ORGANISATIONAL RISK MANAGEMENT FRAMEWORK

Document control

Release history

Version	Date	Author	Summary of changes
1.0	August 2011	IAB	Initial release
2.0	May 2014	Kerrie Keyes	Removed sections duplicated from Policy 7.1.10; clarified components of framework
3.0	October 2016	Glenda Baker	Updated in line with the release of NSW Treasury Policy TPP 15-03 and additional alignment with ISO 31000:2009.
4.0	October 2018	Greg Hill	Updated in line with the release of ISO 31000:2018 Risk management – Guidelines and annual policy review.

Reviewed by

Name	Title	Date	Version
Stephen Glassock	Director, Corporate Planning, Risk and Learning Chief Risk Officer	5 November 2018	4.0

Approved by

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Bronwyn Jones, PSM	Executive Director, Membership and Strategic Services	Signed and filed on 8/11/2018	4.0

Related documents

Document name	Version
NSW RFS Corporate Governance Statement	Nov. 2017
Policy P7.1.10 Organisational Risk Management	V 2.1 July 2018
NSW RFS Audit and Risk Committee Charter	V 3 Dec. 2017

Contents

1 Introduction

The NSW Rural Fire Service (NSW RFS) regards the key corporate governance component of risk management as central to decision making and leading to better organisational outcomes.

Risk management is not seen simply as removing risk, it is recognition of uncertainty around what is trying to be achieved and doing what is required to maximise success and minimise failure. Good risk management prioritises and focuses attention and resources on the things that help to deliver more productive services while balancing risk and reward. As such, risk management forms part of all NSW RFS' processes and decision-making and supports the achievement of the NSW RFS vision for *"a world standard of excellence in the provision of a community-based fire and emergency service".*

When innovating to deliver better services in better ways there is potential for reward through greater efficiencies, reductions in waste and costs, or improvements in the effectiveness of service delivery, but there is also unavoidable risk. This is because innovative approaches involve inherently greater uncertainty, and risk is simply the impact of uncertainty on the achievement of objectives. Consultation with stakeholders to coordinate activities which identify, assess, treat and monitor risks results in risks being managed consistently across the NSW RFS to a level considered acceptable by the Commissioner.

Managing risk is integral to many NSW RFS activities that are undertaken in day-to-day work, and Organisational Risk Management (ORM) is a way of providing a consistent approach to dealing with risks that can be used across all functions and locations. This consistent approach enables planning processes to give due consideration to risk, more informed decision making, more efficient problem solving and greater success in achieving intended outcomes as well as a greater likelihood of meeting compliance obligations.

In addition to supporting the NSW RFS in achieving its objectives effectively and efficiently the application of ORM also supports the delivery of a more capable, resilient and sustainable organisation which meets stakeholder expectations. In order to ensure this Framework and the policy that enacts it are current and aligned to leading risk management practices, Standards and guidelines it must be reviewed annually. This annual review also allows the NSW RFS to assess its risk management maturity.

2 Risk Management Standards and Guidelines

Through this Organisational Risk Management Framework the NSW RFS seeks to align its ORM to leading practice. This is achieved by using the International Standard and NSW Treasury policies as guidance for the development and maintenance of this Risk Management Framework.

In terms of the International Standard is *ISO 31000:2018 Risk management – Guidelines* and the current Australian Standard for Risk Management is *AS/NZS ISO 31000:2009 Risk management - Principles and guidelines*. Both this Framework and the NSW RFS ORM Policy P7.1.10 are aligned with these Standards.

In 2015, NSW Treasury issued a Policy and Guidelines Paper *TPP 15-03 **Internal Audit and Risk Management Policy for the NSW Public Sector***. This policy, among other things, makes it mandatory for each NSW Government Agency to establish and maintain a risk management process *"that is appropriate to the department or statutory body"* concerned and that is consistent with the methodology set out in the current Australian/New Zealand Standard on Risk Management. The NSW Treasury Policy became effective on1 July 2015 and this Framework and NSW RFS ORM policy are consistent with the outlined methodology.

As well as requiring compliance by agencies and supporting effective and efficient management, the Treasury Policy promotes the use of best practice standards and frameworks and the tailoring of those frameworks for agencies to implement, further develop and manage. In this regard, the core requirements concerning risk management have been largely modelled on Australian/New Zealand Standard AS/NZS *ISO 31000:2009 Risk management – Principles and guidelines*.

In 2012, NSW Treasury issued a Policy and Guidelines Paper *TPP 12-03b Risk Management Toolkit for NSW Public Sector Agencies*. This toolkit provides practical guidance at a general level on how to establish a risk management framework and a risk management process.

3   NSW RFS Organisational Risk Management Framework

A risk management framework is a set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout an organisation.

The key elements of a risk management framework, as outlined in NSW Treasury Policy TPP 15-03, are:

> › **Mandate and Commitment** – agency head and senior management provide and communicate a risk management mandate, establish a risk management policy, assign accountabilities and responsibilities and commit to implement, resource, operate, monitor and continually improve risk management
> › **Design of the framework for managing risk** – a customised framework is designed to provide a structure to embed the use of a consistent risk management process wherever decisions are made in the agency
> › **Implementing risk management** – a risk management plan to implement the risk management framework and policy is developed and implemented
> › **Monitoring and review of the framework** – the risk management framework is monitored and reviewed to ensure it is fit for purpose and remains consistent with the agency's objectives
> › **Continual improvement of the framework** – the framework is continuously enhanced to support the agency moving to a higher level of maturity in risk management.

The diagram below demonstrates the interaction between these key elements.
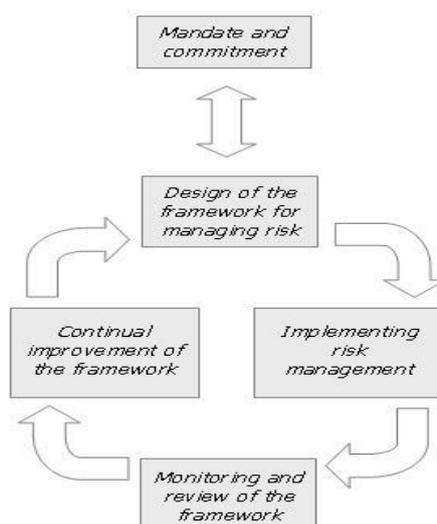
Figure 1: Key elements of a risk management framework
(Adapted from AS/NZS ISO 31000:2009: as per TPP 15-03)

The NSW RFS has a risk management framework in place that is based on NSW Treasury Policy TPP 15-03 and supports the agency in achieving its objectives by systematically identifying and managing risks, thus:
> › increasing the likelihood and impact of positive events; and
> › mitigating the likelihood and impact of negative events.

This ORM Framework has been developed to be appropriate to the NSW RFS operating environment and includes monitoring and maintenance mechanisms. It is supported by a range of internal tools that contribute to consistent risk management processes.

Specific to the NSW RFS Organisational Risk Management Framework, these key elements are addressed as follows:

TPP 15-03 Key Element:	NSW RFS Risk Management Framework application
Mandate and Commitment: › agency head and senior management provide and communicate a risk management mandate › establish a risk management policy › assign accountabilities and responsibilities › commit to implement, resource, operate and monitor risk management › continually improve risk management	The mandate for and commitment to risk management is achieved by: › the Commissioner and Senior Management providing a mandate for Risk Management through their endorsement and support of the ORM Framework and Policy › the Commissioner and senior management communicating risk through their regular reporting and briefings › emerging risks are a set item on the Corporate Executive Group agenda › the NSW RFS having an established ORM Policy in place (Ref P7.1.10), detailing the NSW RFS risk management process › accountability and responsibility being assigned to individuals as outlined in the SOPs supporting the ORM Policy › risk management responsibilities being embedded in NSW RFS role descriptions, performance agreements and individual work plans › each individual risk having an assigned owner › the NSW RFS having in place an independent Audit and Risk Committee › the NSW RFS having a Chief Risk Officer, Manager Planning, Risk and Policy and a Senior Project Officer - Risk in place › the NSW RFS providing resources including for risk management training and risk management integration with key corporate systems › the NSW RFS annually reviewing its ORM Framework and Policy and associated practices and processes (*see below*).
Design of the framework for managing risk: › a customised framework is designed to provide a structure to embed the use of a consistent risk management process wherever decisions are made in the agency	The NSW ORM Framework and Policy design: › is aligned with the International Standard ISO 31000:2018, AS/NZS ISO 31000:2009 and NSW Treasury Policy TPP 15-03 and tailored to the NSW RFS environment, both operationally and corporately › provides clear guidance and direction to all staff for risk management processes › includes the conducting of risk workshops and reviews with relevant organisational stakeholders › includes the use of standard supporting documents/tools to assist with consistency e.g. risk registers, risk assessment tables, risk action plans › includes tolerance and escalation information to support decision making and risk control › recommends risk information be used as part of decision making, particularly in the area of business planning, project management, procurement, compliance management and internal audit arrangements.
Implementing risk management: › a risk management plan to implement the risk management framework and › policy is developed and implemented	Risk Management is implement through: › the NSW RFS having an annual ORM plan in place, as part of the Corporate Planning and Risk Section Plan › the NSW RFS having an established ORM Policy in place (Ref P7.1.10) › the provision of support and advice from the risk team › the provision of ORM training, including professional development sessions and the provision of an online ORM Awareness training › risk being considered as part of the annual corporate and business planning activities and risks integrated with business plans.

Monitoring and review of the framework: › the risk management framework is monitored and reviewed to ensure it is fit for purpose and remains consistent with the agency's objectives	Monitoring and review of the framework occurs through: › Risk reporting requirements as outlined in *SOP P7.1.10-4 Risk Reporting* › the annual internal review of the ORM Framework and Policy › the annual review of the ORM Framework and Policy by the Audit and Risk Committee › the annual review of all risks by risk owners and key stakeholders › the NSW RFS seeking feedback from key stakeholders, including the Audit and Risk Committee › risk being considered as part of the Corporate Planning cycle that reviews and sets the Service's objectives.
Continual improvement of the framework: › the framework is continuously enhanced to support the agency moving to a higher level of maturity in risk management	Continual improvement of the Framework includes: › the NSW RFS undertaking an annual review of both the ORM Framework and ORM Policy. This annual review also allows the NSW RFS to assess its risk management maturity › the NSW RFS seeking feedback on its ORM Framework and Policy from key stakeholders including the Audit and Risk Committee › the NSW RFS seeking feedback on its ORM Framework and Policy through internal audit › the NSW RFS monitoring and responding to external influences, including changes to Standards and Government Policies.

In applying these key elements of the ORM Framework the NSW RFS considers that risk management should:

› create and protect value
› be an integral part of all the organisation's activities and processes, including planning and project management
› be part of decision making
› explicitly take account of uncertainties
› be systematic, structured and timely
› be consistent in its approach and implementation
› be based on best available information
› be tailored to the organisation's operating context
› take human and cultural factors into account
› be transparent and inclusive in involving stakeholders
› be dynamic, iterative and responsive to change
› facilitate the organisation's continual improvement and enhancement.

4 Risk Management Integration

Risk management is a key component of NSW RFS governance arrangements. As such it is embedded within the agency's planning processes, decision-making structures, project management processes and operational procedures.

The integration of risk management into the NSW RFS processes and procedures is reflected in the examples provided below.

TPP 15-03 Requirement	NSW RFS Integration Examples
› risk management is integrated into strategic and business planning, budgeting and reporting processes	› risk is considered as part of the Corporate Planning cycle, that sets the Service's objectives › risk is considered as part of the Business Planning cycle. The business planning process considers risks to corporate objectives and business plan objectives (which are cascaded from the corporate plan) and treatments for these are incorporated into business plans › emerging risks are a set item on the Corporate Executive Group (CEG) agenda › risk management is reported quarterly to the Commissioner, the Senior Executive team, Corporate Executive Group (CEG) and the Audit and Risk Committee
› risks are formally considered when developing and implementing policies or programs, projects and other activities including procurement	› the NSW RFS policy development framework provides support for the NSW RFS governance arrangements including risk management. › risk is considered in the development of the internal audit program › the NSW RFS project methodology includes the consideration of risks › risk is considered in NSW RFS Category Management Plans and procurement processes generally › risk is considered in the development of internal procurement strategies › risk is considered in the planning and implementation of training activities and key events
› risk management covers all relevant risk categories including strategic, operational, compliance, reputational and reporting risks	› the NSW RFS manages its risk through a range of category specific registers › the risk consequence assessment comprises of the relevant areas of safety impact; business capability; community, environmental, financial and reputational impact; legal/statutory › reporting on risk forms part of regular NSW RFS performance reporting
› the agency's ability to accept or tolerate risk is appropriately reflected in the internal control framework through, for example, financial and other delegations	› the annual risk review and ongoing risk assessments provide the ability to accept, or otherwise respond to, risks and their associated rating › the ORM policy includes tolerance and escalation criteria to support decision making and risk control › the NSW RFS has in place both financial and administrative delegations policies › risk is considered in the development of the internal audit program › consideration of risk management is a component of the annual managerial attestation regarding the effectiveness of the organisational system of internal control (completed by all cost centre managers)

› there is clear communication of risks and risk management practices to internal and external stakeholders	› risk reports are communicated to all managers and above and key stakeholders including the RFSA (through the Corporate Executive Group) and the Audit and Risk Committee › the Commissioner includes risk updates in All Staff meetings › senior managers include risk updates in relevant forums and meetings › the NSW RFS Audit and Risk Committee has responsibility for reviewing the currency and appropriateness the risk management framework, in line with its Charter. › the Chair of the Audit and Risk Committee reports annually to the Commissioner, provided their opinion on the operation of NSW RFS ORM › the risk team provides guidance, advice and clarification of ORM related processes and practices › ORM training is provided to support ORM processes › an online ORM Awareness training module is available to all staff
› there are agency specific, fit-for-purpose tools, systems and processes to help all those responsible for managing risk	› the risk team has developed a suite of standard supporting documents/ tools to assist with consistency e.g. registers, risk assessment tables, risk action plans › the NSW RFS has a set annual cycle for ORM review and validation › the NSW RFS provides resources, including for risk management training › ORM is integrated with policy management and compliance activities

5 References

› ISO 31000:2018 Risk management – Guidelines

› AS/NZS ISO 31000:2009 Risk management - Principles and guidelines.

› NSW Treasury Policy and Guidelines Paper TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector

› *TPP 12-03b Risk Management Toolkit for NSW Public Sector Agencies.*

› NSW RFS Corporate Governance Statement

› NSW RFS Policy P7.1.10 Organisational Risk Management