OVERVIEW

1. The Comcare Risk Management Framework [see Figure 1] is Comcare’s strategy for effectively identifying, mitigating and reporting risk. In this way, the risk framework supports and assists achievement of objectives identified and endorsed in Comcare’s business planning processes.

![Business planning framework](image1)

Figure 1
2. The Framework is reviewed annually and includes:
   > the Chief Executive Instruction—Risk Management
   > this Risk Management Toolkit
   > the risk register Template.


4. This Comcare Risk Management Toolkit aims to guide employees through the development and maintenance of robust risk assessments and risk management plans in accordance with the framework.

WHAT IS RISK?

5. Risk is the effect of uncertainty on Comcare’s ability to achieve its objectives. Those objective may relate to:
   > the strategic management of the agency
   > the delivery of specific programs
   > the completion of discrete projects undertaken to support or enhance Comcare’s operations.

WHAT IS RISK MANAGEMENT?

6. Risk Management is the process of systematically identifying, monitoring, treating and reporting Comcare’s risks in order to:
   > provide assurance that Comcare’s objectives are more likely to be achieved
   > lessen the potential for adverse outcomes to occur
   > maximise the likelihood of beneficial outcomes.

THE RISK MANAGEMENT PROCESS

7. Risk management is undertaken with the support of Comcare’s Executive. They were consulted in the development of the framework.

8. The risk management process starts with identifying risks in the context of Comcare’s operations. The identified risks are rated to enable appropriate prioritisation and planning for the risk treatments to be incorporated into Comcare’s operations. Risks are rated prior to recognising applicable internal controls to enable the selection of controls that will reduce either the likelihood or consequence of the risk occurring. At this stage the risk rating is referred to as the ‘inherent risk’ rating. When the risk is rated after taking into account the existing or proposed controls it is referred to as the ‘residual risk’ rating. The objective is to implement appropriate controls to reduce the inherent risk down to an acceptable level of residual risk.

9. Senior managers are held accountable for maintaining controls. A regular reporting regime will confirm the existence or development of controls. Review mechanisms such as internal audits or quality assurance processes will test the effectiveness of the controls.
10. The process for managing risk is comprised of a number of discrete but interrelated stages outlined in Figure 2.

11. These stages are discussed in the following.

**Step 1: Establishing the context**

12. In order to identify and manage Comcare’s risks we need to understand the context within which the agency operates. In particular, we need to consider Comcare’s:
   - objectives
   - internal context
   - external context.

13. Comcare’s objectives are defined at a number of levels:
   - Comcare’s Outcome Statements detail government's expectations of what Comcare is to achieve, the broad activities that government expects Comcare to undertake in order to achieve this, and how government intends to monitor Comcare’s progress in achieving these.
   - Comcare’s Strategic Plan 2010-2015 has been developed to guide the organisation in the achievement of government's expectations, and defines the strategic objectives the agency will need to achieve in order to meet government's expectations.
   - Group and Work Team Business Plans detail the activities that business areas are to undertake in support of Comcare’s objectives.
   - plans that are developed to assist in the management of significant projects undertaken to support the achievement of objectives detailed in business and strategic plans. These projects include large scale IT systems development and implementations, and major procurements.
14. The internal context is the environment internal to Comcare within which it seeks to achieve its objectives. The internal context includes:

> Comcare’s governance arrangements, organisational structure, position roles and accountabilities
> Comcare’s policies and objectives, and the strategies that are in place to achieve them
> Comcare’s capabilities in relation to its people, processes, systems and technologies
> Comcare’s information systems, information flows and decision making processes, both formal and informal
> relationships between, the perceptions and values of, internal stakeholders
> Comcare’s culture
> standards, guidelines and models adopted to guide the performance of activities.

15. The external context is the environment within which Comcare operates in the pursuit of its objectives. The external context includes:

> the wider cultural, social, political, legal, regulatory, financial, technological, economic, and natural environment
> key external drivers and trends that may impact on Comcare’s objectives
> relationships with, and the perceptions and values of, Comcare’s external stakeholders.

16. In examining Comcare’s internal and external contexts, specific consideration should be given to stakeholders. A stakeholder is a person, group of people, or organisation that can affect, be affected by, or perceives themselves to be affected by a Comcare decision or activity. Stakeholders may be internal or external to Comcare, and may give rise to or be impacted on by risks. Comcare’s stakeholders include:

> workers covered by the Comcare scheme
> the employers of those workers
> Comcare’s portfolio minister
> entities that supply goods and services to Comcare, such as external legal service providers.

17. It is important that sufficient time is spent developing a thorough understanding of the context within which Comcare and the team or project for which the risk assessment is being developed exist. This underpins all subsequent stages of the risk management process. In addition to enabling individual risks to be identified, this analysis also informs the understanding of:

> how those risks arise though the interaction of events, business processes and/or individuals
> what and who will be effected, and how, should those risk events occur
> business processes and methods that are currently in place, or which could be put in place, in order to manage risks.
Step 2: Identify risks

18. This stage of the risk management process is focussed on identifying risks that may impact on the ability of Comcare to achieve its objectives. The identification of risks is a critical step in risk management as it underpins all subsequent stages.

19. It is important to take a holistic approach to ensure all risks are identified and considered. Specific consideration should be given to management structures and how they impact on decision making and information flows; health and safety of internal and external individuals Comcare interacts with; reputation; systems and processes.

20. When identifying risks a number of key issues need to be considered:
   > what can happen—the risk
   > what the consequences of that event will be
   > what will cause it to happen—the source(s) of the risk.

21. A number of techniques can be used to identify risks, including:
   > brainstorming
   > use of questionnaires or surveys
   > business process mapping
   > benchmarking
   > analysis of complaints or past failures
   > scenario analysis
   > audits
   > investigations.

22. Use the techniques that are most appropriate to the area or activities subject to the risk analysis and most accessible and understandable to the people who will be participating in the risk identification process. More than one technique may be used in order to ensure a thorough result.

23. After risks and their sources have been identified, the appropriate Comcare risk category is to be ascertained. These categories are used within Comcare to facilitate the reporting and analysis of the agency’s risk profile. Choose the risk category that most appropriately summarises the nature of the risk. In some cases this may require a risk to be allocated to more than one category.

24. The Comcare risk categories are:
   > **External Risks**—risks that are caused primarily by sources external to Comcare.
   > **Service Delivery Risks**—risks that impact on Comcare’s ability to deliver services to stakeholders.
   > **Scheme Viability Risks**—risks that impact on the financial or structural viability of the Comcare scheme.
   > **Governance Risks**—risk that Comcare may not effectively and efficiently manage its resources and/or meet its obligations as a responsible Commonwealth agency.
   > **Reputation Risks**—risks that impact on stakeholders’ perception of Comcare as a professional and well managed organisation.
   > **People Welfare and Safety Risks**—risks to the health and safety of individuals participating in the achievement of Comcare’s objectives.
25. In addition to risks and their sources, the owner of each risk needs to be identified. The risk owner is the Comcare position that will retain overall responsibility for managing the risk, including the implementation of treatments and reporting on their progress. Risk owners need to be at a level with sufficient authority and responsibility to effectively manage the risk.

**Step 3: Analyse risks**

26. This step involves evaluating the likelihood and potential consequences of a risk so we may then determine whether additional risk treatments need to be implemented. This is undertaken in two distinct stages:
   > without taking into account controls currently in place—identifying the inherent risk
   > with regard to the impact of current controls—assessing the residual risk.

27. Controls are systems, policies or practices that:
   > reduce the likelihood that a risk will occur
   > lessen the impact on Comcare should the risk occur.

28. Controls include:
   > approved policies and procedures that detail and assign responsibility for managing and undertaking Comcare’s activities
   > Comcare’s business planning and reporting processes used to set objectives and allocate resources
   > system functionality that provides a defined and systematically enforced method for undertaking and managing Comcare’s activities
   > instruments that transfer some or all of the impacts of a risk to another party, such as insurance policies and indemnities.

29. When assessing residual risk, it is important to consider the controls in place and their effectiveness in reducing the likelihood and/or consequences of a risk. To assist in this, controls should be assessed as either: highly effective (HE), effective (E) or ineffective (I).

30. Comcare uses a number of tables to assist in the consistent analysis of risks. Table 1 assists in the analysis of the impacts of risks by providing examples of what would constitute a “severe”, “moderate” or “minor” risk for a number of key, whole of Comcare, criteria. Table 2 describes the criteria for assessing a risk as “likely”, “possible” or “unlikely”.
<table>
<thead>
<tr>
<th>Rating</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Likely</td>
<td>The risk will probably occur in most circumstances. Previous experience indicates that there is a greater than 50% probability that the risk event will occur.</td>
</tr>
<tr>
<td>Possible</td>
<td>The risk might occur at some time. Previous experience indicates that there is less than 50%, but greater than 15%, probability that the risk event will occur.</td>
</tr>
<tr>
<td>Unlikely</td>
<td>The risk could occur at some time but is improbable. Previous experience indicates that there is a 15% or less probability that the risk event will occur.</td>
</tr>
</tbody>
</table>

Table 2: Risk likelihood

31. It should be noted that a risk will often give rise to consequences relevant to more than one criterion. For example, a risk event may cause both an interruption to Comcare’s business activities and a resulting adverse impact on Comcare’s reputation. In these instances, it is best to rate the risk consistent with the criteria that would experience the highest impact.
Step 4: Evaluate risks

32. Risk evaluation makes use of likelihood and consequence assessments to make an informed decision whether a risk is either tolerable or intolerable. This analysis makes use of residual risk assessments derived in accordance with step 3.

33. Determining whether a risk is tolerable or intolerable necessarily involves the exercise of judgement. In order to ensure a consistent stance towards risk is adopted across Comcare and from time to time, tables 3 and 4 are to be used as the primary benchmarks in assessing whether a risk is tolerable.

34. Table 3 uses a risk’s residual likelihood and consequence levels to categorise it as “low”, “medium” or “high”, while table 4 details required actions for each of those levels.

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minor</td>
</tr>
<tr>
<td>Likely</td>
<td>Medium</td>
</tr>
<tr>
<td>Possible</td>
<td>Low</td>
</tr>
<tr>
<td>Unlikely</td>
<td>Low</td>
</tr>
</tbody>
</table>

Table 3: Risk ratings

<table>
<thead>
<tr>
<th>Actions required</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
</tr>
<tr>
<td>The risk is significantly above tolerable limits and a plan for its treatment, ongoing monitoring and communication is to be developed and approved by a General Manager within a week. Resources for implementation of the plan are to be provided as a matter of high priority. The CEO and members of the Executive are to be briefed immediately on the risk and its mitigation.</td>
</tr>
</tbody>
</table>

| Medium          |
| A plan for risk treatment and/or ongoing monitoring and communication is to be developed and approved by a General Manager within a month. If the risk is not initially mitigated, the plan must detail circumstances that will prompt mitigation action to be commenced. The CEO and members of the Executive are to be briefed on the risk and its mitigation through routine reporting mechanisms. |

| Low             |
| The risk is within tolerable limits and its further treatment is to be progressed within the context of ongoing resources and business priorities. |

Table 4: Actions required for each risk level

35. If after due consideration it is decided to accept rather than treat risks rated as “high” or “medium”, this decision must be endorsed by a General Manager. These risks must still be reported to the Chief Executive Officer and Executive in accordance with table 4, and the rationale for the decision not to treat the risk provided. Generally the decision not to treat “high” or “medium” risks will be based on documented cost-benefit analysis.
Step 5: Treat risks

36. Risk treatments seek to reduce a risk to tolerable levels. Generally, risk treatments fall into one of the following categories:
   > risk avoidance—not proceeding with the project, program or activity that gives rise to the risk. For example, a particular component of an IT systems redevelopment project might be cancelled
   > reducing the likelihood of the risk—developing and implementing practices, processes or policies that will make the risk less likely to occur. The likelihood, for example, of high staff turnover may be reduced by improving the staff performance management system
   > reducing the impact of the risk—developing treatments to reduce the consequences to Comcare should the risk occur. The impact of a computer failure, for example, may be reduced by ensuring the regular backup of and ability to recover data
   > risk transfer—transferring the impacts of a risk to another party. The financial impacts of a risk can, for example, be transferred to another party through the purchase of insurance, or inclusion of indemnity clauses in contracts
   > contingency planning—putting in place mechanisms that will enable Comcare to effectively deal with a risk event should it occur. For example, funds may be specifically identified and set aside to cover potential cost over-runs for a large project.

37. It is likely that a number of different treatments may be implemented to reduce a risk to tolerable levels. Consideration of cost-effectiveness should determine which treatment or treatments are to be implemented.

38. Risk treatments should be documented in a risk management plan that:
   > assigns responsibility for implementation of the treatment or its components
   > details the timeframe for implementation of the treatment. If the treatment is not to be implemented immediately, the conditions that will prompt its implementation are to be detailed
   > is approved by the responsible Comcare officer.

39. It will be necessary to determine the residual risk rating once risk treatments are identified.

Step 6: Monitor and review

40. For risk management practices to remain relevant and effective they must adapt to, and evolve with changes to Comcare’s internal and external environment, methods of operation, and stakeholders’ perceptions and actions.

41. This is best achieved through the regular review and update of risk registers and risk management plans. Generally, registers and plans should be reviewed periodically in line with Comcare’s business planning and reporting cycle. Registers and plans should also be reviewed outside of this cycle in the event of significant changes.
42. Risk indicators provide a mechanism that informs whether substantial changes to risk registers and risk management plans should be considered due to significant changes within Comcare and the environment within which it operates. The following risk indicators signal the need to comprehensively review the Corporate and, or Group registers:

- Government has indicated that it is considering or advocating significant change to the Comcare or Seacare schemes, or arrangements for the management of common law asbestos claims.

- Legislative changes are flagged or planned that will significantly alter Comcare’s or the Seacare Authority’s responsibilities as Commonwealth agencies, or significantly change their role, powers and obligations as Work Health and Safety regulators or providers of recovery and support services.

- There are significant changes to the composition, characteristics or WH&S performance of the entities within the Comcare and Seacare schemes, including premium payers, licensees and operators of prescribed ships.

- Either Comcare or the Seacare Authority are planning or undertaking significant changes to the way in which they undertake and support their regulatory and service delivery activities. These changes may encompass: significant restructures, the implementation of new systems and /or associated ICT infrastructure, the implementation of new business processes and service delivery models.

- Significant changes to the financial viability of the Comcare or Seacare schemes are identified or suspected based on an assessment of financial, actuarial or financial audit information and reports.

- Government has indicated that it is considering substantial changes to the financial framework and /or funding models for the Comcare and Seacare schemes or asbestos related common law claims.

- Comcare’s staff turnover deteriorates to a level that is substantially higher than the APS norm, for the agency as a whole or for specific Groups.

43. The effectiveness of controls is expected to be assessed through internal audits and quality assurance processes. The Risk Monitoring Forum is responsible for monitoring progress with risk management, compliance and assurance processes for the SRCC, Comcare and the Seacare Authority. It will examine, in greater detail than the Audit Committee, the application of these processes to Comcare operations, and the implementation of the 2015 strategy. The Risk Monitoring Forum will provide advice to the Chief Executive Officer on strategies to respond to risks based on value at risk, monitor progress of treatments recorded in risk registers and escalate serious matters to the Executive for consideration. It will report to the Comcare and Seacare Audit Committee on proposed changes to the risk management framework and the status of risks.
GLOSSARY

Consequence: the outcomes of an event affecting Comcare’s objectives. A consequence –
> can be certain or uncertain and can have both positive and negative effects
> can be expressed qualitatively or quantitatively
> can escalate through knock-on effects.

Control: a measure implemented to modify a risk. Controls include approved policies and procedures, system functionality, training programs and planning and reporting mechanisms.

External context: the external environment within which Comcare seeks to achieve its objectives. The external context includes:
> the cultural, social, political, legal, regulatory, financial, technological, economic, and natural environment
> key drivers and trends that may impact on Comcare’s objectives
> relationships with, and the perceptions and values of, Comcare’s external stakeholders.

Inherent Risk: the level of risk that Comcare experiences without taking into account the effect of existing controls.

Internal context: Comcare’s internal environment in which the agency seeks to achieve its objectives. The internal context includes:
> Comcare’s governance, organisation structure, roles and accountabilities
> Comcare’s policies, objectives, and the strategies that are in place to achieve them
> Comcare’s capabilities in relation to its people, processes, systems and technologies
> Comcare’s information systems, information flows and decision making processes, both formal and informal
> Relationships with, the perceptions and values of, internal stakeholders
> Comcare’s culture
> The standards, guidelines and models adopted by Comcare.

Level of risk: the magnitude of a risk or number of risked, expressed in terms of the combination of the consequences and their likelihood.

Likelihood: the probability of something happening.

Residual risk: the risk remaining after risk treatment(s) have been implemented.

Risk: the effect of uncertainty on the achievement of Comcare’s objectives.

Risk attitude: Comcare’s approach to assess and eventually pursue, retain, take or turn away from risk. Comcare’s risk attitude articulates the level of risk at a broad level that the agency is willing to take on in pursuit of its objectives.

Risk categories: broad types of risk used to group similar risks for management reporting purposes within Comcare.

Risk event: an event which, if it was to occur, would impact on the achievement of Comcare’s objectives.

Risk indicator: a signpost that informs whether thorough review of risk registers and risk management plans is required.

Risk owner: the position within Comcare with the accountability and authority to manage a risk.

Risk source: the thing, either internal or external to Comcare, which alone or in combination with others has the potential to give rise to risk.

Risk treatment: the process to modify a risk, typically with the intention of reducing either the likelihood and/or impact of negative consequences.

Stakeholder: a person or organisation that can affect, be affected by, or perceive themselves to be affected by a Comcare decision or activity.