

Risk management

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INTRODUCTION AND BACKGROUND

To many organisations risk management is a relatively new process and in many instances it is only now being included in the overall organisational management system. Risk management is now recognised as a fundamental aspect of successful management. Furthermore, risk management is now required under state and territory workplace health and safety legislation. In this regard it is important to remember that this legislation covers contractors, visitors and other people affected by activities carried out at the workplace.

In the past risk management was mainly practiced in the insurance industry, as insurers needed to know the likelihood of an insured event occurring and the subsequent consequences of the occurrence. Insurance premiums are based on identified risks. For example, the more likely the event, the higher the premium, similarly, the more serious the consequences, the higher the premium. Nowadays insurers require some form of control to be put in place to either reduce the likelihood or control the consequences of an insured risk. An example of this is the installation of a fire suppression system such as a sprinkler system. In short, insurance companies manage risks, as risks have a direct correlation on their financial viability.

It is fair to say that historically the majority of organisations and individuals believed that the purchase of insurance was an appropriate and viable means of transferring financial risks. For example, workers compensation, fire and theft and public liability insurance. However, in recent times substantial increases in insurance premiums, especially in the worker's compensation area and the introduction of performance based workplace health and safety legislation has, by necessity, resulted in organisations wishing to remain competitive managing risk. Whilst insurance will provide some protection such as with workers compensation it does not protect against non-compliance with legislation.

Apart from those risks that can be reduced or transferred by means of insurance, there are also numerous other risks that an organisation faces. These can include, but are not limited to, loss of reputation and goodwill, political risks, strikes, sabotage, climatic conditions etc.

Successful risk management involves examining all possible scenarios. For example, a small business is fully insured against fire and loss of earnings. A fire destroys the premises and it takes six months to re-build and re-establish the business. Statistics show that this business will not survive, as competitors will absorb its customer base. In this case the proprietor needed a business continuity plan. That is, a plan to continue the business during the re-building period. This type of risk is relevant to both public and private sector organisations including local government and voluntary organisations. For example, how will these organisations service their customers and the community in the event that infrastructure is destroyed?

Local government has a statutory obligation to provide a vast array of services to the community. In Tasmania, this obligation stems from the *Local Government Act 1993*. However, there are numerous other pieces of legislation that local government is required to administer and enforce. This places local government in a position where it faces many and varied risks in connection with its workforce and the public. It is arguable that local government is unique in the number and variety of risks faced due to the scope of services delivered.

This in itself requires staff with expertise in numerous disciplines. Skills required in maintaining the level of service delivery and innovation required range from construction and maintenance of infrastructure to the provision of childcare, the arts, animal management, and all those that fall in between. It is thus understandable that each area of operation has its own inherent risks, all of which need to be managed.

WHAT IS RISK MANAGEMENT?

Risk management is a systematic method of identifying, analysing, communicating and controlling risks associated with an activity, function or process. The method is defined in the joint *Australian/New Zealand Standard 4360:1999 - Risk Management*. The risk management process outlined in the Standard is generic. It can be modified to suit the needs of individual organisations and can be applied at an organisational, departmental, program or activity level.

Whilst it is recommended that risk is managed at an organisational level it may help to firstly introduce the process at a lower level as a learning experience before expanding the process across the organisation.

As already stated, risk management forms a fundamental part of workplace, and public health and safety. The following is an overview of the risk management process. The process is applicable to all those with an interest in or operating in the animal management field.

THE RISK MANAGEMENT PROCESS

The risk management process consists of:

- defining the scope;
- identifying the risks;
- analysing the risks;
- evaluating the risks;
- controlling the risks;
- monitoring and reviewing the risk management process; and
- communication and consultation.

Successful risk management is based on consultation with all stakeholders. This is especially so in managing risks to health and safety in the workplace where consultation between management and employees is crucial in the development, implementation and ongoing effectiveness of the risk management process.

SCOPING THE RISK MANAGEMENT PROCESS

The first step in the risk management process is to define the scope of the activity. The purpose of this step is to establish the parameters of the process including the criteria by which risks will be evaluated. Therefore, this step defines the strategic and organisational context in which the remainder of the risk management process operates. This includes:

- defining the external and internal stakeholders and their objectives; and
- defining the organisational context - this is the context within which the risk management policy is to be implemented, including what each person's responsibilities are and what resources are required.

Establishing the risk management context includes:

- defining the scope of the specific activity whose risks the process is intended to manage;
- setting an overall time frame for completion of the process;
- identifying the resources required and distributing the responsibilities for conducting the remainder of the process;
- developing the risk evaluation criteria - these may include legal, social or financial considerations; and
- planning the structure of the risk management process into logical elements.

The strategic approach to this is by means of a defined risk management policy, which must be a written document that clearly sets out the organisations risk management objectives and the means of achieving those objectives. It

should be prepared in consultation with staff at all levels and must have the commitment of management.

This step must reflect the organisation's values, and stipulate what level of risk it is prepared to accept or retain. For example, examination of an organisation's values, would in most cases, reveal that the loss of life is unacceptable. An organisation may well decide that the only risks it will retain are those that are fundamental to its core functions, that is, if the risk was not retained the organisation could not continue to do business. Some organisations will accept and retain risks in an effort to become or remain market leaders and increase profits.

IDENTIFYING RISKS

The whole risk management process relies on this step as any risk which has not been identified, cannot be controlled. Accordingly, this step must be comprehensive and by necessity must be carried out in consultation with the people operating in the particular area of activity.

To properly identify risks, an understanding of what risk is, is required. Risk is the probability of something happening (an event), which has an unwanted or adverse impact on an activity's objectives.

Risk relates to both the likelihood and the consequences of the adverse event. The greater the consequences, the greater the risk. Similarly, the more certain the event, the greater the risk.

Risk identification consists of the following:

- listing events and processes involved in an activity or function that is to be controlled;
- breaking down each activity or function into tasks and each task into steps;
- identifying all risks associated with or incidental to each step; and
- identifying the possible root causes of the risk.

For example, identifying workplace health and safety risks involves activities such as:

- checking accidents and incidents registers;
- consulting relevant industry standards and codes of practice;
- conducting safety audits and workplace inspections on a regular basis; and
- consulting with employees to find out where they think risks may exist.

All risks should be identified including those that are outside the control of the organisation.

ANALYSING RISKS

Having identified the risks involved in the activity, the next step is to assess these risks. The process should rank risks in order of priority so that resources may be allocated to deal with the most serious risks first.

Analysing risk is the process of identifying both the likelihood and consequences of an event happening. For example, quantifying the risk whilst taking into account any existing control measures.

The following tables provide examples of how consequences and likelihood can be determined

Consequences		
Level	Descriptor	Description
1	Insignificant	No injuries, low financial loss
2	Minor	First aid treatment, on-site release immediately contained, medium financial loss
3	Moderate	Medical treatment required, on-site release contained with outside assistance, high financial loss
4	Major	Extensive injuries, loss of production capability, off site release with no detrimental effects, major financial loss
5	Catastrophic	Death, toxic release off site with detrimental effect, huge financial loss

Likelihood		
Level	Descriptor	Description
A	Almost certain	Is expected to occur in most circumstances
B	Likely	Will probably occur in most circumstances
C	Possible	Might occur at some time
D	Unlikely	Could occur at some time
E	Rare	May occur only in exceptional circumstances

These tables should be modified to suit the requirements of the organisation.

The aim of risk analysis is to rank risks in priority. However, all stakeholders must agree upon the system used to do this. An example of one method is shown in the matrix below.

Likelihood	Consequences				
	Insignificant ¹	Minor ²	Moderate ³	Major ⁴	Catastrophic ⁵
A (almost certain)	H	H	E	E	E
B (likely)	M	H	H	E	E
C (moderate)	L	M	H	E	E
D (unlikely)	L	L	M	H	E
E (rare)	L	L	M	H	H

EVALUATING RISKS

Risk evaluation involves the comparison of quantified levels of risk against agreed criteria as set down in the scope or context. This process should take into account ethical, legal and industry standards. Generally, risks can be placed in the following categories:

- low risk;
- moderate risk;
- high risk; and
- extreme risk

LOW RISKS

Under normal circumstances, these risks may be considered acceptable. As such, no further action is necessary if existing control measures are working. These risks need only be managed through routine procedures.

MODERATE RISKS

Risks at this level are generally acceptable and can usually be managed by administrative means such as training, adoption of safe work practices etc. The cost of controlling risks at this level is relatively low and where existing controls are working minimal investment should be required.

HIGH RISK

This is an unacceptable level of risk. Risk control measures must be developed and implemented. Management attention is required. Short-term control measures will need to be implemented until long-term measures can be developed and applied. This level of risk will usually involve the allocation of resources.

EXTREME RISK

This is an unacceptable level of risk and immediate action is required. Senior management attention is required at this level. Control measures at this level may include designing out the source of the risk from the task or activity. Considerable financial resources may be required.

An evaluation of a workplace health and safety risk would take into account the ways in which people's health and safety might be affected and would consider factors such as the:

- nature of the operation or work carried out;
- substances used or generated;
- way work is organised;
- layout and condition of plant, equipment and the work environment;
- training and knowledge needed to work safely; and
- control measures currently in use.

RISK CONTROL

Risk control, or risk treatment, is the process of:

- identifying options for the control of risks;
- assessment of the efficiency and effectiveness of the identified control measures;
- preparation of risk control plans; and
- implementing control plans.

There are a number of options in treating risks. For example:

- avoid the risk - by deciding not to proceed or continue with the activity that generates the risk;
- transfer the risk in full or part - by use of contractors, partnerships, insurance etc; and
- retain the risk - having reduced or transferred the risk there will often be residual risk that by necessity must be retained. Some risks may be retained by default ie if a risk is not identified it is naturally retained.

Risk control must be achieved using a predetermined hierarchy of controls. The primary aim of workplace health and safety risk control is to eliminate or reduce the risk to an acceptable level. The risk control measure selected must be the highest possible option in the hierarchy. For example, Tasmanian workplace health and safety laws set out the following hierarchy of controls that must be applied:

1. elimination;
2. substitution;
3. isolation;
4. engineering controls;
5. administrative controls; and
6. personal protective equipment

In many cases, especially in workplace health and safety, it will be necessary to use more than one control method. Controls such as personal protective equipment should only be used as a last resort, or as a support to other control measures. A hierarchy of control measures will need to be developed to suit the nature of the identified risk.

IDENTIFYING RISK CONTROL OPTIONS

As the level of risk is related to both likelihood and consequences, risks may be controlled by either lowering the likelihood of the event, or by reducing its consequences. This may be achieved by:

- eliminating or treating the source of the adverse effect;
- minimising the consequences; and
- transferring the cost of the consequences.

ASSESSING RISK CONTROL OPTIONS

A cost benefit analysis should be carried out on all the control options identified. When selecting a control option, consideration needs to be given to the evaluation criteria set out at the first stage of the process.

PREPARING RISK CONTROL PLANS

Detailed plans for the implementation of the selected control measures must be developed and should include:

- time-frames for the implementation of the control plan;
- resources required;
- responsibilities and accountabilities;
- performance measures for evaluation purposes; and
- auditing to verify the implementation process.

IMPLEMENTING THE RISK CONTROL PLAN

The success of the implementation of the risk control plan rests with setting clear responsibilities and an efficient system of regular monitoring and reviews to ensure the desired outcomes are achieved.

REVIEWING THE RISK MANAGEMENT PROCESS

The risk management process is never ending and so risks and existing control measures must be continuously monitored to identify any relevant changes and to ensure that the effectiveness of the system is maintained. Changes of an internal or external nature can affect the likelihood and/or consequences of a risk. As such, the risk management process must be regularly reviewed and constantly updated.

Monitoring and review should occur continuously throughout the process. However, this step together with communication and consultation are often either forgotten or ignored in the process, therefore special effort needs to be made to ensure these steps are carried out as they are vital to the whole process.

The monitoring and review process involves:

- systematically checking existing risk control measures to assess their effectiveness;
- collecting data on any new hazards which have arisen; and
- formulating new control measures

COMMUNICATION AND CONSULTATION

Communication and consultation should occur throughout the entire process and must include both internal and external stakeholders. Perception of risk is an important area in this step as it relates to the understanding of stakeholders of why decisions are made and subsequent actions taken. Perception of risk varies widely between individuals and organisations, therefore the perceived risks and benefits must be agreed upon.

DOCUMENTATION

Each stage of the process should be documented and include:

- policy document
- compliance statement
- a risk register
- risk treatment schedule and action plan
- monitoring and audit documents

Risk management objectives, sources of information, assumptions and decisions should be documented.

RISK MANAGEMENT AND WORKPLACE HEALTH AND SAFETY

The flow on effect of workplace accidents to society is well documented. Workplace accidents can and often do result in fatalities or serious injuries. Nationally we kill and maim more people at work each year than we do on the roads. This together with the financial impact of even minor accidents places a financial burden on organisations. The financial impact of workplace accidents include:

- workers compensation;
- lost productivity;
- damage to plant and equipment;
- damage to product;
- accident investigation costs;
- loss of business through bad publicity; and
- legal costs and court fines.

The impact of workplace accidents on employees must also be considered as this can often lead to a loss of trust and loyalty. As already stated, risk management is now enshrined in workplace health and safety legislation so there is no reason why it should not be expanded to other areas of an organisation's operations.

PRACTICAL APPLICATION WITHIN THE ANIMAL MANAGEMENT FIELD

The following risks should be considered by any organisation operating in the animal management field whether or not they are involved in welfare, service provision or enforcement. The list is not necessarily definitive.

- employment practices - industrial, discrimination and harassment;
- business continuity;
- compliance with legislation;
- theft and fraud;
- reputation and goodwill;

- emergency management or disaster planning;
- customer service;
- occupational health and safety;
- security;
- public liability;
- disease - both animal and human;
- professional advice and treatment;
- environmental - noise, contamination, pollution; and
- organisational change

The various pieces of State and Territory legislation have been proclaimed to manage risks associated with the keeping of animals. In regard to dogs these risks are generally seen as a risk of:

- death and injury to people, domestic animals, wildlife and farm animals due to marauding and uncontrolled dogs; and
- disruption to the peace and harmony of the community due to barking, straying, fouling and other nuisances associated with dogs.

The Tasmanian Dog Control Act 1987 contains a number of mandatory treatment strategies to assist local authorities to manage these risks. The majority of these measures are punitive ie. the imposition of fines and sanctions. Whilst these measures assist in some instances they also create new risks for local authorities in areas such as natural justice, integration with superior legislation and the public's perception of these laws being either inadequate, or on the other hand, over zealous. Legislation also provided a number of measures that supposedly support and assist local authorities to fund and enforce the legislative provisions, these being registration as proof of ownership for legal proceedings, and fees to fund the dog control program. In reality registration fees rarely cover the cost of the service, this creates a new risk for the Council. Legislation also requires local government to impound stray animals and this requires the establishment of pounding facilities.

All of the aforementioned generates numerous risks associated with the statutory requirement to enforce the law. The following table highlights some of these, and associated risks, and suggests some control measures that can be applied. In many instances they will already be in place, however, it is important that they be formalised and documented.

Risk	Control Measures
Failure to meet statutory obligation to enforce laws	Provide adequate human and financial resources. Develop and communicate detailed policies and procedures stating how the law is to be interpreted, administered and enforced
There is a risk that owners do not know or understand the law	Develop education and information strategies including:
Brochures	Posters
Visits to schools, neighbourhood watch, Senior citizens and other interested groups	Distribute information through veterinary practices, animal welfare groups, web sites, mail outs etc.
There is a risk that some owners will deliberately and continuously breach the law	Within the law negotiate agreed outcomes
Issue infringement notices	Prosecute
Seizure	There is a risk of financial loss from owners failing to pay registration fees
Advertise fees in local media	Promote benefits of registration

Send renewal notices	Provide incentives for early registration.
Conduct registration drives	Follow up with legal action as required
There is a risk to the health and safety of AMOs	Develop and implement appropriate OH&S strategies
Provide appropriate equipment	Risk assess tasks and functions etc
Training	Supervision
There is a risk to the organisation from inadequate actions or behaviour from AMOs	Develop appropriate recruitment, selection, performance, counselling and disciplinary procedures
There is a risk of poor customer service	Training and education
There is a risk of outbreak of disease in pound	Implement appropriate hygiene standards
Isolate sick animals	Provide veterinary care
There is a risk that legal proceeding will be lost due to inappropriate processes or inadmissible evidence	Train and educate AMOs in legal requirements
Allow contact with legal advisers	There is a risk that skilled and experienced AMOs will leave the organisation
Provide appropriate monetary rewards	Provide positive feedback and praise
Provide career paths	Provide access to professional development such as training and education, attendance at relevant conferences, opportunities to network with other professionals
Support membership of professional associations	There is a political risk to Alderman through loss of reputation and the public's perception of poor decision making
Keep Aldermen informed of legislative requirements, change etc	Educate Aldermen in accepted animal management best practice techniques and practices

The risks and control measures mentioned are by no means exhaustive but are an indication of the variety of risks faced. It is also readily evident that many of these risks are relevant to other operators within animal management. Veterinary practices and animal welfare organisations face the risk of loss of business if they do not actively manage the numerous risks associated with their business.

It is important to note that the risk management process can enhance legal, negotiation and mediation processes as a logical and documented sequence can be demonstrated in the way decisions were made and why action was taken. The process can be simplified for the use of Animal Management Officers in the field.

Some may see risk management as a negative process, however, in reality the opposite is true and in a business sense it can and should be applied in assessing changes or opportunities to provide an edge over competitors.

In summary, if we fail to identify and manage the various risks we face, we will at some stage suffer:

- a loss of business and profits;
- a loss of reputation;
- adverse publicity;
- complaints;
- increased costs; and
- legal action.

In view of these serious consequences we should all practice risk management even if initially at a basic level. Risk management can be as hard, or as easy, as you wish to make it. It does become easier the more you do it. Remember, whilst it is desirable to eliminate all risk it is impossible to do so. Aim to reduce risk to an acceptable level. Finally, there is no doubt that the ethical, financial and legal benefits of risk management far outweigh the effort and resources needed to actively manage risk. All organisations need to manage risk and it is strongly recommended that *AS/NZS 4360: - 199 - Risk Management* is the tool adopted to do so.

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Des is currently the Risk Management Officer with Glenorchy City Council and has held this position for approximately 2 years. The position is responsible for providing Council with advice in areas of risk faced by the organisation and the management of workplace health and safety, workers compensation, rehabilitation of injured workers, insurance, and public liability. Prior to this he was the City Inspector with Glenorchy City Council and in this position was responsible for animal management within the City. Des was team leader when Glenorchy City Council won the inaugural Urban Animal Management Team of the year award. From 1990 until 1994 Des was an Animal Control Officer with Sorell Council. Prior to this he was a Senior Fire Fighter and Instructor with the Metropolitan Fire Brigade Board, Melbourne. Des is currently an executive member of the Tasmanian chapter of the Association of Risk and Insurance Managers of Australasia.

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