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Metropolitan Fire and Emergency Services Board

Melbourne, Victoria

Today's Presentation

- Discuss some of the key issues arising from our journey in the development of a risk framework in the MFB

1995 Onwards.....

- AS/NZ 4360 Risk Management
1995/2001/2004
- ISO 31000 Risk Management 2008







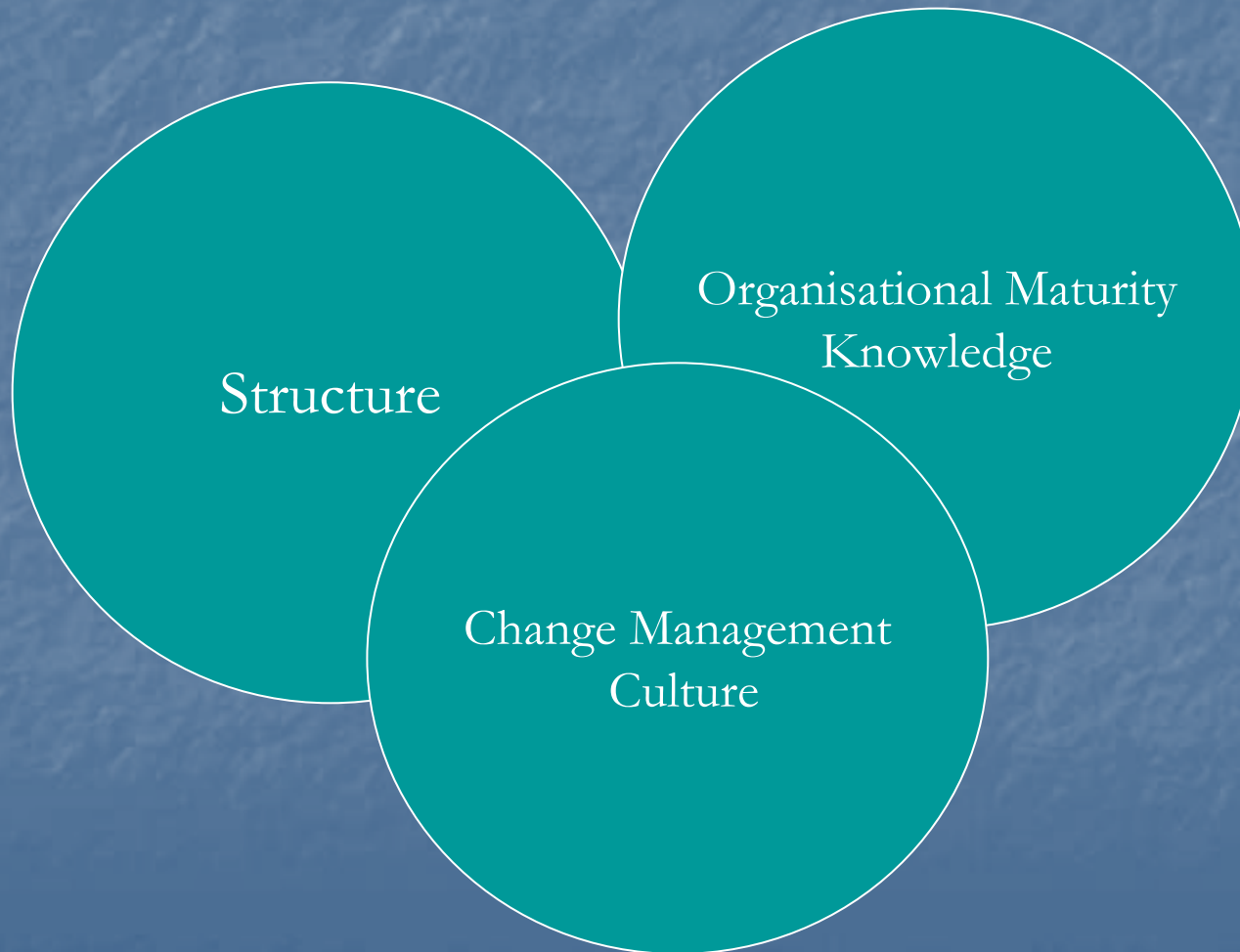




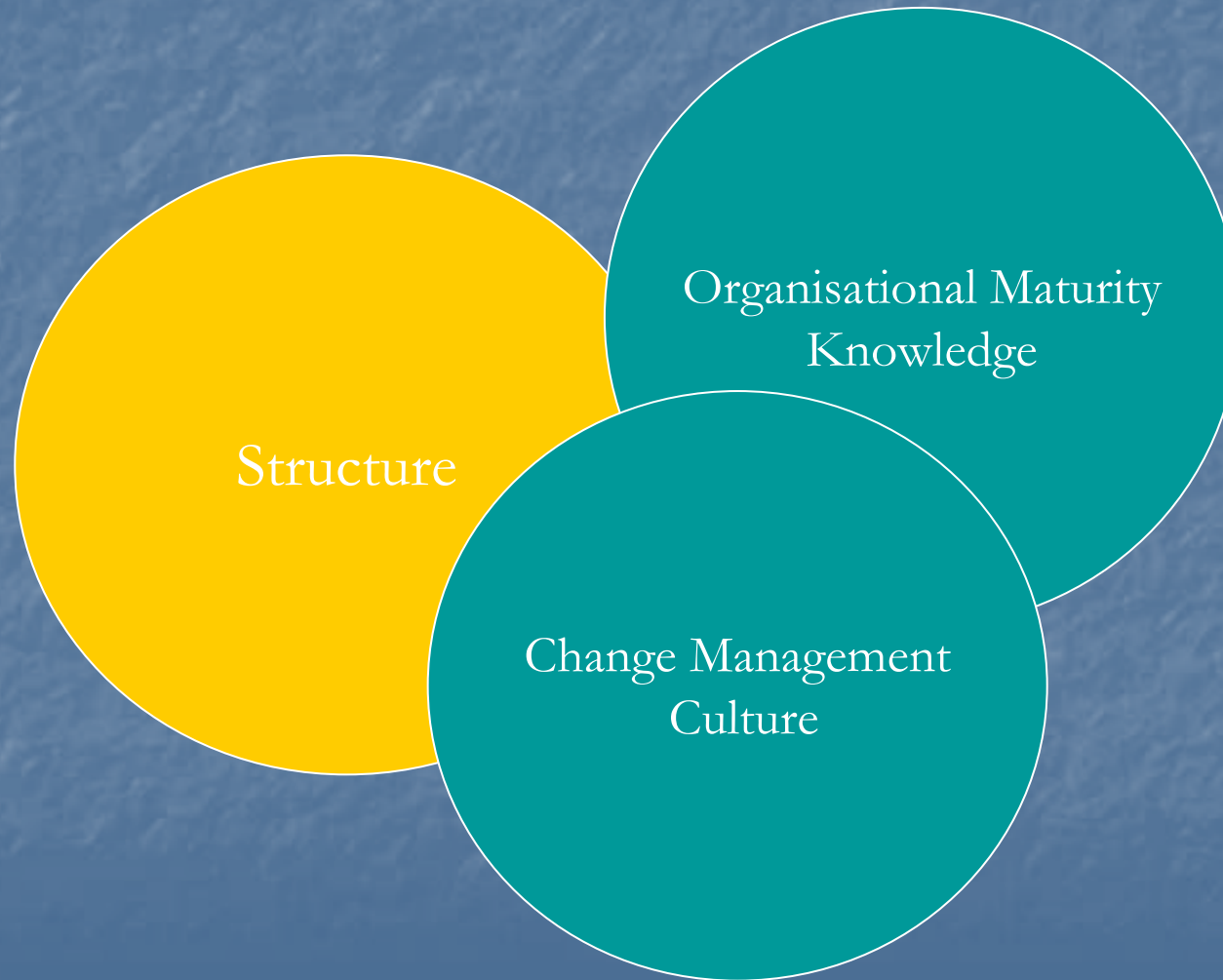




The Risk Environment



Our Risk Environment



Structure

Organisational Maturity
Knowledge

Change Management
Culture

Our changing environment

- Increasing regulatory burden – compliance - litigation
- Increasing complexity of operations e.g. CBR / USAR / joint initiatives / medical response
- Shift of ownership of ‘lifelines’/essential services from public to private sector, other outsourcing/privatisation
- Cultural diversity and changing population demographics / changing workforce
- External threats e.g. global warming, terrorism
- Others?

Organisational response to managing risk

- OH&S
- Records Management
- Quality Management
- Project Management
- Legal Compliance System
- Financial Management
- Environmental Management
- External Audit
- Internal Audit
- MFB Audit
- Business Planning
- Strategic Planning
- Business Continuity Planning

SILOS

Auditing

Reporting

Scheduling

ID risks

Managing

Audit/Assurance

- External audit program
- Internal audit program
- OH&S audits
- Quality audits
- Environmental audits
- External certification audits
- Engineering audits
- Station audits
- Business continuity plan audits
- Risk audits
- Hazard audits
- Tests, inspections, reviews, surveys.....

Finding the balance

External focus	Accountability to stakeholder Audits, regulators, customer communications	Setting strategic direction Performance targets, plans, objectives, KRA's
Internal focus	Monitoring results Monitoring plans, policies, procedures, strategies, processes	Setting Policy Governance, finance, compliance,
	Past/present focus CONFORMANCE 70%	Future focus PERFORMANCE 30%



Legal
Compliance



Environmental



Business Cont.



OH&S



Records
Management



Quality Mgt



MFB Audit



Financial Mgt

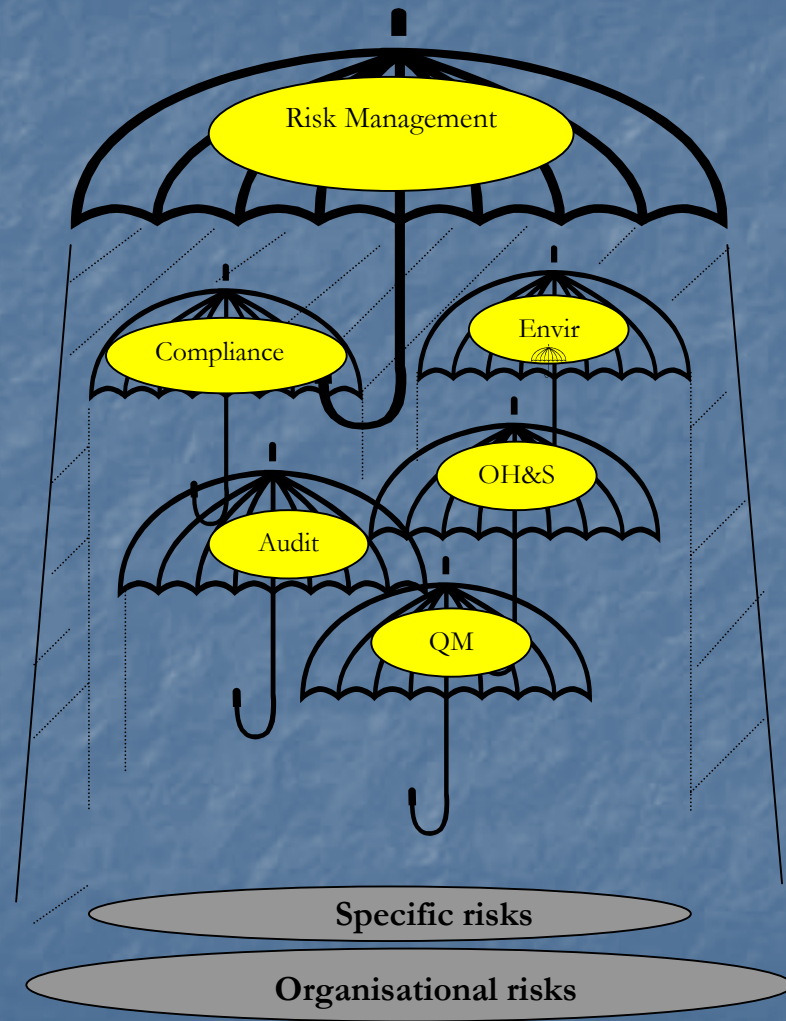


Major projects

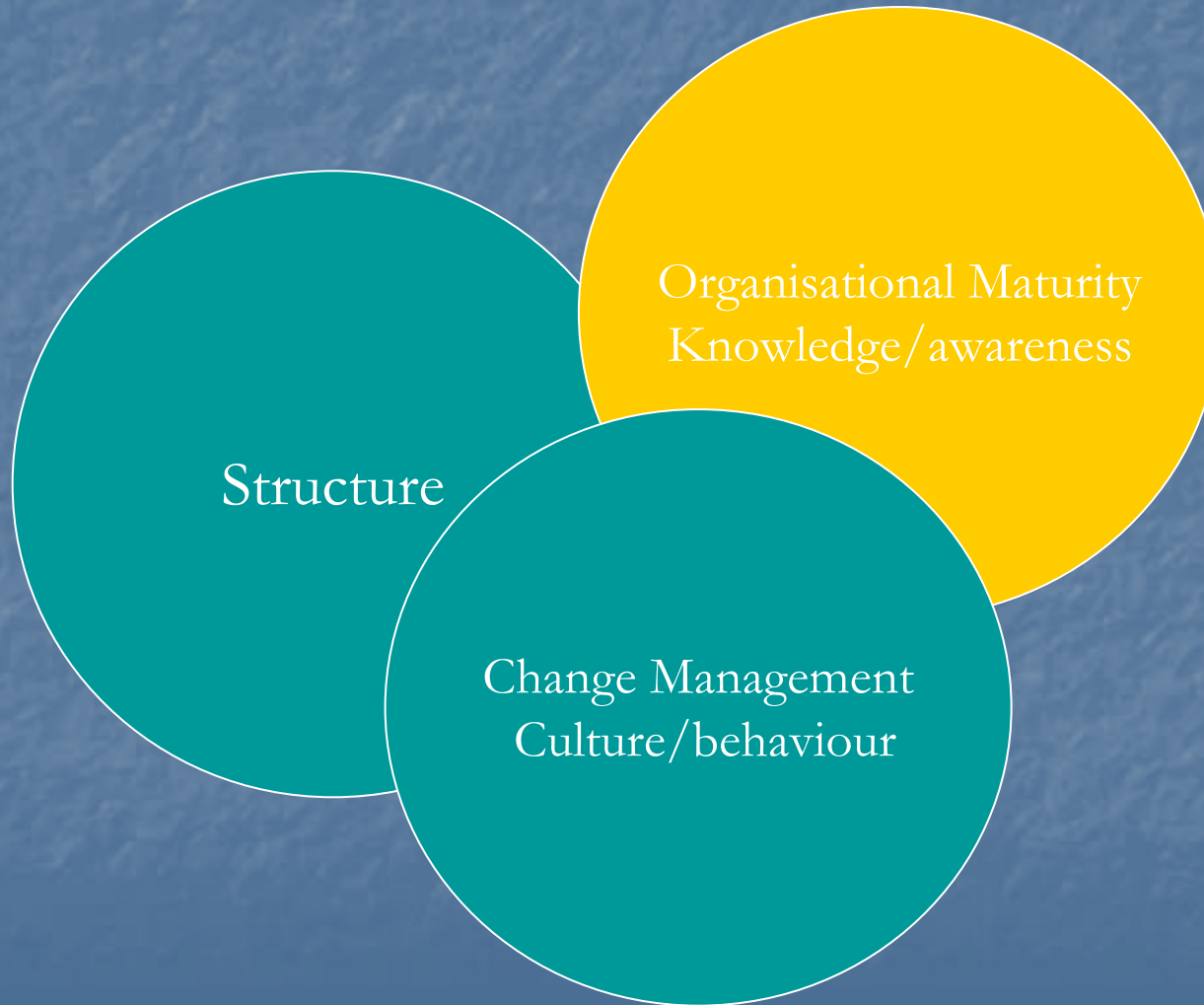


Internal Audit

JAS-ANZ



Developing a Risk Framework

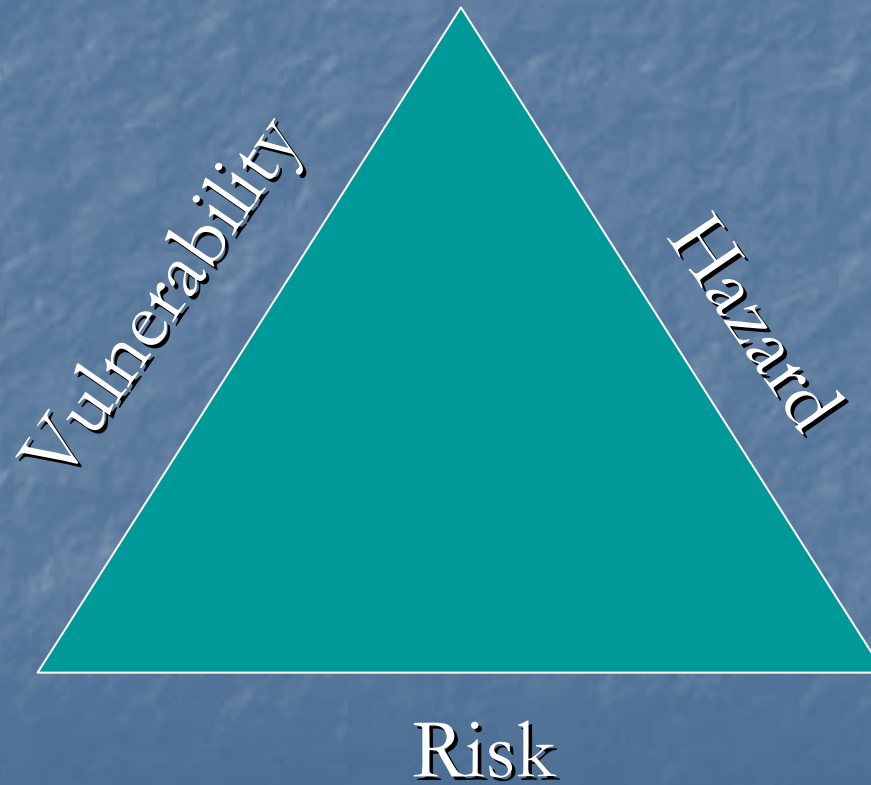


Communication straightjacket

You have all the pieces of the jigsaw,
but no picture on the box

question our understanding of risk

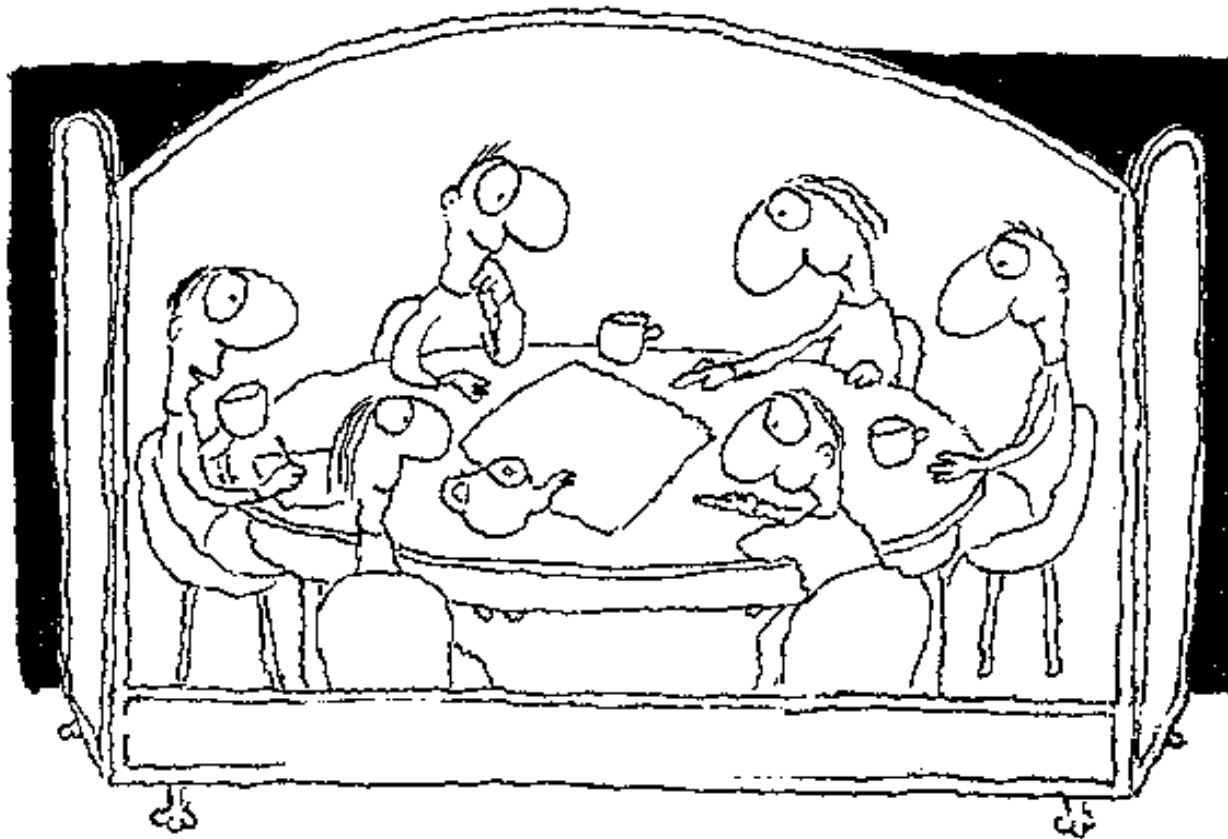
Triangle of Risk



Issues Influencing Risk Perception

- Experience
- Learning
- Beliefs
- Hearsay
- Attitudes
- Private agendas
- Political agendas

Management Teams



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Measuring Risk

Consequence x Likelihood

Show Sidebar

<< Back

Next >>

Consequence Matrix

Areas Of Impact	Significance				
	Catastrophic	Major	Moderate	Minor	Insignificant
Business / Project Output 	<ul style="list-style-type: none"> Unable to deliver emergency response services. Emergency response capacity severely degraded. 	<ul style="list-style-type: none"> Failure to meet major business plan objectives, significant resourcing implications, business continuity compromised. Unable to achieve project outcomes. 	<ul style="list-style-type: none"> Considerable impact on work load, unable to meet some key objectives without extra resourcing. 	<ul style="list-style-type: none"> Impact on work flow, extra demands on staff to meet planned objectives. 	<ul style="list-style-type: none"> Interruption in work schedules, local management control, no impact on achieving objectives.
Personal Injury Staff 	<ul style="list-style-type: none"> Results in death or permanent disability. Worksafe prosecution. Improvement notice with major financial, legal and corporate reputation implications. 	<ul style="list-style-type: none"> Serious injury requiring hospitalisation. In excess of 3 months absence. Worksafe prosecution. Improvement notice with significant financial, legal and corporate reputation implications 	<ul style="list-style-type: none"> Injury requiring up to 3 month absence, or a pattern of minor injuries. Serving of improvement notice by Worksafe. 	<ul style="list-style-type: none"> Minor injury or a recurring isolated injury , requiring under 4 weeks sick leave. Requires investigation of work processes/procedures. 	<ul style="list-style-type: none"> Isolated injury, minor medical expenses, under 1 week sick leave. Local investigation and action.
Staff Welfare 	<ul style="list-style-type: none"> High stress levels resulting in resignation or inability to continue work. Legal action against MFESB with major financial implications legal and corporate reputation implications. 	<ul style="list-style-type: none"> High stress levels, long term sick leave in excess of 3 months. Legal action against MFESB with major financial, legal and corporate reputation implications. 	<ul style="list-style-type: none"> Staff complaints, stress evident. Short to medium term absenteeism (up to 3 months). High priority investigation, reporting and rectification. 	<ul style="list-style-type: none"> Dissatisfaction, concern and discontent evident, requires departmental investigation and intervention. 	<ul style="list-style-type: none"> 'Routine' stress evident, no discernible impact on well being, monitoring at departmental level.
Finance 	<ul style="list-style-type: none"> Potential organisational exposure of \$15 million or greater. 	<ul style="list-style-type: none"> Potential organisational exposure between \$2 million to \$15 million. 	<ul style="list-style-type: none"> Potential organisational exposure between \$500,000 to \$2 million. 	<ul style="list-style-type: none"> Potential organisational exposure between \$10,000 to \$500,000. 	<ul style="list-style-type: none"> Potential organisational exposure less than \$10,000.
Legal 	<ul style="list-style-type: none"> Major compliance breaches with significant financial, operational or reputational impact. Political fallout for Minister and Government. Litigation including class action. Minister instigates investigation into internal controls. 	<ul style="list-style-type: none"> Compliance breach with financial, operational of compliance / regulations, leading to litigation. Board requires external investigation into internal controls. 	<ul style="list-style-type: none"> Compliance breach. Formal internal inquiry - EMT review. Potential for litigation. 	<ul style="list-style-type: none"> Low level compliance breach, no external impact, however potential for greater impact event if not treated. 	<ul style="list-style-type: none"> No discernable impact. Opportunity for improvement. Need to raise awareness to prevent future occurrence, managed locally.
Community Safety 	<ul style="list-style-type: none"> Inability of the MFB to meet calls for assistance from the community. 	<ul style="list-style-type: none"> 60+% of emergency response capacity off line without a contingency plan in operation. 	<ul style="list-style-type: none"> 40% of emergency response capacity off line without a contingency plan in operation. 	<ul style="list-style-type: none"> MFB's contribution to the regulatory process ceases. MFB community safety programs suspended or withdrawn. 	<ul style="list-style-type: none"> Temporary cessation of MFB involvement in the regulatory process and the delivery of community safety programs.
Corporate Reputation 	<ul style="list-style-type: none"> Widespread loss of community confidence in MFB. Minister instigates public enquiry. Questions in parliament. 	<ul style="list-style-type: none"> Calls for public inquiry. Formal internal inquiry. Anticipate questions in parliament. 	<ul style="list-style-type: none"> Negative media stories generating bad publicity. Ministerial questions. 	<ul style="list-style-type: none"> Negative media story running for a few days. Readily neutralised by MFB media responses. 	<ul style="list-style-type: none"> One off story, easily neutralised by MFB media response.
Stakeholder Confidence 	<ul style="list-style-type: none"> Resulting in loss of support or funding, compromising high profile activities. Govt discharges CEO/Board. 	<ul style="list-style-type: none"> Stakeholder relationship severely damaged. Govt initiates independent review of activity / 	<ul style="list-style-type: none"> Breach of stakeholder confidence. Ministerial questions. Formal internal 	<ul style="list-style-type: none"> Observable lack of confidence and support. Local management review of activity / event. 	<ul style="list-style-type: none"> Minimal impact on relationship.

Consequence Categories

Consequence	Operations	Corp. Management	OH&S	Financial	Legal/Regulatory	Property/Liability	Image
Extreme	Total system dysfunction. Total shutdown of operations	General Manager's/ Regional Manager's and/ or CEO's resignation/ removal	Fatality (not natural causes)	>50% of budget and/or >\$500,000	Shut down of operations	>\$10M	Core Business Functions Halted for >4 Weeks
Major	All operational areas of a location or region compromised. Other locations/ regions may be affected	CEO and Board dissatisfaction. Legal action	Lost time/ injury resulting in hospitalisation	30% <50% of budget and/or \$500,000 limit	Imprisonment of staff	\$1M-\$10M	Core Business Functions Halted for >1 week
Moderate	Disruption to a number of operational areas within a location or region & possible flow to other locations/ regions	D-G's dissatisfaction. Likelihood of legal action	Lost time injury- no hospitalisation	15% <30% of budget and/or \$100,000 limit	Fine \$100K-\$1M	\$100K-\$1M	Core Functions Halted for > 1 day or Multiple Non-Core Functions Halted for > 4 Weeks
Minor	Some disruption manageable by altered operational routine	Staff and management dissatisfaction- broader basis	Medical treatment injury	<15% of budget and/or \$50,000 limit	Fine \$10K- \$100K	\$10K-\$100K	Multiple Non-Core Functions Halted for More than 1 Week
Insignificant	No interruption to service	Staff and management dissatisfaction- localised	Minor injury- no medical treatment other than first aid required	<5% of budget and/or \$10,000 limit	Fine <\$10K	<\$10K	Non-Core Functions Halted for 1 Week

Likelihood Matrix

Likelihood	Description
<input type="radio"/> Almost certain	The event is expected to occur in most circumstances (daily/weekly). High level of known incidents based on records/experiences. Strong chance of re-occurrence.
<input type="radio"/> Likely	The event will probably occur in most circumstances (monthly) Regular incidents known based on recorded experience.
<input type="radio"/> Possible	The event could occur at some time (annually). Infrequent occurrence is possible based on records or experience.
<input type="radio"/> Unlikely	The event could occur at some time (2-5 years). Some records of known incidents or experiences exist.
<input type="radio"/> Rare	Very remote chance the event may occur within a lifetime. Not impossible but unlikely to occur (may occur in exceptional circumstances). Records may exist.

<< Back

Next >>

Likelihood

- Likelihood = evidence

What is our track record regards previous similar events? Where is the evidence?

What are we currently doing to control the risk, and how effective are those controls?

Measuring Control Effectiveness

Design Effectiveness

Design Indicators

- Designed to control risk factors
- Cost vs benefit
- Approved at appropriate level

Implementation Effectiveness

Operational Effectiveness

- Control review (audit)
- Control assigned and recorded
- Operating as anticipated

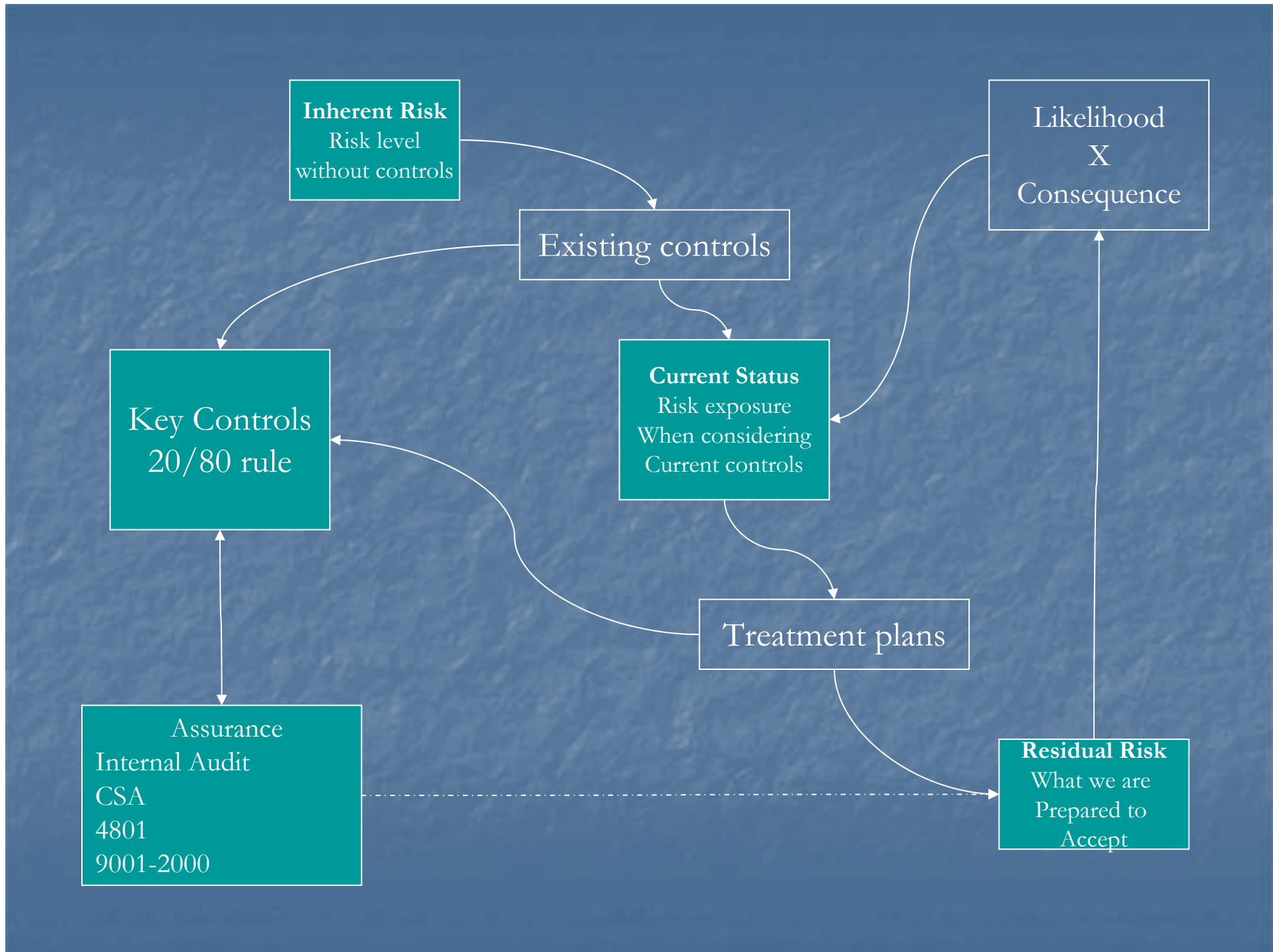
Highly Effective — Control is well designed and assessed to be working ...

Effective — Minor improvements will develop H/Effective control

Moderately Effective - The control mitigates some key risk factors

Marginally Effective - The control mitigates few risk factors

Ineffective — Management has no confidence in the control, due to



Monitor & Report

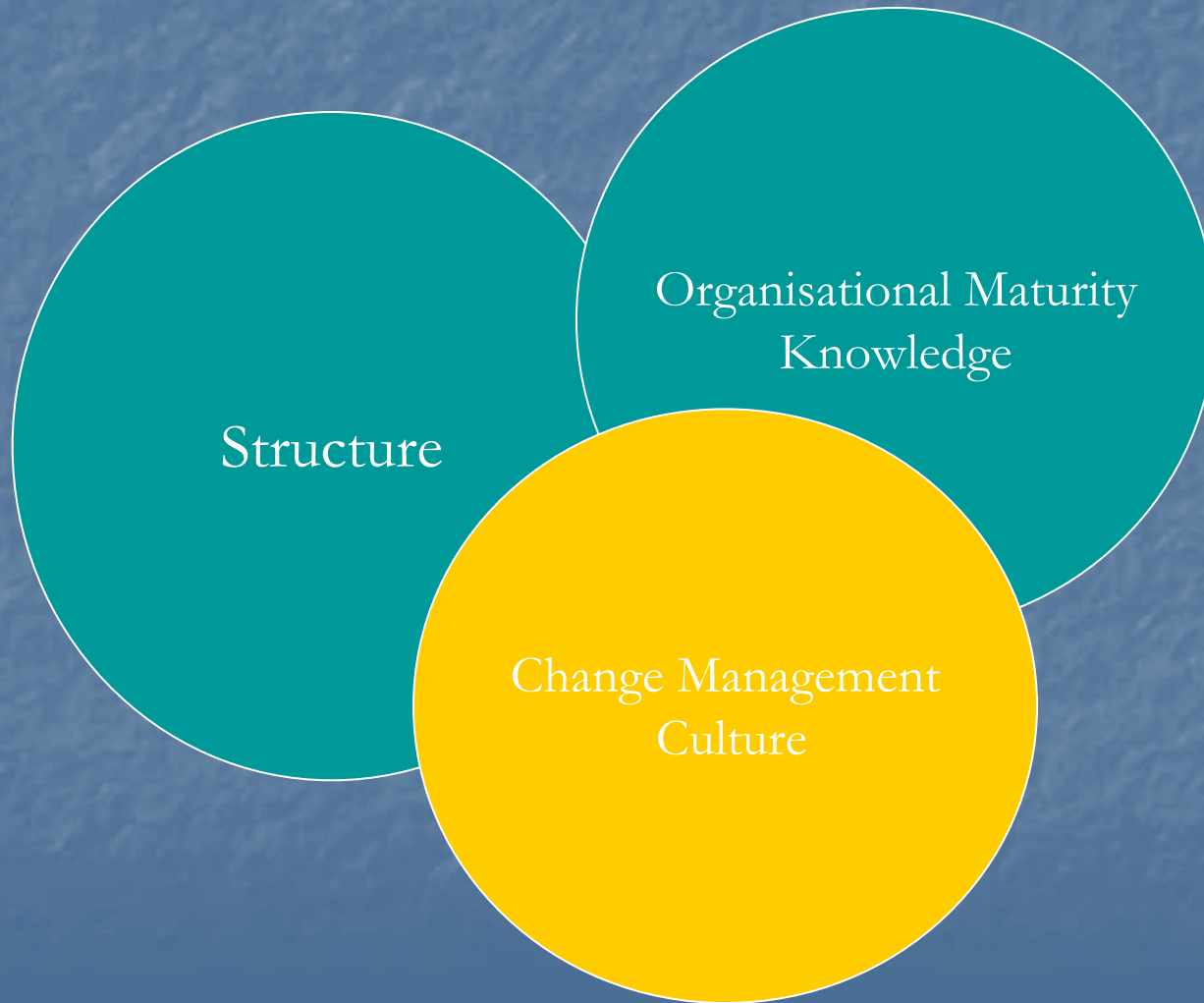
■ Monitor

- Who will monitor?
- Who will monitor the monitors?
- How often should we monitor?
- How do we monitor?

■ Report

- How regularly?
- To whom?

Developing a Risk Framework



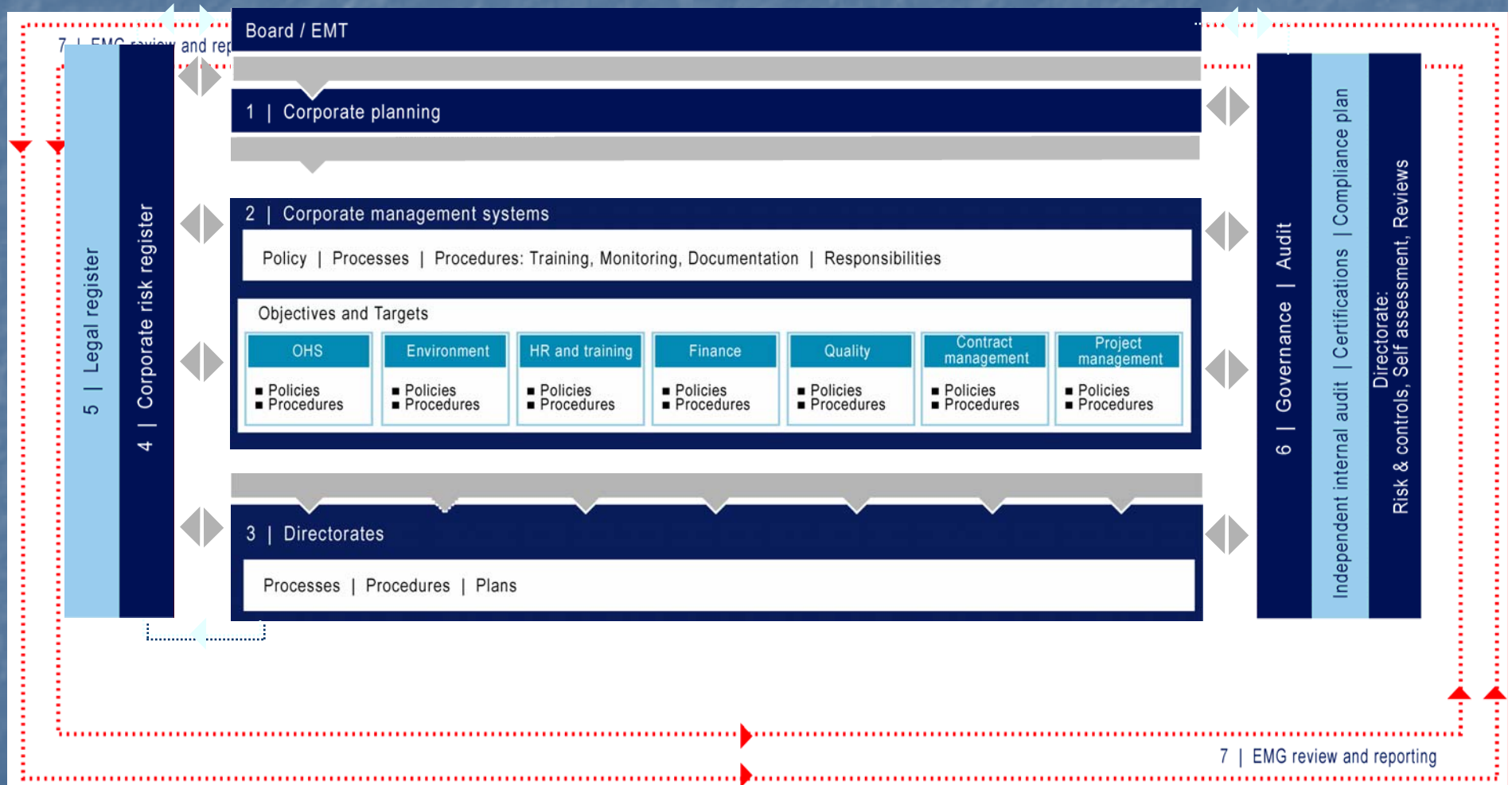
Change Management – embed in management practise

- Provide internal consultancy service
 - Daily review of new entries on register
 - Assistance in articulating root cause
 - Timely reminders
 - Advise on controls effectiveness
 - ID key controls for audit programs

SUMMARY

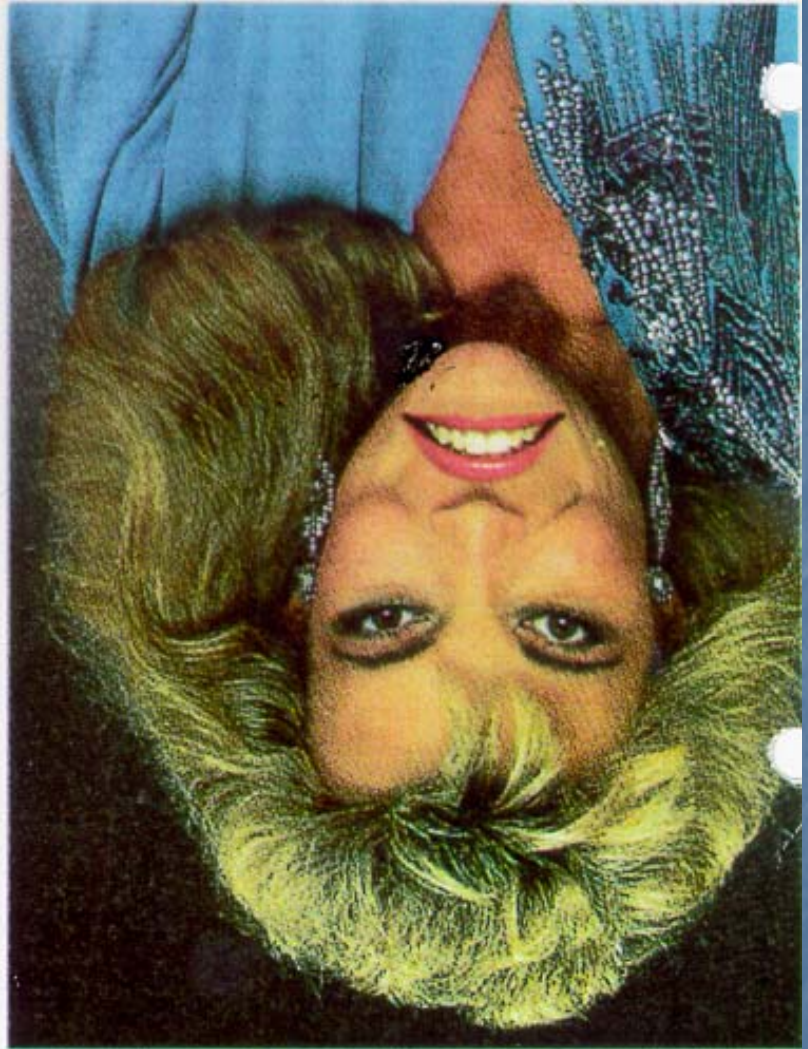
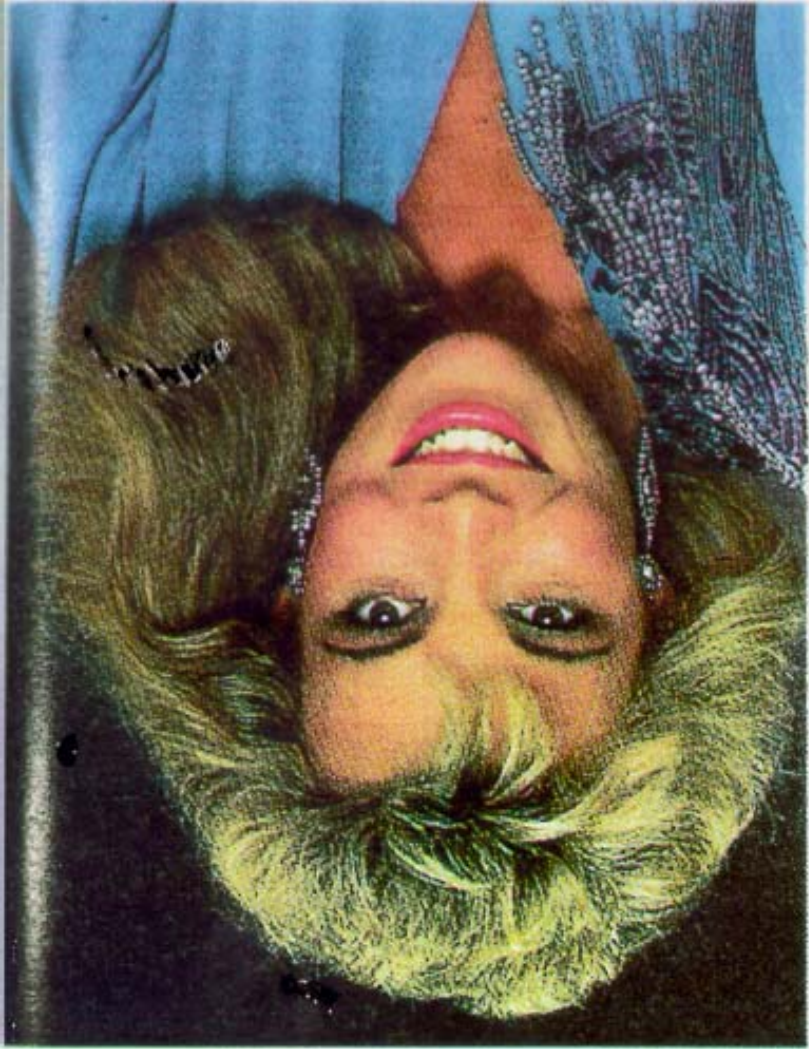
Future Vision: Integrated Business Management System

Graphical Representation





ALL IS VANITY





Things are always going wrong in organisations, information fails to get to people who need it; erroneous or counterproductive beliefs undermine good decision making; things fail to happen because no-one actually has responsibility to make them happen. People follow their own agendas at the expense of the organisations goals. This is all routine, and normally the consequences are not too serious. The organisation may not be as efficient as possible, and the product or service might be less than optimal. But errors, if they are serious enough, will be corrected and no great harm done.

Thus, organisations lumber on, and the ways in which they are failing remain unexposed.

.....when an issue of significance occurs in your organisation you will be placed under the spotlight. External authorities will conduct detailed enquiries. In the process, the workings of your organisation will be laid bare and its failings, normally hidden from view, will be open to scrutiny

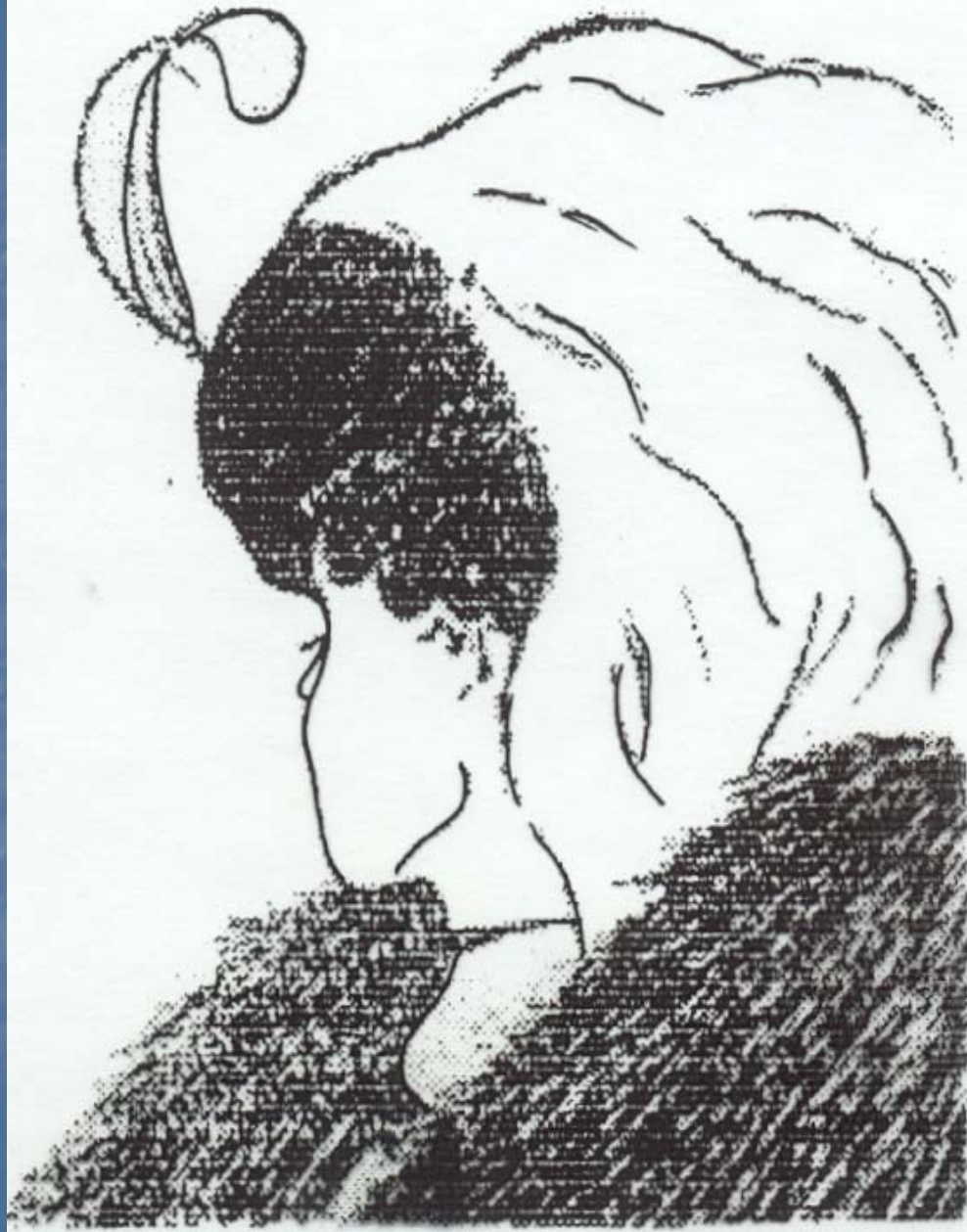
It is not the strongest of the species that survives, but the smartest

■ Charles Darwin

Summary

- Simple theory – complex framework
- Few working models
- Competing demands
- No burning platform
- Risk empires





Definitions

- ***Hazard*** is a source of a risk, in many instances it is the physical entity (source of risk)
- ***Risk*** is the chance of something happening that will have an impact on objectives (risk is a concept)
- ***Vulnerability*** is the degree of susceptibility and resilience to a hazard

Count every " F" in the following text:

FINISHED FILES ARE THE RE
SULT OF YEARS OF SCIENTI
FIC STUDY COMBINED WITH
THE EXPERIENCE OF YEARS...

Interpretation of data

1000

40

1000

30

1000

20

1000

10

5000

4100

Interpretation of data

1000

40

1000

30

1000

20

1000

10

5000

4100 ✓

Influences on perception and behaviour

Rate your estimation of the personal risk associated with the following Risks

- Driving motor vehicles
- Air travel
- Nuclear waste
- Alcohol (personal consumption)
- Alcohol
- Smoking
- Passive Smoking

Risk Perception

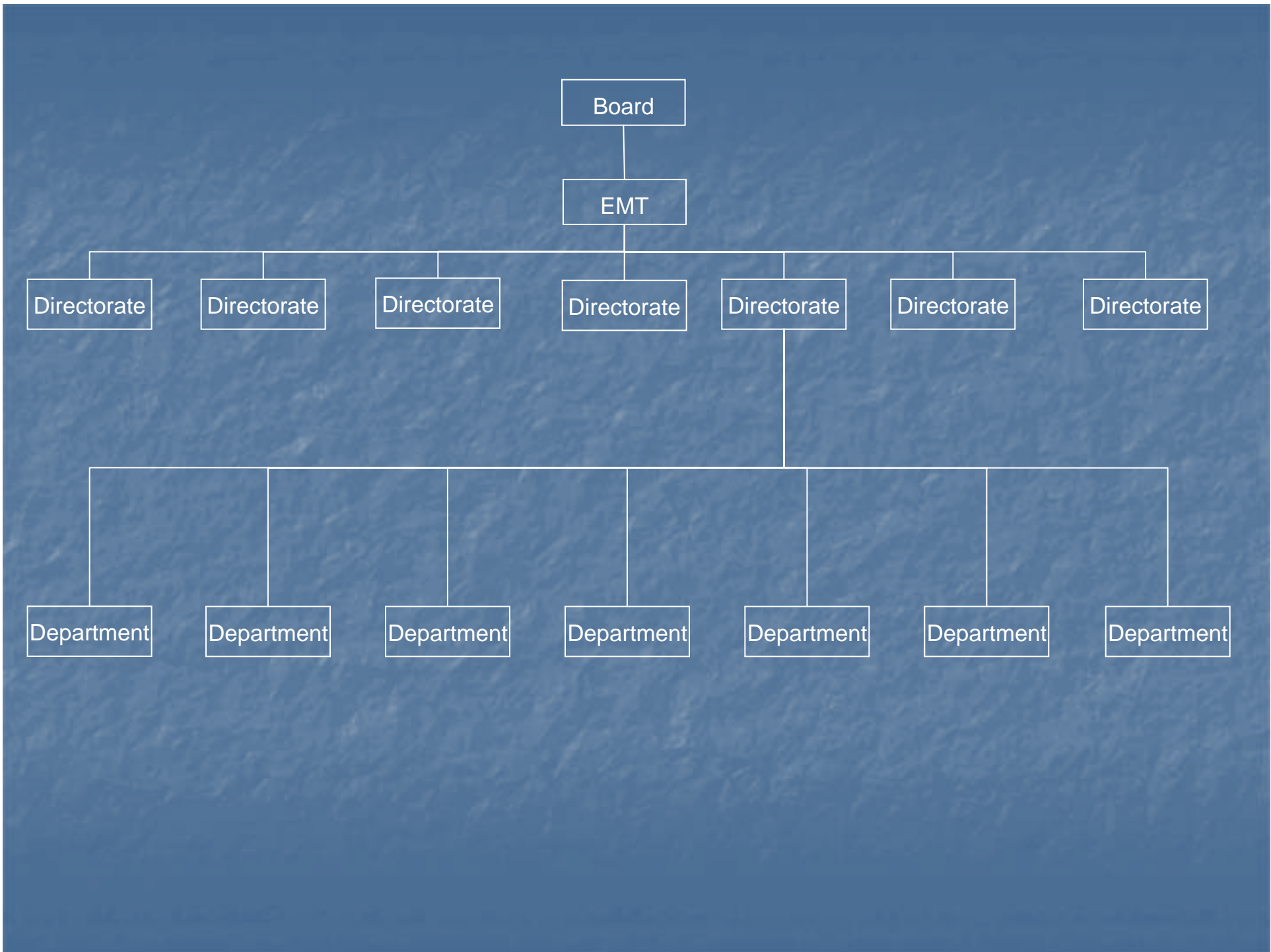
- Perception is central to how we manage risk
- Often we have to manage perceived risk not actual risk – that is acceptable
- Our risk values are based upon deeply ingrained views, they may not be accurate
- Remember no-one has the monopoly on identifying risk, listen to all opinions
- Influential persons without (or with) an understanding of risk perception can unintentionally (or intentionally) seriously undermine the risk process

Areas where Assurance may be compromised

- Conflicting priorities
- Lack of transparency
- Duplication
- Blurred reporting lines
- Clouded responsibilities
- Priority resourcing difficult to establish
- Trends and influences not identified
- Risks not measured effectively or prioritised

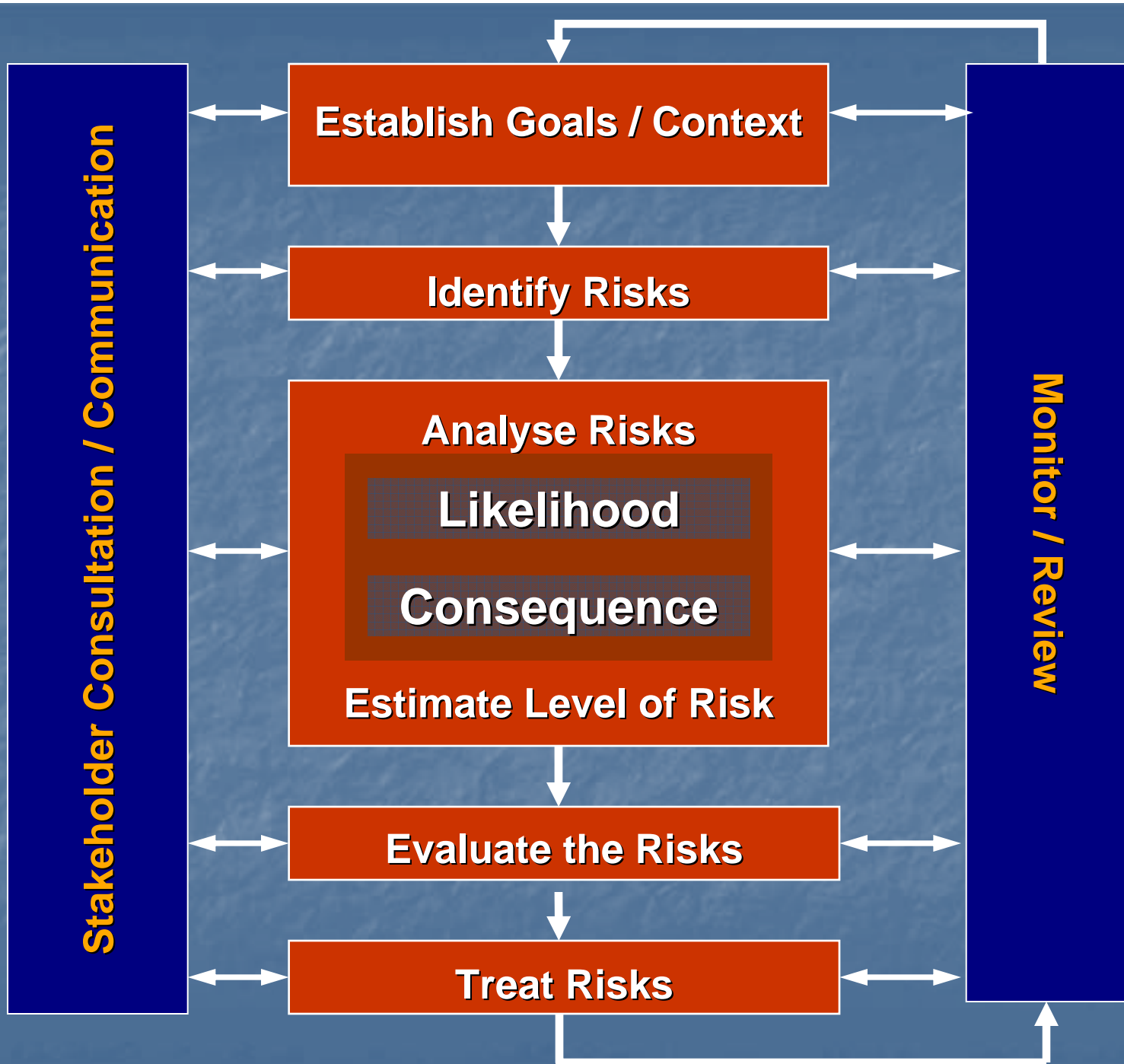
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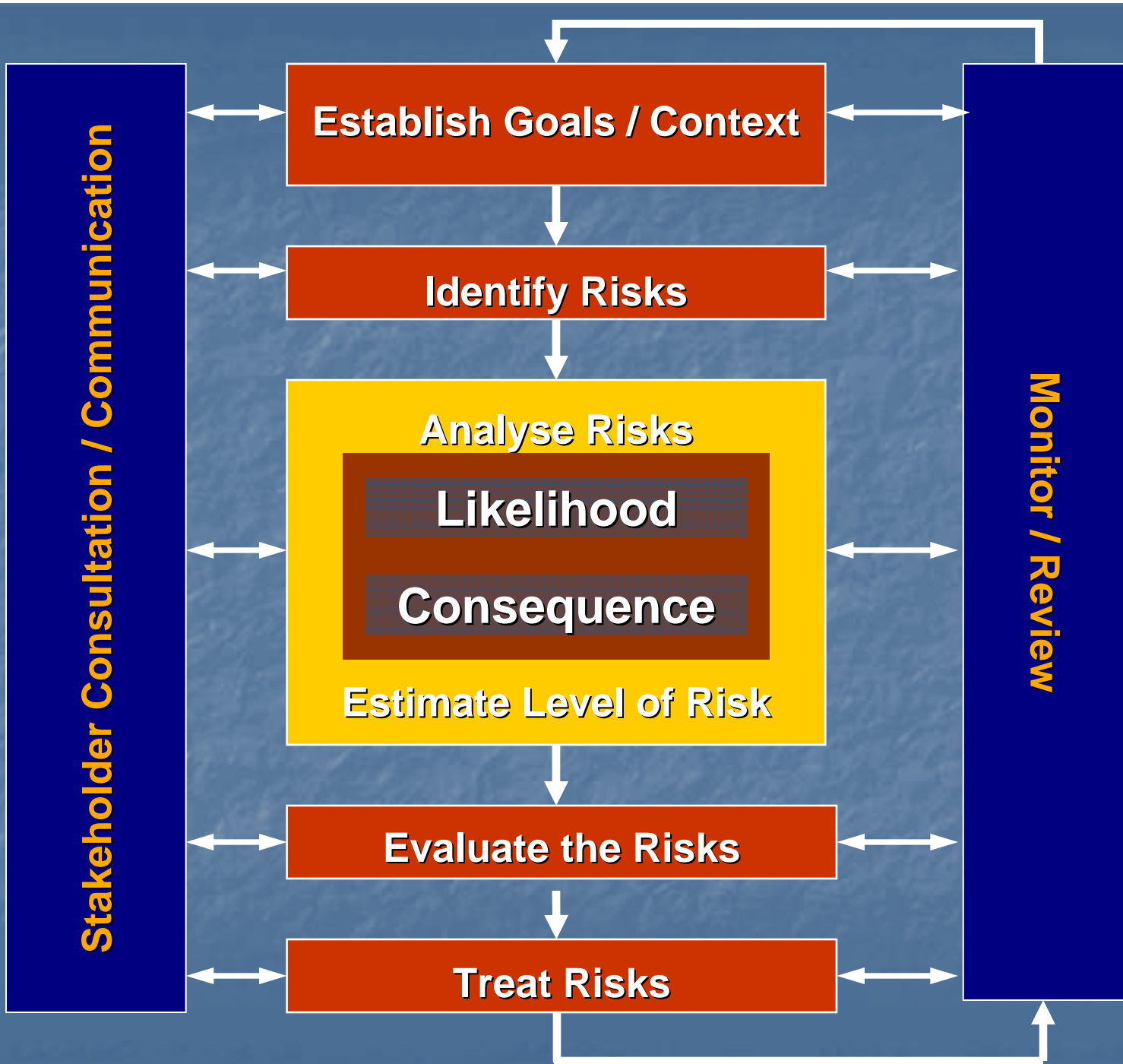
We are cnodtioined to prcoseces ifnortamtioin in pralcilaur wyas. We are so good at tihs, taht inorfmatoin prseneted wtih olny the frsit and lsat lertets in the crorcet pisotoin we can eisaly raed. Hewoevr, tihs can aslo wrok in resvere and imegas prenesetd in ufnimalair wyas can be mis-itnerpeetd.



Reporting

- Short term
- Long term
- Future





Stakeholder Consultation / Communication

Establish Goals / Context

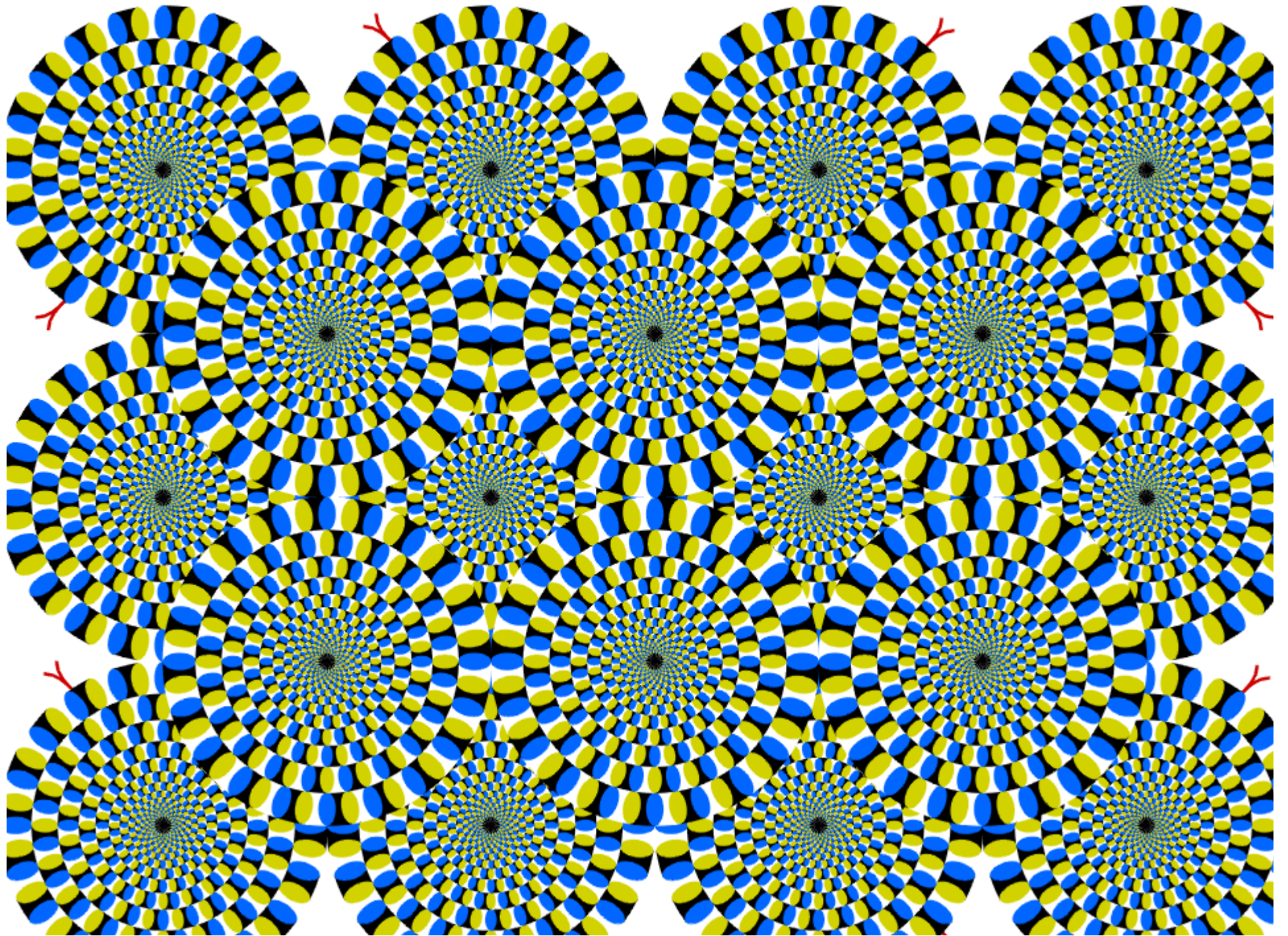
Identify Risks

Analyse Risks
Likelihood
Consequence
Estimate Level of Risk

Evaluate the Risks

Treat Risks

Monitor / Review



AFAC
Avian Flu Watchdog
Committee

YELLOW BLUE ORANGE

BLACK RED GREEN

PURPLE YELLOW RED

ORANGE GREEN BLACK

BLUE RED PURPLE

GREEN ORANGE

- Latest development

