



Risk Management Foundation Document

Risk Assessment Protocol

Power and Water Corporate Procedure

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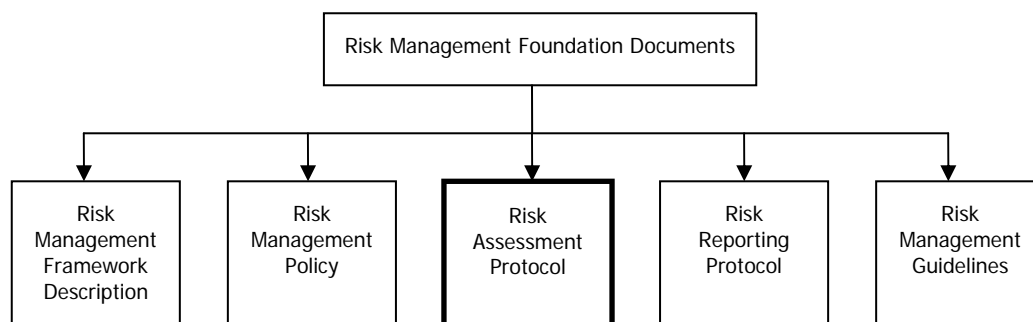
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1 Introduction

Power and Water Corporation (PWC) recognises that risk management is an integral part of good management and corporate governance, and is committed to implementing an integrated approach to risk management across the whole corporation. One of the key aspects of this integrated approach is the implementation of a standardised assessment methodology to determine the inherent, residual and target risks identified in the risk registers. This allows management the opportunity to identify and prioritise key risks to PWC.

The Risk Assessment Protocol forms part of PWC's Risk Management Foundation documents, which are detailed below. It should therefore be read in conjunction with each of these documents.



Implementation of PWC's risk management framework requires a commitment by management and staff to embed risk management into all facets of PWC's operations. As a result all management, staff and contractors must adhere to this Protocol when assessing risk.

2 Purpose

This Risk Assessment Protocol provides PWC staff and stakeholders with guidelines for how risk will be assessed to meet the requirements of the Risk Management Framework. It supports the collective goals of PWC's Risk Management Framework by providing an effective process for identifying, prioritising and managing current and emerging risks.

The methodology used in this Risk Assessment Protocol provides a means to:

- evaluate the inherent, residual and target rating of individual risks;
- evaluate the residual rating of risks to determine whether they are tolerable to PWC;
- rank residual risks relative to each other as a means to prioritise risk management activities; and
- evaluate the inherent, residual and target rating for each risk category based on the collective analysis of individual risks.

3 Risk Assessment Detail

PWC has adopted a qualitative risk assessment methodology aligned to the Australia/New Zealand Standard *“AS/NZ 4360: Risk Management”*. This has resulted in the development of a risk assessment matrix that quantifies the level of inherent, residual or target risk.

The risk assessment matrix design incorporates five consequence and five likelihood rankings. Consequence rankings range from catastrophic to insignificant impact and likelihood rankings range from almost certain to rare probability of occurrence.

PWC has established a number of consequence categories with descriptors that complement the risk assessment for a range of business activities. The principle foundation assessment matrix and corresponding corporate consequence and likelihood charts are attached.

Details of the consequence and likelihood rankings, as well as the risk assessment matrix, are included in this protocol.

4 Risk Assessment Methodology

4.1 Likelihood

The likelihood of a risk occurring will be assessed using the following scale:

Almost Certain	The event is expected to occur in most circumstances. At least once every year.
Likely	The event will probably occur in most circumstances. Once every 2 – 5 years.
Possible	The event might occur at some time. Once every 5 – 10 years.
Unlikely	The event could occur at some time. Once every 10 - 30 years.
Rare	The event may occur only in exceptional circumstances. Once in 30 years or greater.

4.2 Consequence

Potential consequences for a risk should be assessed using the following scale.

	Severe	Major	Moderate	Minor	Insignificant
Health & Safety	Fatality; Long term or permanent disabling effects on human health (more than one person).	Injuries requiring hospitalisation; Long term or permanent disabling effects on human health (a single person).	Injury or illness requiring medical treatment; Short term or reversible disabling effect to human health.	Injuries requiring first aid treatment; Minor short term inconvenience or symptoms to human health.	Incident with or without minor injury; No impact on human health.
Financial	Loss of >\$40m; Greater than 80% of net cash flow from operations, less debt repayments.	Loss of \$10m>\$40m; Between 20% and 80% of net cash flow from operations, less debt repayments.	Loss of \$2m>\$10m; Between 4% and 20% of net cash flow from operations, less debt repayments.	Loss of \$500K>\$2M; MD delegation level; Between 1% and 4 % of net cash flow from operations, less debt repayments.	Loss of <\$500K; GM delegation level; Less than 1% of net cash flow from operations, less debt repayments.
Corporate Image/ Legal	Sustained adverse media attention and/or community/customer condemnation (months); Irreconcilable community/customer loss of confidence; Operating licence essential to Corporation's delivery of service suspended or revoked.	Prolonged adverse media attention and/or community/customer condemnation (weeks); Prolonged, widespread community/ customer loss of confidence (weeks); Required to operate under significant regulatory restrictions or orders; Significant prosecution and fines; Government inquiry/ intervention.	Brief adverse media attention and/or community/customer condemnation (days); Limited, localized loss of confidence by the community; Required to operate under limited regulatory restrictions or orders; Serious incident requires legal representation.	Occasional once-off negative media attention; Localised community impacts and customer concerns; Incident requires complex legal issues to be addressed.	No media attention; Isolated community or individual issue-based concern; Legal issues managed by corporate procedures or practices.

Environmental	Substantial permanent damage to widespread and sensitive areas.	Long-term effect on environment and once controlled results in minor permanent damage.	Widespread temporary damage with extended resources to remedy.	Localised low level damage controlled and remedied with minimal resources.	Contained within controls. No measurable impact.
Strategic Management	Permanent impediment to achieving Statement of Corporate Intent objectives and strategies.	High impact on the ability to achieving Statement of Corporate Intent objectives and strategies.	Medium impairment on the ability to achieving Statement of Corporate Intent objectives and strategies. Reported in monthly reporting cycle.	Minor impairment on the ability to achieving Statement of Corporate Intent objectives and strategies. Managed by normal management activities.	No measurable impact on the ability to achieving Statement of Corporate Intent objectives and strategies.
Service Delivery	Complete and indefinite disruption to service (= >24 hours).	Long term disruption to service with extended resources required to remedy (>12 hours < 24 hours).	Short term disruption to service outside of expected timeframes (<=12 hours).	Service restored within expected timeframes (<=2 hours).	No loss of service. Issues rectified with corrective action.

4.3 Risk Ranking

The following table describes the overall risk level based on the potential consequences and likelihood for strategic and project risks, and the actions that should take place for the risk depending on its overall level.

Likelihood	Almost Certain	Medium	Medium	High	Extreme	Extreme
	Likely	Low	Medium	High	Very High	Extreme
	Possible	Low	Low	High	Very High	Very High
	Unlikely	Low	Low	Medium	High	Very High
	Rare	Low	Low	Medium	High	High
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				

4.4 Actions and Ownership

The following tables describe the actions that should take place for the risk depending on its overall level after controls have been considered i.e. residual risk.

Level of Residual Risk	Action
Extreme	<p>Corporate Risk Categories</p> <ul style="list-style-type: none"> Corporate risk categories that escalate to an 'extreme' residual risk rating require a detailed paper to be submitted to the next ARMC meeting for discussion. Corporate risk categories that escalate to an 'extreme' residual risk rating require a detailed paper to be submitted to the next EMC risk meeting for discussion. <p>Individual Corporate Risks</p> <ul style="list-style-type: none"> New individual corporate risks with an 'extreme' residual risk rating shall be reported to the Managing Director and ARMC within 24 hours. Existing individual corporate risks that escalate to an 'extreme' residual risk rating shall be reported to the ARMC and EMC within 24 hours of being identified. The Managing Director must approve any activities that give rise to an 'extreme' risk rating. <ul style="list-style-type: none"> An event or activity that gives rise to an 'extreme' residual corporate risk that can not be reduced or influenced by the corporation, shall have post recovery plans developed and implemented into the IMS system.
Very High	<p>Corporate Risk Categories</p> <ul style="list-style-type: none"> Corporate risk categories that escalate to a 'very high' residual risk rating require a detailed paper to be submitted to the next ARMC meeting for discussion. Corporate risk categories that escalate to a 'very high' residual risk rating require a detailed paper to be submitted to the next EMC risk meeting for discussion. <p>Individual Corporate Risks</p> <ul style="list-style-type: none"> New individual corporate risks with a 'very high' residual risk rating shall be reported to the Managing Director within 24 hours. Existing individual corporate risks that escalate to a 'very high' residual risk rating shall be reported to the Managing Director within 24 hours of being identified. The EMC shall be notified of all new individual corporate risks with a 'very high' residual risk rating at their next monthly risk meeting. The relevant General Manager must approve any activities that give rise to a 'very high' residual risk. <ul style="list-style-type: none"> An event or activity that gives rise to a 'very high' residual corporate risk that can not be reduced or influenced by the corporation, shall have post recovery plans developed and implemented into the IMS system.
High	<p>Corporate Risk Categories</p> <ul style="list-style-type: none"> Corporate risk categories that escalate to a 'high' residual risk rating shall be identified in quarterly reporting to the ARMC and include a brief comment regarding the change. Corporate risk categories that escalate to a 'high' residual risk rating shall be identified in monthly reporting to the EMC and include a brief comment regarding the change. <p>Individual Corporate Risks</p> <ul style="list-style-type: none"> New individual corporate risks with a 'high' residual risk rating shall be reported to an appropriate General Manager within 24 hours.

	<ul style="list-style-type: none"> Existing individual corporate risks that escalate to a 'high' residual risk rating shall be reported to the appropriate General Manager within 24 hours of being identified. The EMC shall be notified of all new individual corporate risks with a 'high' residual risk rating at their next monthly risk meeting. The relevant General Manager must approve any activities that give rise to a 'high' residual risk. <ul style="list-style-type: none"> Realization of a 'high' corporate residual risk shall be reported to the General Manager within 24 hours. The EMC shall be notified at their next risk meeting.
Medium	<p>Corporate Risk Categories</p> <ul style="list-style-type: none"> Corporate risk categories that escalate to a 'medium' residual risk rating shall be identified in quarterly reporting to the ARMC and include a brief comment regarding the change. Corporate risk categories that escalate to a 'medium' residual risk rating shall be identified in monthly reporting to the EMC and include a brief comment regarding the change. <p>Individual Corporate Risks</p> <ul style="list-style-type: none"> New individual corporate risks with a 'medium' residual risk rating shall be reported to an appropriate Manager within 24 hours. Existing individual corporate risks that escalate to a 'medium' residual risk rating shall be reported to the appropriate General Manager through weekly reporting processes. The EMC shall be notified of all new individual corporate risks with a 'medium' residual risk rating at their next monthly risk meeting. The relevant Manager must approve any activities that give rise to a 'medium' residual risk.
Low	<p>Corporate Risk Categories</p> <ul style="list-style-type: none"> Corporate risk categories with a 'low' residual risk rating shall be identified in quarterly reporting to the ARMC. Corporate risk categories with a 'low' residual risk rating shall be identified in monthly reporting to the EMC. <p>Individual Corporate Risks</p> <ul style="list-style-type: none"> New individual corporate risks with a 'low' residual risk rating shall be reported to an appropriate Manager within 24 hours. The EMC shall be notified of all new individual corporate risks with a 'low' residual risk rating at their next monthly risk meeting. The relevant Manager must approve any activities that give rise to a 'low' residual risk.