**Information sheet 2**

Assessing risk

Risk assessment is the overall process of risk identification and analysis. It helps us to understand our risk profile and the effectiveness of the controls and actions used to manage risks.

1. Identify the risk

Risk identification assists us to recognise and describe risks that might help or prevent the department achieving its objectives.

To identify risks, a comprehensive scan of our operating environment should be completed to identify the causes of risks and assess how they might affect the achievement of departmental priorities.

An environmental scan aims to detect early signs of potential challenges and opportunities and involves obtaining both factual and subjective information to increase the department’s awareness of the key risks it faces.

Examples of key considerations when undertaking environmental scanning are:

* type of risk
* causes of risk
* impacts of the risk
* level of control

Examples of points to consider when identifying risk are:

* communication and consultation with appropriate stakeholders
* identifying both challenges and opportunities
* identifying both internal and external risks
* past learning, audits and assessments

1. Analyse the risk

Risk analysis involves a detailed consideration of uncertainties, risk causes, consequences, likelihood, events, controls and their effectiveness.

Examples of points to consider when analysing risk are:

* communication and consultation with appropriate stakeholders
* the likelihood of events and consequences
* the level of consequence – refer to [Risk consequence categories](https://ppr.qed.qld.gov.au/attachment/information-sheet-4-risk-consequence-categories.docx)
* the effectiveness of existing controls and actions

Examples of information sources and methods to identify and analyse risks include:

|  |  |
| --- | --- |
| **Information source** | **Description** |
| **Corporate history** | Individuals’ experiences and records to understand what happened in the past |
| **Interviews** | Data collection with individuals and/or focus |
| **Surveys/ questionnaires** | Data from internal and external customers and stakeholders |
| **Environmental analysis** | PESTLE: Political, Economic, Sociological, Technological, Legal, Environmental  SWOT: Strengths, Weaknesses, Opportunities, Threats |
| **Planning – strategic and operational** | Monitoring of risk while reviewing performance against objectives, performance indicators and expected outcomes |
| **Stakeholder analysis** | Considers risks from stakeholders’ perspectives |
| **Process analysis** | Analyse processes to identify opportunities to improve |
| **Other organisations** | Similar experiences and knowledge |
| **Scenario planning** | Possible (often extreme) future states to anticipate how threats and opportunities might develop |
| **Existing risk registers** | Risks, risk levels, controls and actions |

Risk levels are determined at two points:

* **current risk level** is determined by considering the department’s risk appetite and how existing controls modify the risk (or opportunity).
* **target risk level** is determined by considering the department’s risk appetite, and after applying controls and actions to reduce the impact of the risk to an acceptable level (or to maximise the opportunity)you are aiming for after considering the department’s risk appetite and applying controls, recognising that some level of risk is both manageable and unavoidable.

We determine the risk level by using the department’s risk matrix, the [Risk consequence categories](https://ppr.qed.qld.gov.au/attachment/information-sheet-4-risk-consequence-categories.docx) and the risk likelihood (as described in the matrix) to ensure risks are analysed consistently across the department.

For example, if the outcome of an event affecting objectives has a major consequence and the likelihood of something occurring is unlikely, the risk level is determined to be medium.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Risk matrix** | | | **Consequence**  **-refer to Risk consequence categories (information sheet 4)** | | | | |
| **Insignificant** | **Minor** | **Moderate** | **Major** | **Critical** |
| **Likelihood** | **Likelihood:**  **- to occur within the foreseeable future or within the project lifecycle** | **Almost Certain** | Medium | Medium | High | Extreme | Extreme |
| **Likely** | Low | Medium | High | High | Extreme |
| **Possible** | Low | Medium | Medium | High | High |
| **Unlikely** | Low | Low | Medium | Medium | High |
| **- will only occur in exceptional circumstances** | **Rare** | Low | Low | Low | Low | Medium |

Department’s appetite for Enterprise risks is low

Department’s appetite for **Strategic and Operational risks can be medium or low**

For further information on Enterprise, Strategic and Operational risks, refer to [Risk category descriptions](https://ppr.qed.qld.gov.au/attachment/information-sheet-1-risk-category-descriptions.docx).

For further information on escalating risks assessed above the department’s appetite, please refer to the [Enterprise risk management policy](https://ppr.qed.qld.gov.au/pp/enterprise-risk-management-policy).

1. Consider the risk appetite

The department’s [risk appetite statement](https://ppr.qed.qld.gov.au/attachment/risk-appetite-statement-and-categories.pdf) outlines the level of risk or opportunity the department is willing to accept in delivering the department’s objectives.

**Risk appetite scale**

The department is willing to accept a higher level of risk when pursuing innovation and opportunities that further its strategic objectives.

* Seek to avoid and limit exposure to risks where they impact on the areas of lowest appetite
* Prepared to pursue innovative options in a measured and considered way, where risks are fully understood and accepted
* Seek to engage with risk and innovation in the pursuit of potential benefits, where risks are fully understood and accepted
* Align to strategic objective
* Prefer safer options so as to limit the department to adverse risk exposure

1. Writing a risk description

A good risk description will:

* be clear and written in plain English (no acronyms)
* define the risk story in a way that is easy for anyone in the department to understand
* promote a common understanding of the risk
* explain the main cause(s) and effect(s) of the event
* inform the design of appropriate controls and actions to mitigate the risk.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Ask** | **Example of a poor description** | **Example of a good description** |
| **Risk** | What is the event that could happen? | there is a risk of fraud | there is a risk of fraudulent or dishonest recording of timesheet information |
| **Cause** | What is the trigger or source of the risk? | because of poor controls | caused by weaknesses in controls, management reviews and oversight |
| **Effect** | What is the main consequence of the risk occurring on objectives | leading to reputational loss | resulting in financial and/or reputational loss |

1. The difference between a risk and an issue

A **risk** -is the chance of something happening that will have an impact on the achievement of the department’s objectives.

An **issue** - is an occurrence or change that has happened or is already happening.

Managing risks effectively will help us prevent risks from becoming issues.

Risk management assists the department to be prepared should a risk eventuate and become an issue.

Where an issue has occurred, its cause/s and consequences should be assessed to determine if there is an opportunity to improve the department’s risk identification and response strategies.

1. Managing the current risk level

The following table outlines the actions to appropriately manage, review and report the risk depending on the current risk level.

|  |  |  |  |
| --- | --- | --- | --- |
| **Current**  **risk level** | **Mitigate** | **Review** | **Report** |
| **Extreme** | Immediate commencement of action planning | Monthly review by risk owner until effectively managed, including risk action updates | Risk is escalated for consideration by senior management/board as follows:  -schools to regional level  -regional offices to EMB through the risk report  -central office business areas to division management and EMB  -project teams to project owners |
| **High** | Within one (1) month commence action planning | Monthly review by risk owner until risk is effectively managed, including risk action updates |
| **Medium** | Within three (3) months evaluate effectiveness of controls and actions applied to the risk | Quarterly review by risk owner including risk action update (if applicable) | As required provide risk update to governing body or management team and risk stakeholders |
| **Low** | Maintain effectiveness of current controls and manage by routine procedures | Monitoring and review schedule should be considered based on potential rapid escalation / volatility of the risk | As required provide risk update to governing body or management team and risk stakeholders |

For further information refer to the [Enterprise Risk Management Framework](https://ppr.qed.qld.gov.au/attachment/enterprise-risk-management-framework.pdf) or [Policy and Procedure Register](https://ppr.qed.qld.gov.au/pp/enterprise-risk-management-procedure) or email [enterprise.riskmanagement@qed.qld.gov.au](mailto:enterprise.riskmanagement@qed.qld.gov.au)