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**Date:** Fri, May 6, 2005 3:57 pm  
**Subject:** PAC Inquiry into RM - Submission from NSW Fire Brigades

Hi Vicki.

As per our 'phone call last week, attached is the NSW Fire Brigades submission to the Public Accounts Committee's Inquiry into Risk Management in the Public Sector.

It addresses the Committee's Terms of Reference which revolve around how agencies have responded to the audit report; compliance with the new version of AS4360; progress towards the development of better risk management practice in the NSW Public Sector, and the role of Treasury.

If you need any further information, please contact either myself or Dr Anne Lear. Anne can be contacted via [anne.lear@fire.nsw.gov.au](mailto:anne.lear@fire.nsw.gov.au); (02) 9742 7417, or 0408 693 579.

Regards.

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## **Submission to the Public Accounts Committee Inquiry into RISK MANAGEMENT IN THE NEW SOUTH WALES PUBLIC SECTOR**

The NSW Fire Brigades (NSWFB) is a public sector agency whose function is to deliver emergency risk management services to the community. The NSWFB recognises that the effective and efficient delivery of these services requires it to manage its internal, or organisational, risks.

Since the publication of the *2002 Auditor-General's Report to Parliament – Managing Risk in the Public Sector*, the NSWFB has continued to improve its risk management practices and to gain maturity in its approach to managing both opportunities and threats. In August 2002, the NSWFB appointed a Corporate Risk Management Co-ordinator with responsibility for developing and implementing policies, procedures and frameworks for corporate risk management to ensure that all of the NSWFB's activities are undertaken with a sound understanding of the associated risks and that appropriate risk mitigation strategies are developed. The co-ordinator also acts as a risk management educator and internal consultant ensuring that risk management knowledge and skills are disseminated across the organisation.

In the last three years, the NSWFB has developed and formalised its risk management framework, which is consistent with the Australian Standard for Risk Management and the approach advocated by Treasury through the Treasury Managed Fund (TMF) and the Public Sector Risk Management Association (PSRMA). The philosophy and approach are set out in a number of NSWFB documents including a Risk Management Policy and a Guide to Formal Risk Assessments. The Guide interprets AS4360:2004 within the NSWFB context and includes:

- A range of risk types including uninsurable risks such as those associated with service delivery and quality, morale and reputation as well as insurable risks;
- Consequence and likelihood matrices which allow a wide range of risks to be measured consistently. These also enable risks identified at all levels of the organisation and in all business functions to be directly compared, and
- The ability to identify and analyse opportunities as well as threats.

As well as the formal Guide, the NSWFB has developed a series of tools aimed at managing the risks associated with specific activities, facilitating the integration of risk management into organisational tasks. These tools are consistent with the guide but are tailored to the needs of the activity. They are particularly useful when it is important to manage risks but where personnel are faced with making decisions under significant time pressures; for example, managing occupational health and safety (OH&S) at incidents.

Are we there yet? We are well on our way. The NSWFB organisational risk profile, which will underpin the strategies outlined in the organisation's latest corporate plan (New South Wales Corporate Plan 2005-2008), is under development but not yet completed. While the results of formal risk assessments are reported in individual risk registers, an organisational risk register is yet to be developed.



In addition, while risk management is now recognised across the organisation as a necessary component of good decision making, a number of challenges remain. These include:

- Developing the organisational culture to balance the management of consequences and likelihoods. In an organisation where the workforce is trained to respond to emergency incidents, there can be a tendency to wait until management issues arise before dealing with them rather than putting strategies in place to prevent the issues occurring.
- Integrating traditional (and long standing) OH&S functions into the organisational risk management framework. While the methodologies are consistent, both with each other and with relevant standards and legislation, the links still need to be strengthened.

The NSWFB framework and its supporting documentation have been developed with the support and guidance of Treasury's TMF Risk Management Unit. In the coming months, the NSWFB will be using the newly developed *TMF Guide to Risk Management (the RCCC Approach)* to hone its risk management methodologies and to ensure that it remains consistent with NSW public sector practice.

As the organisation's risk management approach matures, the NSWFB is starting to facilitate multi-agency risk assessments, particularly within the emergency services sector. The evaluation of risks that have the potential to affect a number of agencies associated with a project requires a set of criteria against which the acceptability (or not) of a risk can be measured. Developing risk criteria which are satisfactory to all agencies is a challenge when individual organisation's risk appetites are different.

Guidance on a consistent public sector approach to this issue from Treasury would be appreciated.