

## Risk Management Policy

### DOCUMENT CONTROL

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## 1. Scope and Objectives

This policy is a component of the Financial Management Practice Manual. It outlines the risk management framework that applies to all staff employed by Tourism Queensland. The objectives of the policy are to:

- Define risk
- Detail the key categories of risk to Tourism Queensland
- Present Tourism Queensland's commitment to risk management
- Provide consequence and likelihood ratings to be used in determining the magnitude of risks
- Outline the procedures for the recording, monitoring and management of risk
- Ensure that all staff are aware of their responsibilities in relation to risk management

## 2. Definition of Risk

A risk to the business is any threat of an action or event, to our industry or activities, which has the potential to threaten the achievement of our business objectives. Business risk arises as much from the possibility that opportunities will not be realised, as it does from the possibility that threats will materialise or that errors will be made. Often these risks reside outside of Tourism Queensland; however, we need to be able to either manage them or to initiate an appropriate response.

## 3. Scope of Risks

The key categories of risk to Tourism Queensland are explained below.

### 3.1. Strategy

Strategic risk relates to Tourism Queensland's ability to achieve sustained, long-term business objectives

### 3.2. Finance

Financial risk is about the ability to operate commercially and to have access to sufficient resources to meet business objectives

### 3.3. Reputation

The enhancement of the image of Tourism Queensland as a good corporate citizen and its compliance with legislative and regulatory requirements, are included in reputation risk

### 3.4. People

The category of risk relating to people is about the protection of employees, clients and the broader community

## 4. Policy Statement

### 4.1. Tourism Queensland's Commitment

Tourism Queensland is committed to:

- Behaving as a responsible and ethical corporate citizen, protecting employees, customers, contractors and their property, the industry and the broader environment from injury, loss or damage
- Achieving its business objectives whilst minimising the impact of significant risks it can meaningfully and realistically control
- Protecting and enhancing the Tourism Queensland 'brands' and assisting the industry and stakeholders to protect and enhance the reputation of Queensland and its tourist destinations
- Finding the right balance between the cost of control and the risks that it is willing to accept as part of the business and industry environment it operates within

### 4.2. How Will We Achieve This?

Tourism Queensland will therefore:

- Identify reasonably foreseeable risks associated with its activities
- Where possible, quantify those risks
- Evaluate each risk in terms of its tolerability to Tourism Queensland
- Treat each risk, giving regard to the magnitude of the risk and the benefit to Tourism Queensland of undertaking the activity that leads to the risk (options for treatment include risk elimination or transfer)
- Manage those risks remaining through monitoring and reporting the risks. All extreme risks will be reported to the Board

These tasks will be formally undertaken for all significant risks. However, whilst carrying out our day-to-day operations, these approaches may be applied less formally for lesser risks.

## 5. Risk Tolerance

Risks will be assessed in accordance with the following consequence and likelihood ratings.

### 5.1. Consequence Ratings

The consequence is the potential impact on the operations of Tourism Queensland and its ability to achieve its business objectives. There may be a range of possible impacts associated with an event. The explanations relating to each of the key risk categories below will assist you in determining the most appropriate consequence rating.

Severity Score	Rating	Strategy	Finance	Reputation	People
5	Catastrophic	Permanent impediment to achieving long-term objective	Loss: > \$5m	Prolonged national adverse media coverage; court hearing; parliamentary intervention	Fatality
4	Major	Short-term strategy cannot be achieved, possible impact on long-term strategy	Loss: \$1m - \$5m	Extended adverse state-wide media coverage or adverse national media coverage; legal action, possible court hearing; ministerial intervention	Severe or permanent injury
3	Moderate	Short-term objective impacted, possible cancellation of projects	Loss: \$100 000 - \$1m	Extended adverse local media coverage or regional / state-wide adverse media coverage; fines for non-compliances with legislation / regulatory requirements; possible legal action	Hospital treatment required
2	Minor	Short-term impact on objectives, usually reported in monthly reporting cycle	Loss: \$50 000 - \$100 000	Temporary adverse local media coverage; correction notices for minor non-compliances with legislation / regulatory requirements	First aid treatment / doctor required
1	Insignificant	Minor impediment to achieving objectives, managed by normal management activities	Loss: < \$50 000	Individual complaints	Minor injuries / no injury

## 5.2. Likelihood Ratings

The likelihood rating refers to the potential for the risk to occur i.e. its probability or frequency. Best judgement should be made based on the information below and on your own experience and intuition.

Frequency Score	Rating	Description
E	Common	The risk is almost certain to occur several times within the next 12 months
D	Likely	The risk is almost certain to occur at least once within the next 12 months
C	Moderate	The risk could occur at least once in the next 1 - 5 years
B	Unlikely	The risk could occur at least once in the next 5 - 10 years
A	Rare	The risk will probably not occur, i.e. less than once in 10 - 20 years

## 5.3. Risk Ranking

The overall risk ranking is determined by finding the point of intersection between the likelihood (vertical axis) and the consequence rating (horizontal axis).

E Common	High	High	Extreme	Extreme	Extreme
D Likely	Moderate	High	High	Extreme	Extreme
C Moderate	Low	Moderate	High	Extreme	Extreme
B Unlikely	Low	Low	Moderate	High	Extreme
A Rare	Low	Low	Moderate	High	High
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic

## 6. Monitoring and Treating Risks

### 6.1. Risk Register

As part of the internal audit planning process, a risk identification and assessment is undertaken on an annual process. This involves interviewing key members of Tourism Queensland's senior management. The findings of that process are used to update the risk register. In addition to this process, Tourism Queensland's risk register is updated by the Legal Advisor in Corporate Services, upon notification of changes in Tourism Queensland's risk profile. The level of reporting required for the relevant business risks is dependent on the risk rankings as evaluated.

The risk register details the risk, its causes and risk level (as determined from the consequence and likelihood ratings). A summary of treatment options available for that particular risk is also provided.

## **6.2. Treatments**

When determining the most appropriate treatment options, all risks need to be considered and their priority levels compared to each other. The resources available to treat these risks also need to be determined. The goal is to treat as many risks as possible with these resources. There are four treatment options for managing risk. They are as follows:

### **6.2.1. Avoid the activity that causes the risk**

Regardless of the risks, some activities have to proceed. This means that a plan of action must be formulated that ensures a reduction or elimination of the key risks associated with these activities.

### **6.2.2. Accept or retain the risk**

Some risks are worth taking and need to be retained. It is important to determine whether Tourism Queensland is in a position, either legally or financially, to carry the risks.

### **6.2.3. Reduce the likelihood of an occurrence or its consequences**

Some actions that can be taken to reduce the likelihood or consequence of a risk include:

- Regular audits and reviews
- Supervision and training
- Adequate controls and processes in place
- Management of key relationships

### **6.2.4. Insure or transfer the risk**

The final treatment relates to the transfer of the risk to another party and / or coverage by an insurance facility. This choice will be driven by the evaluation of the risk versus the benefit of implementing the option.

The Operations team in Finance manages all insurance requirements. By working closely with Tourism Queensland's insurance brokers, they are able to arrange the levels of coverage as required.

## **7. Responsibilities**

### **7.1. Tourism Queensland Board**

The Board retains the ultimate responsibility for risk management and for determining the level of risk that Tourism Queensland is willing to accept in the conduct of its business activities. The Audit Committee, a sub-committee of the Board, will liaise with management in monitoring key risks and will report to the Board to provide assurances concerning the management of risks within Tourism Queensland.

### **7.2. Audit Committee**

The Audit Committee is delegated by the Board with the responsibility for overseeing the risk management activities of Tourism Queensland and approving risk management procedures and measurement methodologies throughout the organisation. The Audit Committee is responsible for reporting higher risk exposures (including all extreme risks) to the Board.

### **7.3. Chief Executive Officer**

The Chief Executive Officer is responsible for ensuring that risk management activities are carried out effectively within Tourism Queensland. Upon request, and at least annually, the Chief Executive Officer will present to the Audit Committee an up-to-date register of key risks to Tourism Queensland.

### **7.4. Executive Directors**

Executive Directors are responsible for ensuring that all staff members within their area of authority comply with the requirements for this policy. This requires that all risks be identified, analysed, evaluated, treated if necessary, monitored and reviewed. Key risks will be reported to the Chief Executive Officer. As key risks are identified they will be incorporated into the risk register.

### **7.5. All Staff**

All staff will identify risks and report them to their supervisor, especially during periods of change to processes or operational practice. Staff will ensure that they comply with all risk treatments.

## **8. Reporting**

The level of reporting required for risks will be determined from their risk ranking, as shown in the risk register.

### **8.1. Extreme Risks**

These risks will be reported regularly to the Audit Committee. The Audit Committee oversees the management of these risks and provides updates to the Board as necessary.

### **8.2. High Risks**

High ranked risks will also be reported regularly to the Audit Committee, who will oversee the management of these risks.

### **8.3. Moderate Risks**

Moderate risks will be reported regularly to the Chief Executive Officer.

### **8.4. Low Risks**

The divisional or departmental director, as appropriate, will manage these risks.