

# PROCEDURE

**Title:** Risk Management  
**Category:** Governance

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## Purpose

These procedures have been created to assist employees in gaining a better understanding of the Risk Management processes in use at VenuesWest.

This procedure must be read in conjunction with the Risk Management Policy.

## Background

The Risk Management Policy and these procedures are aligned with VenuesWest's Strategic Plan (2016-2021) and integrated with the overall planning and management functions of VenuesWest.

This is reflected in the development of the Risk Reference Tables used to establish a common language, evaluate the risks and controls and define acceptance and reporting criteria.

Specific risk assessments will be conducted for the following levels at VenuesWest:

1. Strategic Level

These are the risks that concern the whole of VenuesWest and have therefore been delegated to the Risk Management Working Group for assessment. These risks are associated with the long term objectives of the organisation and the means by which those objectives will be achieved. Strategic risk assessment will be integrated with the strategic planning process.

2. Operational Level

These are the risks associated with VenuesWest's normal business operations and will be identified, assessed and managed by the parties responsible for that particular function.

3. Perth Stadium Project

These are risks associated with specific projects or events and need to be identified and managed by the parties responsible for each stage of the project or event to ensure its successful completion.

Due to the high risk and high profile of the Perth Stadium project, Risk Reference tables (Likelihood, Consequence, existing controls and acceptance criteria) have been created specifically for the duration of the project – see Attachments 5 and 6.

All identified risks, their assessment and treatment plans will be recorded in a risk register database (CAMMS) by the relevant director, manager or the project/program/event coordinator. The Risk Safety and Wellbeing Manager will conduct monthly reviews of the risk register, current risk control rating and progress of risk treatment action plans. The review findings will be presented to:

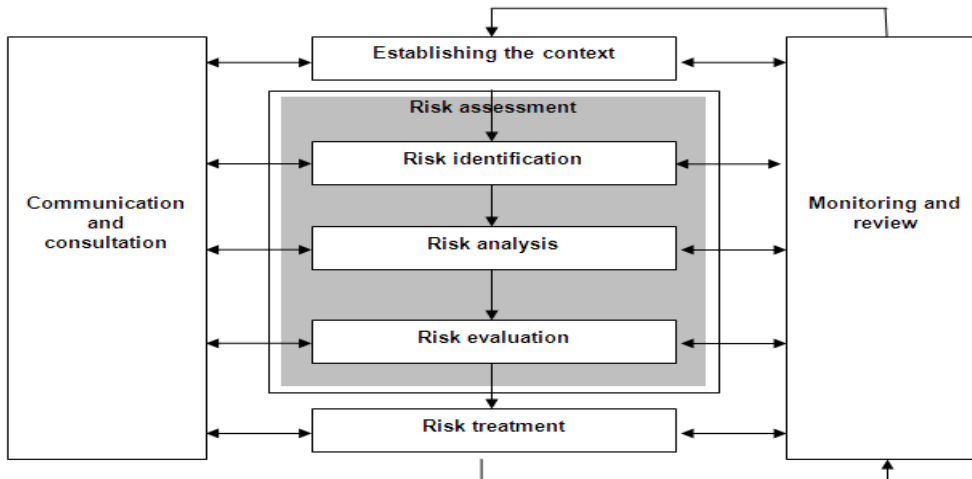
- Risk Management Working Group (RMWG) – quarterly
- Audit, Finance and Governance Committee (AFG) – quarterly
- VenuesWest Board – six monthly

## Process

To be truly effective, risk management should be a proactive process requiring anticipation and minimisation of the likelihood and/or consequence of adverse future events, rather than reacting to events as they occur.

The process of risk management involves the following key steps:

1. Establish the context
2. Risk Assessment – (identification, analysis and evaluation)
3. Risk Treatment
4. Monitoring and reviewing
5. Communication and consultation



### 1. Establish the Context

Establishing the context defines the scope for the risk management process and sets the criteria against which the risks will be assessed.

Risks can arise due to external or internal influences:

- External risks are exposures that result from environmental conditions that the agency commonly cannot influence, such as the regulatory environment and market conditions.
- Internal risks are exposures that derive from decision-making and the use of internal and external resources, including the agencies operations and its objectives.

The following are the key organisational risks to be considered within the context of the internal and external environment:

- Safety of People
- Reputation and Image
- Financial Loss
- Operational Performance
- Interruption to Services
- Stakeholder Impact

## 2. Risk Assessment

### 2.1 Risk Identification

Review the categories above and generate a list of potential risks that may impact delivery of objectives

Describe the risk event in qualitative terms, if it were to occur. It should succinctly describe an outcome such as:

- "Failure to..."
- "Inconsistent..."
- "Loss of..."

The risks are then uploaded into CAMMS.

The risk is allocated to a manager or coordinator who becomes the risk owner.

The risk owner is responsible for assessing and reviewing the risk within the allocated timeframe to determine the level of risk (based on the consequence and likelihood).

### 2.2 Inherent Risk Analysis

Initially risks are assessed on an inherent basis, considering the likelihood and impact of the risk without taking into account the controls in place.

For each risk identified:

- **Assess inherent likelihood** - What is the probability of the risk event occurring if no controls were in place? Determine the likelihood (Li) based on the descriptions in the Likelihood Table (Attachment 2) and take note of the respective Level number.
- **Assess inherent consequence** - What is the extent of the most probable impact of the risk event occurring if no controls were in place?

Determine the consequence (C) based on the descriptions in the Consequence/Impact Table (Attachment 1) and take note of the respective Level number.

Once the likelihood and consequence have been determined, the respective Level numbers are multiplied together to determine the Inherent Risk Rating.

$$\text{Likelihood (Li)} \times \text{Consequence (C)} = \text{Inherent Risk Rating}$$

### 2.3 Identify and evaluate controls

Each risk in CAMMS must have controls in place which can or will be used to mitigate the impact the risk may have on organisational objectives.

A control is any action in place that either reduces the likelihood of an event occurring or reduces the potential consequence arising from the event. For each risk identified, there may be a single or multiple controls in place to address the risk.

For each risk identified:

- **Identify the existing control** - What is the process, policy, device, practice or other action that is used to modify the likelihood or the consequence of the risk event occurring? If there is no existing control, there is a gap.
- **Assess the effectiveness of the control** - What is the overall effectiveness of the control in terms of the strength of its design and its operation – eg: well controlled, adequate or inadequate. Refer to Existing Controls Table – Attachment 3

A risk owner must then determine if the risk is acceptable or otherwise. For a risk to be categorised as acceptable, control ratings must be assessed as 'adequate' or 'well controlled'.

## 2.4 Residual Risk Analysis

A residual risk analysis involves the assessment of risks after existing internal controls are taken into account. Changes from inherent to residual ratings will be dependent on whether controls are designed to address the likelihood of the risk, the consequence of the risk or both.

The Risk Owner must re-assess the likelihood and consequence of the risks (as per the process to determine the Inherent Risk Analysis) based on the effectiveness of the controls in place to determine the Residual Risk rating.

$\text{Likelihood (Li)} \times \text{Consequence (C)} = \text{Residual Risk Rating}$

## 2.5 Risk Acceptance Level

The Residual Risk Rating is the number to be used to determine the level of risk, reporting and responsibility. Refer to the Risk Assessment Criteria (Attachment 4).

## 3. Risk Treatment

Where controls are deemed as inadequate, a Treatment Action Plan (TAP) is to be developed to mitigate the risk and improve the residual risk rating.

A TAP will detail the required tasks, responsible person (owner) and timeframe.

For risks with a residual risk rating of Critical (15) and above, a Treatment Action Plan (TAP) must be completed by the risk owner and will be presented to the RMWG by the Risk, Safety and Wellbeing Manager on a quarterly basis.

For risks with a residual risk rating of Critical (20), the RMWG creates the TAP and presents this to the Board every six months.

When a TAP is no longer required to ensure a risk is adequately managed then the risk may be accepted and/or archived.

## 4. Monitoring and Review

If risk controls are assessed as adequate and no longer determined a risk, the risk can be archived and is no longer active in the CAMMS system.

## 5. Communication and Consultation

Communication and consultation is an ongoing phase and must be maintained throughout the lifecycle of the risk.

# Roles and Responsibilities

### Chief Executive Officer

- Ultimate responsibility for ensuring risks are managed across the organisation

### Directors

- Managing the risks associated with their Directorate ensuring appropriate resources for risk management actions are available and ensuring monitoring, reviews and reporting are undertaken

### Risk Safety and Wellbeing Manager

- Conduct monthly reviews of the risk register, current risk control rating and progress of risk treatment action plans

### Risk Owner

- Assessing and reviewing allocated risks within the agreed timeframes as per the Risk Reference Tables and Risk Assessment Criteria Tables.

## Definitions

CAMMS - VenuesWest's electronic risk register and reporting system.

Control assessment date - The date each risk control must be assessed by i.e. usually within two months of the risk being entered into CAMMS.

Hazard - A source of potential harm or a situation with a potential to cause loss.

Risk - The chance of something happening that will have an impact upon objectives.

Risk acceptance - If the risk and all associated risk controls have been assessed, the risk control rating is adequate and the risk has been reviewed then the risk can be accepted. Once the risk is accepted then the risk only needs to be reviewed on an annual basis and any changes to controls need to be added.

Risk archiving - If a risk has been accepted and is no longer applicable to operational requirements then the risk can be archived. An active risk cannot be archived unless all the criteria listed under risk acceptance have been addressed. Once a risk has been archived it is removed from the total number of active risks in CAMMS.

Risk assessment date - The date all components of the risk must be assessed by i.e. within two months of the risk being entered into CAMMS.

Risk control - a control which is in use or which can be used to mitigate or reduce the impact the risk may have on VenuesWest.

Risk control owner - The person who is responsible for the implementation of the control to mitigate or reduce the impact the risk may have on VenuesWest. The control owner can also be the risk owner; however the risk owner may allocate the risk control to a different VenuesWest employee.

Risk Management - The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. It is designed to protect the agency, the whole of government and the general community from unnecessary costs and losses.

Risk Management Working Group - This refers to the group responsible for the quarterly reviewing of risk at VenuesWest. This group is comprised of the Executive team and the Risk, Safety and Wellbeing Manager.

Risk owner - The VenuesWest employee who has been delegated and accepted the responsibility associated with a particular risk.

Risk reduction - A selective application of appropriate techniques and management principles to reduce either likelihood of an occurrence or its consequences, or both.

Risk review date - The date by which the risk must be reviewed i.e. all risk controls are checked. If a risk is not reviewed by the review date then an escalation email is sent to the risk owner's supervisor. The review date is usually set to send a reminder alert a year after the initial assessment.

Risk treatment - Selection and implementation of appropriate actions and initiatives for dealing with risk.

Risk treatment action plan (TAP) - A TAP is created to address risks with a risk rating of 15 or higher. The RMWG is responsible for ensuring a TAP is developed for all risks with a rating of 15 or higher. The VenuesWest Board must be made aware of and endorse all TAP's for risks with a rating of 20 or higher.

## Privacy

VenuesWest collects information for the purpose of establishing and maintaining employee and personnel records. Personal information will not be passed onto any third party unless prior approval is obtained from the individual or unless legally required to do so. Information is collected in accordance with the principles of the *Freedom of Information Act 1992 (WA)* and the *Privacy Act 1988*.

## Authority

AS/NZS ISO 31000:2009 (Risk Management - Principles and Guidelines)

## Delegations

As per the VenuesWest Delegations Instrument.

## Resolution of Disputes

If an employee believes that an administrative decision made by VenuesWest will adversely affect them and is unfair or unreasonable, they may lodge a grievance under the WA Public Service Commission 'Grievance Resolution Standard' (also refer to HR Policy and Procedure 'Grievance Resolution' for more detailed information).

## Links

*Related Policies (detail any internal related policies)*

Risk Management Policy

*Related Legislation or Standard*

AS/NZS ISO 31000:2009 (Risk Management - Principles and Guidelines)

*Related Government Policy or Guidelines*

Treasurer's Instructions 825

*Rescinded or superseded policies and/or procedures*

CS062POL – Risk Management

## Governance

**Date of approval:** December 2016

**Date of operation:** December 2016

**Date to be reviewed:** December 2018

**Directorate:** Strategy, Marketing and Governance

**Policy Owner:** Strategy, Marketing and Governance

## Approval

Chief Executive Officer



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DAVID ETHERTON

Date: December 2016

## Authorisation

Director



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JANIS CARREN

On signing this procedure, the Delegates confirm:

- Compliance with the delegated level of authority
- Appropriate governance and approval processes have been undertaken and approved
- Publication of the Procedure

Date: December 2016



## Risk Reference Table – Likelihood

### Qualitative measures of likelihood

LEVEL	RANK	DETAILED DESCRIPTION	FREQUENCY	PROBABILITY
1	Rare	The event may occur only in exceptional circumstances	Less than once in 10 years	<5%
2	Unlikely	The event could occur at some time	At least once in 5 - 10 years	5-25%
3	Moderate	The event should occur at some time	At least once in 5 years	25-75%
4	Likely	The event will probably occur in most circumstances	At least once per 1-2 years	75 – 95%
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year	>95%

## Risk Reference Table - Qualitative Measures of Consequence (Excluding Perth Stadium)

LEVEL	RANK	SAFETY OF PEOPLE	REPUTATION AND IMAGE	FINANCIAL LOSS	OPERATIONAL PERFORMANCE	INTERRUPTION TO SERVICES	STAKEHOLDER IMPACT
1	Insignificant	Injury or illness requiring first aid treatment on site	Suggested improvements and unsubstantiated complaints	Revenue/cost impact <\$5,000	Impact absorbed through routine operations	Short term one off loss of low impact services	Insignificant weakening of a single stakeholder relationship and minor impact to staff morale
2	Minor	Injury or illness requiring 1st Aid offsite	Substantiated complaints, lobby group correspondence	Revenue/cost impact \$5,000 - \$50,000	Minor delays in achieving objectives	Short term repeated loss of low impact services	Minor damage to three stakeholder relationships
			Negative single report media article		Majority of objectives remain on track		Temporary change to staff morale, able to be rectified in the short term
3	Moderate	Injury or illness requiring hospitalisation	Complaints and short term drop in patronage.	Revenue/cost impact \$50,000 - \$400,000	Management effort required to re-direct resources to avoid delays in achieving strategic intents	Medium term loss of low impact services	Weakened relationship with a significant number of stakeholders or a key stakeholder
			News reports and parliamentary questions		Administration of the program/ project/ activity could be subject to significant review or change	Short term loss of moderate impact services	Some reduction in staff morale, requiring specific measures to rectify
4	Major	Single deaths	Sustained drop in patronage	Revenue/cost impact \$400,000 - \$2M	Significantly reduced ability to achieve objectives / key deliverables	Long term loss of low impact services	Damage done to the majority of existing stakeholder relationships or a key stakeholder relationship
		Multiple injuries	High profile news reports and political embarrassment		Continued function of the program/ project/ activity would be threatened	Short term loss of high impact services	Significant and widespread staff absences
5	Catastrophic	Multiple deaths	Major political /government repercussions or change	Revenue/cost impact more than \$2M	Failure to achieve one or more key deliverables resulting in major flow on effects for external stakeholders and other public sector agencies	Long term loss of medium impact services.	Total loss of credibility with all stakeholders and loss of key staff
						Medium or long term loss of high impact services	Catastrophic breakdown of a key stakeholder relationship



Existing Controls

LEVEL	DESCRIPTOR	FORESEEABLE	DETAILED DESCRIPTION
WC	Well Controlled	More than what a reasonable person would be expected to do in the circumstances.	Controls fully in place and require only ongoing maintenance and monitoring.
			Protection systems are being continuously renewed and procedures are regularly tested.
A	Adequate	Only what a reasonable person would be expected to do in the circumstances.	A few specific control weaknesses noted however the overall control environment is adequate, appropriate and effective and provides reasonable assurance that the risk is being managed.
			Certain controls may require improvement to ensure that the overall environment will continue to operate effectively.
I	Inadequate	Less than what a reasonable person would be expected to do in the circumstances.	Numerous specific controls weaknesses or gaps were noted.
			Overall control environment is not adequate or effective and fails to provide reasonable assurance that risks are being managed and control objectives are being met.
			The control environment needs improvement

#### Attachment 4

#### Risk Assessment criteria table

CONSEQUENCE		LIKELIHOOD				
		1	2	3	4	5
		Rare	Unlikely	Moderate	Likely	Almost Certain
1	Insignificant	1	2	3	4	5
2	Minor	2	4	6	8	10
3	Moderate	3	6	9	12	15
4	Major	4	8	12	16	20
5	Catastrophic	5	10	15	20	25

#### Risk Acceptance criteria table

LEVEL OF RISK	DESCRIPTOR	INFORMATION
1 - 3	Acceptable	With adequate controls. Annual reporting to AFG Committee. Risk Owner is responsible.
4 - 5	Low	With adequate controls. Annual reporting to AFG Committee. Risk Owner is responsible.
6 - 9	Moderate	With adequate controls. Quarterly reporting to AFG Committee/Director. Risk Manager if not already the Risk Owner is responsible.
10 - 14	Significant	Only acceptable as well controlled. Quarterly reporting to AFG Committee and Executive. RMWG is responsible.
15 - 25	Critical	Only acceptable if well controlled. Immediate Reporting to CEO. Six Monthly reporting to the Board

\* The Board must be advised of the status of any risks rated using a catastrophic consequence rating i.e. 5

## For Perth Stadium Project only

### Risk Reference Table – Likelihood: Assessment Criteria: Acceptance Criteria

#### Qualitative measures of likelihood

1		2		3		4		5	
Rare Probability Less than 1%		Unlikely Probability Less than 10%		Moderate Probability 11% - 50%		Likely Probability 51% - 75%		Almost Certain Probability Greater than 75%	
Frequency	Similarity	Frequency	Similarity	Frequency	Similarity	Frequency	Similarity	Frequency	Similarity
Unlikely in the project term	Event occurs in almost no similar project	Event occurs once during the project	Event occurs in some similar project	Event occurs on an annual basis	Event occurs in half of similar project	Event occurs on a monthly basis	Event occurs in most similar projects	Event occurs on a weekly basis	Event occurs in almost all similar projects

#### Existing controls

LEVEL	DESCRIPTOR	FORESEEABLE
E	Excellent	More than what a reasonable person would be expected to do in the circumstances.
A	Adequate	Only what a reasonable person would be expected to do in the circumstances.
I	Inadequate	Less than what a reasonable person would be expected to do in the circumstances.

#### Risk acceptance criteria

LEVEL OF RISK	CRITERIA FOR MANAGEMENT OF RISK		WHO IS RESPONSIBLE
1 - 3	Low	Acceptable with adequate controls.	Risk Owner
4 - 5	Minor	Acceptable with adequate controls.	Risk Owner
6-12	Moderate	Acceptable with adequate controls.	PCG – SD
13-25	High	Acceptable with excellent controls.	PSSC

\* The Board must be advised of the status of any Perth Stadium risks rated using a catastrophic consequence rating i.e. 5

\*\* The Board must be advised of any Perth Stadium risks rated as High

## Risk Reference Table - Qualitative Measures of Consequence (Perth Stadium Project ONLY)

LEVEL	RANK	SAFETY OF PEOPLE (SP)	COST IMPACT (CI)	STAKEHOLDER IMPACT (SI)	REPUTATION & IMAGE (RI)	PROJECT PERFORMANCE (PP)	SOCIAL/ COMMUNITY ENVIRONMENT (SCE)
1	Insignificant	Injury or illness requiring first aid treatment on site	Revenue/cost impact <b>Less than 1% &lt; \$7m</b>	Insignificant weakening of a single stakeholder relationship and little impact to staff morale	Individual tenant/ contractor / client complaint. Issue rectified at local level	Impact absorbed through routine operations	Low localised event with no broader impacts
2	Minor	Injury or illness requiring first aid	Revenue/cost impact <b>More than 1%, but less than 3% \$7m - \$21m</b>	Damage to 3 stakeholder relationships and temporary change to staff morale, able to be rectified in the short term	Negative media article. Low local exposure. Tenant/ client/ contractor complaint handled at Line Manager level	Minor delays in achieving objectives. Majority of objectives remain on track.	Minor delay impacting on ability to meet social / community expectations
3	Moderate	Injury or illness requiring hospitalisation	Revenue/cost impact <b>More than 3%, but less than 5% \$21m - \$35m</b>	Weakened relationship with a significant number of stakeholders or a key stakeholder, and, some reduction in staff morale, requiring specific measures to rectify	Some negative media coverage or industry criticism. Tenants/ clients/ contractors make formal complaints. General Manager/Director involved.	Management effort required to re-direct resources to avoid delays in achieving strategic intents. Administration of the program/ project/ activity could be subject to significant review or change	Community backlash, Social and community rejection
4	Major	Death or major injury or illness	Revenue/cost impact <b>More than 5%, but less than 10% \$35m - \$70m</b>	Damage done to the majority of existing stakeholder relationships or a key stakeholder relationship and, significant and widespread staff absences	Extensive public criticism. State-wide media exposure. Public embarrassment. Loss of credibility. Director General involvement.	Significantly reduced ability to achieve objectives / key deliverables. Continued function of the program/ project/ activity would be threatened.	Long delays in service delivery leads to State-wide impacts socially, economically and financially. Emerging environment and/or health issues.
5	Catastrophic	Multiple deaths	Revenue/cost impact <b>More than 10% or \$70million</b>	Total loss of credibility with all stakeholders and loss of key staff, or catastrophic breakdown of the relationship with a key stakeholder	Sustained State and National media reporting. Very high multiple impacts across Government. Minister involved. Government censure. Third party actions	Failure to achieve one or more key deliverables resulting in, major flow on effects for external stakeholders and other public sector agencies.	Widespread social problems causing multiple impacts. Serious long term environmental and health issues.