

# Risk Management

Risk management is a systematic process to identify, analyse, assess and treat risks that may impact on an organisation's objectives. For risk management to be effective, departments should integrate and align their departmental objectives, priorities and strategic direction with the principles in the *Australian/New Zealand Standard 31000:2009: Risk management - Principles and guidelines* (the Australian/New Zealand Standard).

Under the [Financial Accountability Act 2009](#) (s61), the ultimate responsibility for establishing and maintaining appropriate systems of internal control and risk management rests with the accountable officer<sup>1</sup>. The Act also requires that each accountable officer "nominate an appropriately qualified employee to assume the responsibilities of the head of internal audit" (s78). The head of internal audit is delegated (among other things) the responsibility for "the provision of assistance in risk management and identifying deficiencies in risk management".

Risk is often specified in terms of an event or circumstance and the consequences that may flow from it. Risk is measured in terms of the consequences of an event and its likelihood or probability.

The concepts contained in this guideline are consistent with the in the:

*Australian/New Zealand Standard 31000:2009: Risk management – Principles and guidelines*

*HB 436:2004 - Risk Management Guidelines Companion to AS/NZS 4360:2004*

*HB437:2010 – Communicating and consulting about risk (a companion to Australian/New Zealand Standard 31000:2009: Risk management – Principles and guidelines and HB 436:2004 - Risk Management Guidelines Companion to AS/NZS 4360:2004)*

[Building Asset Performance Framework](#) (Department of Housing and Public Works)

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<sup>1</sup> As defined in section 65 of the Financial Accountability Act 2009 – "the chief executive officer of a department of government under the *Public Service Act 2008* section 14"

[Capital Works Management Framework](#) (Department of Housing and Public Works)

[Maintenance Management Framework](#) (Department of Housing and Public Works)

[Project Assessment Framework](#) (Queensland Treasury)

[A Guide to Risk Management](#) (Queensland Treasury)

Risk management applies at every phase of a building asset life-cycle (e.g. planning, investment/procurement, management-in-use and disposal) and at the strategic management of a building portfolio.

In this guideline, the term 'agencies' has the same meaning and is used interchangeably with 'departments' (as defined in s8 of the *Financial Accountability Act 2009*).

## Benefits

Potential benefits of establishing an appropriate risk management system for the management of buildings include:

- assisting agencies to take into account the advantages and opportunities presented by the risk of asset ownership and operation
- helping to define strategies to ensure service continuity
- minimising the uncertainty of outcomes
- improving the confidence of asset managers to respond to the concerns of stakeholders.

## Risks

Without an appropriate risk management regime for project planning and delivery, and the maintenance and disposal of building assets, agencies may fail to:

- recognise and therefore manage risks associated with the health, safety and security of the building and/or loss of functionality
- avoid or mitigate the impact of natural disasters
- identify opportunities and threats and establish a rigorous basis for decision-making and planning of buildings
- manage the risk impacts associated with perceptions of stakeholders and community about government buildings, government services and client/supplier relationship between the Government and industry.

## 1.0 Risk management process

The process of risk analysis and management and the principles that agencies need to incorporate for risk management to be effective are defined in the Australian/New Zealand Standard.

The *Project Assessment Framework* guideline: [Preliminary Evaluation](#) identifies the key activities associated with risk analysis for projects including identification, qualification, quantification, allocation and mitigation of risks.

To ensure that all potential risk events are appropriately identified and prioritised communication and consultation should occur with the following stakeholders:

- other government agencies
- building users/occupants, service planners and building managers
- maintenance service providers
- building consultants and contractors.

Communication and consultation are continual processes that are essential for effective risk management. They enable agencies to provide, share or obtain information and to engage in dialogue with stakeholders regarding the management of risk.

*HB437:2010 – Communicating and consulting about risk* provides agencies with guidance about these aspects of the risk management process.

Risk management is an iterative process that should be embedded into existing practices by:

- establishing the context
- setting the scope and boundaries of an application for risk management
- developing risk criteria
- identifying, analysing, evaluating, treating, monitoring, reviewing and communicating risks associated with relevant activities, functions or processes.

**Identify risks** - the tools and techniques for risk identification include checklists, flowcharts, scenario analysis, studies, and engineering techniques. Details of the tools and techniques for risk identification and risk analysis can be found in *HB 436:2004 - Risk Management Guidelines Companion to AS/NZS 4360:2004*.

**Analyse risks** - identify existing process controls that minimise risks and the likelihood of possible events, the consequences, mitigating factors that would reduce the nature, frequency or damaging effects of such an event.

**Evaluate risks** - make decisions based on outcomes from the risk analysis about the treatment and treatment priorities, using risk criteria established when the context was considered in the first stage of the risk management process. The criticality of the asset to service delivery and the complexity of the buildings in the agency's portfolio need to be considered in the decision making. The [Building Asset Performance Framework](#) encourages agencies to incorporate this as a key element in departmental asset performance management systems.

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Under the [Maintenance Management Framework](#), departments are required to conduct condition assessments for all Queensland Government buildings **at least** every three years (or more frequently depending on the nature of the building, its building elements and services).

**Treat risks** - by determining the range of risk treatment options for all unacceptable risks, assessing those options and preparing and implementing risk treatment plans.

The following risk treatment options are outlined in the Australian/New Zealand Standard:

- **risk sharing or transfer** – the responsibility for management of certain risks is shared with or allocated to another party through contractual agreements, insurance or by other means
- **risk avoidance** - an informed decision is made to eliminate the risk. Examples include cancelling a project or seeking alternative methods of project procurement
- **risk reduction** - appropriate techniques and management approaches are selectively applied to decrease either the likelihood or the negative outcomes of the risk. For example, having a backup diesel generator for a hospital may lessen the impact if there is a power outage, or incorporating specific design solutions to address identified changes in climate.

The treatment plan, described in the Australian/New Zealand Standard, is developed as an outcome of the risk treatment process. It explains the proposed actions, resource requirements, responsibilities, timing, performance measures and monitoring requirements.

### 1.1 Compile the risk management plan

According to the Australian/New Zealand Standard, the risk management plan specifies the approach, the management components and resources to be applied to the management of risk. This plan should define how risk management is conducted throughout the organisation, the responsibilities and the strategies to identify and manage the risks. It should also address the prevention, detection and management responses to identified risks related to the planning and delivery of government building projects.

Agencies should reflect their risk management plan for buildings in their strategic and operational plans.

### 1.2 Implement, monitor and review the risk management plan

Monitoring and reviewing the risk management plan should occur on a regular basis. It may be necessary to repeat the risk management cycle if factors that affect suitability or cost treatment options change significantly.

The suite of guidelines which comprise the *Strategic Asset Management Framework* (available online at [www.hpw.qld.gov.au](http://www.hpw.qld.gov.au)) is organised under the following categories:

1. **Overview** - explains the principles and concepts of strategic asset management as they apply to buildings.
2. **Guidelines** - expand on key aspects of strategic asset management to inform decisions over the entire life-cycle of the asset.
3. **Decision-making methodologies and guidelines** - support agencies to implement best practice strategic management of buildings.

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