive Management Team (EMT) are responsible for the implementation of the risk management policy and procedures.

The Director – People, Work and Culture is responsible for the following:

- Facilitating an annual risk review, involving management across the various works of Berry Street, by August each year.

- Completing annual risk management review report and risk registers (including specifically for the RTO) by September each year.

- Arranging for every fourth risk management review report and risk registers to be reviewed by external risk expert/consultant.

- Submitting annual review report to the Board annually via the Quality and Safety Board sub Committee.

- Providing risk registers reports to management on a regular basis advising of actions to be completed and time lines for those actions.

- Providing 6 monthly reports to the Quality and Safety Committee on the status of current actions in the risk registers.

  Maintaining the risk registers.

The EMT are responsible for ensuring the relevant actions from the risk registers are included in their annual plans.

## 6. Specification of related BERRY STREET and other relevant documentation

AS/NZS 4360:2004 Risk Management

HB 436:2004 Risk Management Guidelines: companion to AS/NZS 4360:2004

Day Neilson – Berry Street Victoria Risk Assessment: Report to Board September 2002

Berry Street Risk Management Procedures – Take Two Program – May 2007

Berry Street RTO Risk Management Matrix – May 2007

## 7. Evaluation

The following indicators will be used to assist in evaluating the impact and validity of this policy:

7.1 Employee Opinion Survey – checking staff understanding of the policy

7.2 Compliance (e.g. Are known events from WorkCover claims, motor vehicle accidents being input to the system?)

7.3 Output of risk reviews

This policy will be reviewed every three years as required under the Policy Framework.

## 8. Approval and revisions table

### 8.1 Approval

| Approved by: | Board of Directors: | ☐ |
| | CEO: | ☒ |
| | Deputy CEO: | ☒ |
| | Exec Management Team: | ☒ |
| Date of Approval: | 14/05/2007 | |
| Effective Date: | 21/5/2008 | |
| Review Date: | July 2009 | |
| Accountable Officer: | Director Human Resources | |
| Current incumbent: | Jackie Mead | |
| Contact Details: | jmead@berrystreet.org.au Richmond Office | |
| BERRY STREET File Name: | Policy/Risk Management | |

### 8.2 Revision/modification history

| Date: | July 2009 |
| Version: | V1.2 |

| Current title: | |
|---|---|
| Summary of changes: | |
| Approved/rejected: | Approved |
| Approval authority: | CEO |

## Appendix 1:    IMPACT RATING TABLE

| Incident Severity Rating | | | | | |
|---|---|---|---|---|---|
| | **Major** | **Significant** | **Moderate** | **Minor** | **Insignificant** |
| **Finance** | Above $500,000 | $100,000 to $500,000 | $50,000 to $100,000 | $5,000 to $50,000 | Up to $5,000 |
| **Injury to People** | Single death / Multiple deaths | Significant injury / extended hospitalisation | Injury / Hospital with some resulting impairment or ongoing treatment | Injury / treatment single treatment (hospital or clinic) with no long-term impairment | First Aid required, no resulting impairment |
| **Business Interruption** | Critical service loss for more than one month | Critical service loss for up to one month | Critical service loss not back in agreed time | Local only, service loss for minimum period | Negligible impact, brief loss of service |
| **Reputation** | Reputation of the Service severely affected state-wide | Substantial embarrassment for the Service, including adverse media coverage state-wide | Stakeholders and/or community concern, major local media coverage | Issue raised by stakeholders and/or local press | Issue resolved promptly by day-to-day management process |
| **Governance** | Loss of government or public confidence | Significant loss of confidence of government department officials | Resolved with assistance of external resources | Resolved with Executive intervention | Resolved by routine management procedures |
| **Near Miss** | Could have resulted in any of the above | Could have resulted in any of the above | Could have resulted in any of the above | Could have resulted in any of the above | Could have resulted in any of the above |

*Impact Areas*

## <u>Appendix 2:</u>    LIKELIHOOD RATING TABLE

| Rating | Likelihood / probably frequency of occurrence |
|---|---|
| Almost Certain | The event or situation is already occurring or is very likely to occur multiple times within the next twelve months. |
| Likely | The event or situation will probably occur at least once in the next twelve months |
| Moderate | The event or situation will probably occur at least once in the next 2 years. |
| Unlikely | The event or situation may occur at some time, say once every 5 years. |
| Rare | The event or situation may occur only in exceptional circumstances. |

## Appendix 3:        INHERENT RISK RANKING TABLE

| Inherent Risk Ranking | | | | | |
|---|---|---|---|---|---|
| **Probability/ Likelihood Rating** | **Impact Rating** | | | | |
| | Insignificant | Minor | Moderate | Significant | Major |
| Almost Certain | Moderate | High | Extreme | Extreme | Extreme |
| Likely | Moderate | High | High | Extreme | Extreme |
| Moderate | Moderate | High | High | High | Extreme |
| Unlikely | Low | Moderate | High | High | High |
| Rare | Low | Low | Moderate | Moderate | Moderate |

## Appendix 4: CONTROL RATING TABLE

| Rating | Description |
|---|---|
| Excellent | The control procedures used in a specific situation or domain address potential adverse events. The control procedures are documented and operational. |
| Good | The control procedures used in a specific situation or domain address potential adverse events.  The control procedures are not documented but are operational and require upgrading or improvements and documentation. |
| Fair | The control procedures used in a specific situation or domain partly address potential adverse events. The control procedures are documented and operational but require upgrading or improvements. |
| Poor | Control procedures do not address risks. Control procedures are not documented or operational. |

## Appendix 5: RESIDUAL RATING TABLE

| Residual Risk Rating Matrix | | | | |
|---|---|---|---|---|
| **Inherent Risk Ranking** | **Control Rating** | | | |
| | **Excellent** | **Good** | **Fair** | **Poor** |
| **Extreme** | Amber | Red | Red | Red |
| **High** | Yellow | Amber | Red | Red |
| **Moderate** | Yellow | Amber | Amber | Red |
| **Low** | Green | Yellow | Yellow | Amber |

| Rating Range | Description |
|---|---|
| Red | The residual risk needs urgent attention |
| Amber | The residual risk needs close monitoring and reporting |
| Yellow | The residual risk needs regular monitoring and reporting |
| Green | The residual risk requires  minimal monitoring and reporting |