



Australian Government

Department of the Prime Minister and Cabinet

Cabinet Implementation Unit Toolkit

4

Risk



Be aware of risks and act early to minimise disruption

- A positive risk culture is essential. The aim is not to eliminate risk, but rather to have active, ongoing and responsive risk management.
- Don't allow risk management to fall off the agenda due to time constraints or political demands.
- Risk management plans should be living documents, and regularly reviewed to reflect current and emerging risks as circumstances change.
- Plan for success by developing the risk management strategy in collaboration with stakeholders and establishing joint ownership of risks.

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The Cabinet Implementation Unit within the Department of the Prime Minister and Cabinet provides whole-of-government advice on implementation and delivery, with a focus on capability building, implementation assessments and progress reporting.

Elements of effective risk management

Risk management is a coordinated set of activities to direct and control an organisation or group with regard to risk.

These are the key elements of effective risk management:

- **Develop the risk management plan in collaboration with stakeholders (policy and operational):** Involve people with expertise, competency and different skills or backgrounds to ensure that the best available advice informs the risk management plan. Implementation agencies are often better placed than policy agencies to identify implementation risks, suggest treatment strategies, and advise on risk tolerances.
- **Establish clear ownership of risks:** Implementation planning should outline who is responsible for treating or escalating risks, in line with the governance structure. Categorising risks as strategic, operational or compliance may help determine who in the governance structure will have responsibility.
- **Identify risks early:** Addressing risk requires early identification and a clear escalation pathway to the appropriate decision maker. This pathway needs to be established, agreed and, importantly, tested through risk examples to make sure it is effective.
- **Consider both operational and strategic risks:** Risk planning, mitigation and management must be balanced across risks at both the operational and strategic levels. Skilful risk management is required to meet the urgent needs of operational risks versus the longer-term risks to policy outcomes. The best way to manage whole-of-package strategic risks is to have everyone involved with implementation jointly identify risks to the initiative.

Definitions

Risk: the effect of uncertainty on objectives.

Issue: a risk that has eventuated.

Risk treatment: a process to modify risk.

Risk management: a coordinated set of activities to direct and control an organisation or group with regard to risk.

Risk escalation: the process of raising risk attention to higher forums/decision-makers.

Hurdles to effective risk management

Planning for success includes being aware of the hurdles to effective risk management and taking action to avoid or mitigate them. Some of the common hurdles to effective risk management include:

Stifling innovation by failing to engage with risk

Innovation is critical to new policy implementation, but trying something new always involves taking risks. Successful risk management is not about avoiding risks; it involves identifying, assessing and determining appropriate strategies to manage them. Trials (or pilots) and phased implementation provide opportunities to re-evaluate and reduce risk, and to test and refine management and mitigation strategies.

Over-optimism and failure to see emerging risks

Risk assessments must not present government and participants with an over-optimistic view. Rather, a good risk plan will take a hard-nosed view and give the full picture.

Having a positive risk culture is important. Leaders should ensure that agency culture encourages escalation of risks and that appropriate assistance and support is provided to bring the initiative back on track.

Failure to anticipate and manage transmitted risk

Some policy changes rely on new or existing non-government providers to deliver services. While this practice is a form of risk sharing, the extent to which risk is distributed can depend on the reliability and clarity of the sharing arrangements. Collaborative development of risk plans is one way to mitigate this problem. However, Australian Government agencies cannot transfer all risks as they have ultimate responsibility for delivering or maintaining service delivery and for implementing contingency plans if risks materialise.

Inadequate skills or capability to manage risk

Risk management must be undertaken by skilled and senior personnel. If expertise in the implementation of risk management is inadequate, consider bringing in capable risk managers or sharing the risk (but not the accountability) with outside parties. However risks are managed, the responsibility for them must be formally agreed and acknowledged.

Focusing on operational risks at the expense of strategic risks

In pressure situations there is a tendency to manage only operational risks, and not strategic risks. This can lead to a situation where the 'operation was a success but the patient died'. That is, all procedures for managing risks were followed but the intended outcome was not achieved. Operational risks are important: a poorly implemented policy that does not fully consider and track operational implementation risks may result in failure to achieve the end goal. However, risk managers must understand the risk profile and dependencies of risks across the whole initiative—strategic risks—to ensure its success.

Deprioritising risk management due to time constraints or political demands

Engaging with risk management frameworks can fall off the agenda when pressure arises to implement an initiative quickly. Leaders should play an active role in using risk management as a tool for effective delivery. It may also be necessary to brief the chief executive, for possible ministerial attention, on significant risks to implementation, including appropriate treatments.

Focusing mainly on risks of not implementing the initiative rather than implementation risks

Decision-makers need to understand the risks of *not* implementing an initiative before a decision has been made. Then, however, the emphasis should shift to the risks of implementing the initiative.

Strategies for success

Effectively managing the risks associated with your project will ensure its success. Some of the common strategies that will ensure effective risk management are:

Start early, and integrate structured risk management methods into your planning

Identification, assessment and, ideally, treatment of risks should occur as early as possible during the policy development process.

Most agencies have enterprise risk management frameworks based on the best practice guidelines in AS/NZS ISO 31000:2009. The risk management process and risk register are essential elements in the implementation of a risk management strategy. Setting the context for each risk and the overall risk profile, describing the evidence base (for identification, analysis and evaluation of risk) and describing risk treatments are all important.

The commitment or announcement stage is often the point at which risk to government crystallises. This may require policy developers to advise governments about difficulties in the delivery of a proposed initiative in terms of consultation, planning or negotiation.

Use jointly developed risk plans for initiatives involving partnership arrangements

Delivery in partnership with other agencies or jurisdictions, or with the private sector, can improve implementation. But it also changes the nature and management of implementation risks. Manage these risks by applying a joint approach to risk management with frequent consultation. The lead agency and key participants need a common view of the vision, the outcomes to be achieved and performance against expectations.

Include a process to manage and review risks on a regular and ongoing basis

Track risks using a risk log on a regular basis and at major milestones. At each review, decide whether to add any new risks, remove old ones, or downgrade or upgrade existing ones. At the same time, review mitigation strategies to see if they are working.

Develop strategies for when and how risks should be escalated

High-level risks should be escalated up the governance structure. For extreme risks it may be necessary to escalate to the Minister. It is also important that lessons learned from previous initiatives or earlier phases of the initiative are taken on board and incorporated into reviews of risks.

Make sure the risk approach is fit for purpose

Choose a risk management approach that is commensurate with levels of risk and can be adapted to changes in the external environment. Additional steps may be required for larger initiatives and a more streamlined approach for lower-risk initiatives. Eliminating risk is not the goal of a risk management strategy. Consider alternative risk treatments, such as avoiding risks, minimising risks, sharing or accepting risks; or changing their likelihood or consequences.

Integrating risk planning

Consider the following questions when developing the risk section of your implementation plan.

Planning

- Does your plan have contingencies included in case risks to timelines or milestones begin to be realised?

Governance

- Does every risk in your risk plan have an owner in the governance structure?
- How quickly can risk responses be escalated through the governance structure?

Engaging stakeholders

- Has communication and consultation occurred with stakeholders to ensure the risk management approach is appropriate?
- Have stakeholders been engaged early enough to identify risks across the life of the initiative?

Monitoring, review and evaluation

- Does your monitoring collect enough information about your risks?
- How will you adjust your risk plan to respond to monitoring and review?

Resource management

- How will changes to resourcing change the risk profile of the initiative?
- Do you need to reserve resources as a risk management strategy?

Management strategy

- Do your project management tools collect the information that you will need to monitor risks?

Resources and further help

ANAO (Australian National Audit Office) 2006, Implementation of Programme and Policy Initiatives—Making Implementation matter,

http://www.anao.gov.au/uploads/documents/Implementation_of_Programme_and_Policy_Initiatives.pdf.

This publication, aimed at public sector chief executives and senior officers responsible for overseeing the implementation, provides guidance on better practice relating to implementation of initiatives. It focuses on overarching principles for effective implementation, including the effective management of risk.

ANAO 2009, Innovation in the Australian Public Sector: Enabling Better Performance, Driving New Directions. Better Practice Guide,

http://www.anao.gov.au/~media/Uploads/Documents/innovation_in%20the_public_sector.pdf.

This publication is designed to encourage and facilitate a culture of innovation in the public sector in Australia by providing a framework for understanding the processes that underpin innovation in the public sector, including managing innovation risks. It provides practical insights and resource for practitioners through literature reviews, case studies and interviews with professionals and public sector leaders.

ANAO 2010a, Risk is all around—ACT Chapter Conference ‘Building on Experience’,

http://www.anao.gov.au/~media/Uploads/Documents/risk_is_all_around.pdf.

This speech by the Auditor-General of Australia focuses on the importance of implementing risk management effectively to avoid the failures arising from poor implementation approaches or from not monitoring the changing environment and responding accordingly.

ANAO 2010b, Planning and Approving Projects—an Executive Perspective Setting the foundation for results, Better Practice Guide,

http://www.anao.gov.au/~media/Uploads/Documents/planning_and_approving_projects_bpg.pdf.

This publication focuses on the key issues that will assist senior executives and project managers in the planning, approval and implementation of projects for successful delivery. Using checklists and examples, it provides insights and better practices relating to implementing well-managed projects.

ANAO 2012, Accountability and Governance in a Joined-up World,

http://www.anao.gov.au/~media/Uploads/Speeches/2011/Accountability_and_Governance_in_a_joinedup_world.pdf.

This speech by the Auditor-General of Australia highlights the role of risk management in ‘joined-up’ government. Effective joined-up government requires a common understanding of risks that need to be monitored and managed which can be achieved through communication and collaboration.

Comcover 2008, Better Practice Guide, Risk Management,

http://www.finance.gov.au/comcover/docs/Better_Practice_Guide.pdf.

This publication provides advice to agencies on the key principles and concepts of risk management, including practical tips to consider when implementing or reviewing agency-wide frameworks for managing risk. It also emphasises the importance of developing the right culture for managing risk.

DoFD (Department of Finance and Deregulation) 2012, Is Less More? Towards Better Commonwealth Performance, Commonwealth Financial Accountability Review,

https://cfar.govspace.gov.au/files/2012/03/CFAR_Discussion_Paper.pdf.

This discussion paper includes an overview of risk management in the context of the proposal for a framework to improve the delivery of Australian Government’s policy and program initiatives.

ISO (International Organization for Standardization) 2009, ISO Guide 73:2009. Risk management – Vocabulary
ISO Guide 73:2009 provides the definitions of generic terms related to risk management to encourage a mutual and consistent understanding of risk management activities and the use of uniform terminology when dealing with risk management processes.

MAC (Management Advisory Committee) 2009, Empowering Change: Fostering innovation in the Australian Public Service,

http://www.innovation.gov.au/Innovation/PublicSectorInnovation/Documents/Empowering_Change.pdf.

This report is part of a broader agenda for rejuvenating the APS. The report highlights that risks should be identified upfront and managed openly, this includes developing an understanding of the level of risk tolerance for an innovative initiative.

Office of Government Commerce—United Kingdom 2004, Managing risks with delivery partners,

<http://www.connectingforhealth.nhs.uk/systemsandservices/icd/informspec/p3m/resource/development/learning/risks/ogcrisk.pdf>.

This guide draws on the experience of the Office of Government Commerce, HM Treasury and the National Audit Office, highlighting key issues to address in managing risks with delivery partners. It also provides links to other guidance on working successfully with partners, both commercial and non-commercial.

Rivkin, S 2011, Linking key risks to requirements to reduce initial design effort,

<http://www.acando.com/Documents/UK/LinkingKeyRisks1111-30-35.pdf>.

This article describes how the close integration of risk management and requirements management can be used to advantage to link risks accurately via requirements to specific elements of design, thereby providing the capability to reduce the overall cost of designs.

SA/SNZ (Standards Australia/Standards New Zealand) 2009, AS/NZS/ISO 31000:2009. Risk management—principles and guidelines, <http://sherq.org/31000.pdf>.

This Standard describes the systematic and logical process of risk management in detail and establishes the principles that are required for effective risk management. It recommends establishment of a framework to integrate risk management into the organization's overall governance, planning and reporting processes, policies, values and culture.

Victorian Government 2009, Investment Lifecycle Guidelines. Project Risk Management Guideline,

<http://www.lifecycleguidance.dtf.vic.gov.au/admin/library/attachments/ILG%20-%20Supplementary%20Guidance%20%232%20-%20Project%20Risk%20Management%20Guideline%20v1-0%20Feb%2009.pdf>.

This project risk management guideline aims to provide those responsible for managing project risks with a common source of risk terminology and definitions. The guideline also identifies issues and processes involved in managing project risks.

Contact us

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