

Growing a quality risk management framework

Tony Madigan
Risk Manager
Metropolitan Fire and Emergency Services Board
456 Albert Street, East Melbourne, Vic 3002
Tel: 03 9665 4229
E-mail: tmadigan@mfb.vic.gov.au

PRESENTER: Tony Madigan

The release of the AS/NZ 4360 Risk Management Standard in 1995 changed the face of risk management across many business sectors in Australia. As the first risk standard not 'industry specific' it received global recognition and prominence.

The Standard took risk management out of the domain of the risk consultant and offered a framework in which organisations could embed risk into day to day business practise.

So what did this mean to Emergency Service Organisations (ESO's)?

At the outset, Emergency Management Australia (EMA) realised the significance of a formal risk framework to ESO's and tailored the process for the Emergency Risk Management industry. These learnings were subsequently incorporated into the course curriculum at their Mt. Macedon training college in Victoria, which for many emergency management practitioners became their first exposure to a formal and systematic approach to managing risk. Other standards followed; from Japan, the United Kingdom and Canada. However 4360 maintained its position as the 'global' standard as evidenced by the fact it formed the foundation for the recently released draft ISO 31000 Risk Management, which will supersede 4360 upon its release in 2008.

Fire Services have traditionally focused their energies on managing risk related to emergency response activities. However, The Standard offered a framework to view risk holistically and in which operational risk was just one type of risk to be managed within a business framework. It was upon this premise that the Melbourne Fire Brigade committed to the development of a formal risk framework in February 2002.

The initial approach was conservative with the focus upon individual business units identifying and recording risks on a simple spreadsheet. Viewed by many as a new approach to an old discipline, many organisations took a similar approach as few mature models existed in the marketplace to provide guidance. However, limitations of data collection and analysis using this methodology soon became apparent, in particular its currency and accuracy when used as an aid to decision making in a rapidly changing risk environment. This led to the realisation that when operating in a 'silo', risk management offered limited value to an organisation.

These problems were common across many business sectors and led to the emergence of risk frameworks designed to integrate with a range of business processes and not sit alongside in isolation. These developments led to the emergence of more complex arrangements and became known as ERM or Enterprise Risk Management.

This shift in the market is evidenced by the changing nature of risk conferences and seminars around Australia; "Enterprise Risk Management", "The Integration of Internal Audit & Risk", "Risk & Compliance" "Business System Integration" are just some examples of the forums where opportunities to share knowledge and experience in this still developing field now exist.

Today's presentation will briefly outline the main elements of the MFB's continuing journey in the development of an Enterprise Wide Risk Management Framework.