

Water Utilities Australia Pty Ltd

ACN 129 876 213

**WUA-IMS-DOC-011
Enterprise Risk Management Framework**

Version No	Version Date	Approved By	Status	Next Revision Date
0.1	28 March 2017	N/A	Draft	N/A
0.2	7 April 2017	N/A	Draft	N/A
1.0	10 April 2017	General Manager	Superseded	10 April 2020
2.0	13 May 2020	Risk & Compliance Officer	Released	13 May 2023

Document Owner: Risk and Compliance Officer

Document Reviewer: General Manager

Document Approver: Risk and Compliance Officer

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1. Purpose

The purpose of this framework is to:

- Describe the framework of the Enterprise Risk Management (ERM) approach;
- Outline how the ERM framework is applied across Water Utilities Australia (WUA); and
- Outline the roles and responsibilities of all people working across the WUA business

2. Definitions

Control means taking action to eliminate risks so far as is reasonably practicable, and if that is not possible, minimising the risks so far as is reasonably practicable.

Enterprise Risk Management is the process of planning, organizing, leading, and controlling the activities of an organization in order to minimize the effects of risk on the organization. In particular, the strategies and objectives of Water Utilities Group are identified as are the risks associated with these. Mitigation plans and strategies are developed to control these risks should they arise.

Hazard means a situation or thing that has the potential to harm a person, damage property, damage the environment, damage the business, affect the quality of a product or service, or a combination of these.

Hazard identification is the process of recognising that a hazard exists and defining its characteristics.

Risk is the possibility that harm might occur when exposed to a hazard. Harm could be to people, property, the environment, the business, or non-conformance of a product or service.

Risk assessment is the overall process of estimating the magnitude (likelihood and consequence) of risk and deciding what actions will be taken.

3. Commitment

WUA has committed to using an ERM approach consistent with the risk management processes of *ISO31000:2009* to identify the key risks to achieving the organisation's vision of being a privately owned, vertically integrated, national water utility with a customer focus.

4. Enterprise Risk Management

ERM is a structured approach to managing risk exposures and considers the broader consequences of risk across the entire organisation. WUA has used the ERM approach to identify the key risks to achieving the organisation's vision of being a privately owned, vertically integrated, national water utility with a customer focus.

The risks associated with the WUA strategies include:

- Corporate
- Commercial
- Strategic
- Health and Safety
- Environmental
- Quality
- Financial
- Regulatory
- Acquisition
- Reputational
- Operational

The three key strategies of the WUA business have been identified by management as being:

- Service Delivery and Customer Focus
- Financial, Regulatory and Governance
- Safety of our Environment

5. The ISO31000 Risk Management Process

ISO31000 is the accepted global standard for risk management. The Standard was adopted in 2009 and builds upon the previously accepted best practice, AS/NSZ4360:2004 developed by Standards Australia/New Zealand. The approach applies a consistent methodology to ensure that risks are identified and addressed in an appropriate context and that the process is both constantly monitored and communicated.

ISO31000 applies an iterative, communicative management process to risk, *in context* through the following steps:

5.1 Establish the context

Establishing the context of the risk management framework by identifying the strategic objectives of the enterprise and the internal and external environments in which organization operates.

5.2 Assess the risks

The 'Assess the risks' phase incorporates risk **identification, analysis and evaluation**:

5.2.1 Identify the risks

Identify the risks that may impact the enterprise: what risks may arise and why?

5.2.2 Analyse the risks

Analyse the risks that have been identified to determine any existing controls; assess both the consequences of the risk being realised and the likelihood of that event occurring and then use that data to evaluate that risk

5.2.3 Evaluate the risk

Evaluate the risk against established criteria and then rank the risks to allow for prioritisation.

5.3 Treat the risk

Treat the risks with the goal of **ALARP**-ing it, ie making the risk of both occurrence and consequence 'as low as reasonably possible' and recognising that the process is a continuum.

5.4 Monitor and review

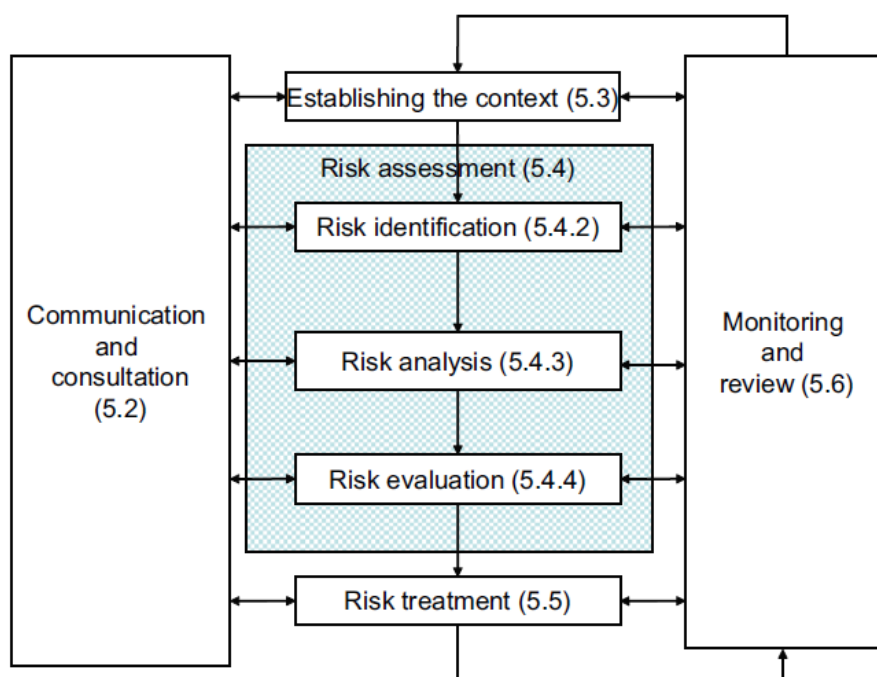
Continually monitor and review both the risks, the risk treatments and the management process.

5.5 Communicate and consult

Continually communicate and consult with the enterprise's stakeholders.

Figure 1 Managing Risks within the ISO3100:2009 process (below), graphically depicts the iterative nature of the process.

Figure 1: Managing Risks within the ISO3100:2009 process



Source: ISO31000:2009

The ERM process together with the responsibilities of management and workers of Water Utilities Australia are listed below in more detail.

6. Establishing the Context

The context in the risk management framework of which WUA operates, is established by identifying the strategic objectives of the enterprise and the internal and external environments in which organization operates.

6.1 Strategic Objectives

The three key strategies of the WUA business have been identified by management as being:

- Service Delivery and Customer Focus
- Financial, Regulatory and Governance
- Safety of our Environment

The objectives of each strategy are:

6.1.1 Service Delivery and Customer Focus

- To have fit for purpose water infrastructure and utility operations through the delivery of quality engineering and operations services that are cost effective.
- To deliver customer service satisfaction through service reliability, responsiveness and customer engagement.
- To enhance our reputation in the community as a socially responsible company.

- To maintain variability in operating outcomes and quality of product.

6.1.2 Financial, Regulatory and Governance

- To maintain vigilance and integrity in achieving financial and regulatory compliance.
- To maintain 100% compliance with our water retail license conditions.
- To keep up-to-date with regulatory changes.

6.1.3 Safety of our Environment

- To ensure our environment is safe for our employees, contractors and the public through continual improvement and compliance.
- To minimise the impact on our environment.
- To prevent workplace injuries or illness to our employees, contractors and the public
- To ensure every worker engaged by WUA understands their QHSE obligations.

6.2 Stake Model

The identified stakeholders, stakewatchers and stakekeepers of WUA are:

6.2.1 Stakeholders

- Employees
- Contractors
- Shareholders
- Perspective and existing customers
- Suppliers and commercial partners

6.2.2 Stakewatchers

- Local community
- Competitors
- Debt financiers

6.2.3 Stakekeepers

- Government
- Local authorities
- Regulatory bodies
- Journalists and media

7. Risk Assessment

7.1 Risk Identification

Identifying risks across the organisation involves identifying situations that could potentially cause harm to people, damage property, cause harm to the environment, damage the business, or, affect the quality of a product or service. Risks generally arise from processes of the organisation and their interaction with:

- customers or members of the public
- other workers
- other processes of the business
- the physical environment
- regulatory requirements
- the economy
- work tasks and how they are performed
- work design and management
- equipment, materials and substances used

Risks can be identified in the following ways:

- Knowledge acquired through training and experience
- Workplace inspections
- Information provided by a manufacturer, designer, or importer
- Communications from regulators or other subscription services
- Near miss reports
- Observations by workers or the community
- Incidents or non-conformances

All known risks must be identified and mitigation plans and strategies put in place to treat the risks for each process undertaken by a WUA business or department. These hazards are to be recorded in either the WUA Corporate Risk Register (if the hazard has the potential to affect the whole of the organisation), the business unit Risk Register (if the hazard affects the ongoing operations of the business unit) or on a specific project's risk register (if the hazard only affects a particular project) (See: **WUA-IMS-DOC-PM-001 Project Management Manual**).

If a new risk is identified that is not currently recorded on either the corporate risk register, business unit risk register or a project risk register, then the person who has identified the risk must complete the IMS form, **WUA-IMS-FORM-002 Hazard Report** and submit it to the Risk and Compliance Officer.

The Risk and Compliance Officer shall ensure that the risks are kept updated on the relevant risk register.

7.2 Risk Analysis and Risk Evaluation

Once hazards have been identified, the risks are analysed and evaluated (unless the risk is well known and has well established and accepted treatment measures). The risk analysis and evaluation process identifies the magnitude of the risk.

A risk analysis and evaluation for all identified risks that have **no** well-known and well established treatment measures must be made using the WUG risk assessment matrix (see: **Appendix 1**). The risk analysis is conducted taking into account the consequence and likelihood of the risk with only the current controls (or lack of controls) being in place. The risk rating is then recorded in the risk register.

The WUA risk assessment matrix allows a risk score (1 to 25) to be allocated to each risk. The risk score equates to **likelihood x consequence**. The risk assessment matrix also ranks risks as low, medium, high or extreme. This enables the risks to be ranked according to their potential for harm.

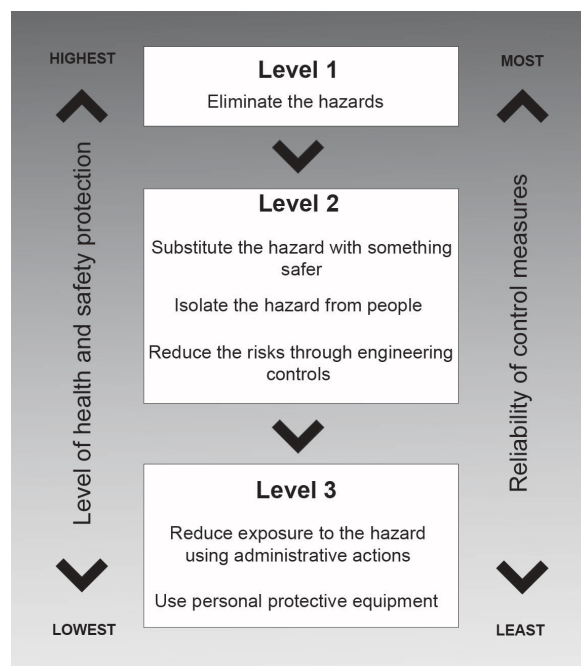
8. Risk Treatment

Once the risks have been assessed, treatments need to be implemented to manage the risks. The most effective step in managing risks involves eliminating them so far as is reasonably practicable, or if that is not possible, minimising the risks so far as is reasonably practicable.

There are many ways to treat risks. Some treatment measures are more effective than others. The ways of treating risks are ranked from the highest level of protection and reliability to the lowest as shown in **Figure 2**. This ranking is known as the hierarchy of risk control.

The first preference for control of risks must always be to eliminate a hazard, which is the most effective control. If this is not reasonably practicable, the control must minimise the risk by working through the other alternatives in the hierarchy.

Figure 2: The hierarchy of risk controls



Source: Safe Work Australia, Model Code of Practice, How to Manage Work Health and Safety Risks, December 2011

Once treatments have been allocated to a risk they are recorded in the risk register. The risks must then be risk assessed again using the WUG risk assessment matrix (See: **Appendix 1**), this time taking into account the treatments identified. This is known as the residual risk rating. The residual risk rating is recorded in the risk register.

If the residual risk rating has not been reduced to an acceptable level, additional treatments will need to be implemented that bring the residual risk rating down to an acceptable level.

9. Responsibilities

9.1 Responsibilities of Management

Each manager must ensure that all reasonably foreseeable risks are identified in the area of the business they are responsible for. The risks must be recorded in the WUA Corporate Risk Register (if the risk applies to the whole of the business) or on the project specific risk register.

Each manager must ensure that a risk assessment is conducted for each risk identified in the area of the business they are responsible for, unless the risk is known and has well established and accepted treatment measures.

Each manager must, for risks identified in the area of the business they are responsible for, consider various treatment options and choose the treatment that most effectively eliminates the hazard or minimises the risk in the circumstances using the ALARP process. The hierarchy of risk controls must be followed in this regard. This may involve a single treatment measure or a combination of different treatments that together provide the highest level of protection that is reasonably practicable.

Some risks can be resolved easily and should be eliminated straight away, while others will need more effort and planning to resolve. Of those requiring more effort, the relevant manager should prioritise areas for action, focusing first on those risks with the highest level of risk.

9.2 Responsibilities of Workers

All workers (including contractors) must report any uncontrolled risk they identify using Skytrust or the IMS form, **WUA-IMS-FORM-002 Hazard Report**.

All workers (including contractors) must ensure that they perform all tasks using the treatment measures implemented to treat risks and immediately report to their manager any treatment measures that are unable to be implemented for any reason.

All workers must only perform tasks for which a standard operating procedure (SOP), a job safety analysis (JSA), or safe work method statement (SWMS) has been developed and approved. The SOP, JSA, or SWMS must list the job steps, identify the risks of each job step, assess the risk level of each risk and list the treatments necessary to treat each risk.

9.3 High Risk Work

Where tasks undertaken within the business are considered to be 'High Risk' they may have their own procedure developed. Workers are required to comply with the requirements of the procedure and associated risk assessment protocols.

For example, a specific risk assessment, known as a confined space assessment, must be carried out for every identified confined space under the control of Water Utilities Australia. This is recorded on the form, **WUA-IMS-FORM-H&S-001 Confined Space Assessment**.

9.4 Contractors

WUA has a duty of care to ensure that contractors and sub-contractors are provided with a safe environment to work and that all foreseeable risks for the work they are to perform are identified, assessed and controlled as far as is reasonably practicable

10. Additional Resources

WUA-IMS-DOC-012 *Incident Investigation and Corrective/Preventative Action Procedure*

WUA-IMS-DOC-015 *QHSE Consultation, Communication and Reporting Procedure*

WUA-IMS-DOC-016 *QHSE Monitoring and Measurement Procedure*

WUA-IMS-DOC-017 *QHSE Internal Audit Procedure*

WUA-IMS-DOC-018 *IMS Management Review Procedure*

Work Health and Safety Act 2012 (SA), s17

Safe Work Australia, Model Code of Practice, *How to Manage Work Health and Safety Risks*,
December 2011

AS/NZS ISO 31000:2009 Risk management – Principles and guidelines

Appendix 1: Water Utilities Group Risk Assessment Matrix

		Consequence						
		People	Injuries or ailments not requiring medical treatment.	Minor injury or First Aid Treatment Case.	Serious injury causing hospitalisation or multiple medical treatment cases.	Life threatening injury or multiple serious injuries causing hospitalisation.	Death or multiple life threatening injuries.	
		Environment	Minor environmental consequence (minor spill)	Environmental nuisance (unsightly or offensive condition caused by pollution)	Material environmental harm (actual or potential harm that is not trivial)	Serious environmental harm (actual or potential harm that is of a high impact or on a wide scale)	High level serious environmental harm (serious environmental harm that affects the wider community)	
		Reputation	Internal Review	Scrutiny required by internal committees or internal audit to prevent escalation.	Scrutiny required by external committees or Auditor General's Office, or inquest, etc.	Intense public, political and media scrutiny. E.g., "Front page headlines, TV, etc.	Assembly inquiry or Commission of inquiry or adverse national media.	
		Business Process & Systems	Minor errors in systems or processes requiring corrective action, or minor delay without impact on overall schedule.	Policy/procedural rule occasionally not met or services do not fully meet needs.	One or more key accountability requirements not met; inconvenient but not threatening.	Strategies not consistent with Government's agenda. Trends show service is degraded.	Critical system failure, bad policy advice or ongoing non-compliance. Business severely affected.	
		Financial	1% of Budget or <\$5K	2.5% of Budget or <\$50K	>5% of Budget or <\$500K	>10% of Budget or <\$5M	>25% of Budget or >\$5M	
				Insignificant	Minor	Moderate	Major	Catastrophic
				1	2	3	4	5
		Almost Certain	5-M	10-H	15-H	20-E	25-E	
		Likely	4-M	8-M	12-H	16-H	20-E	
		Possible	3-L	6-M	9-M	12-H	15-H	
		Unlikely	2-L	4-M	6-M	8-M	10-H	
		Rare	1-L	2-L	3-L	4-M	5-M	
Likelihood		Probability:	Historical:					
		> 1 in 10	Is expected to occur in most circumstances					
		1 in 10 – 100	Will probably occur					
		1 in 100 – 1,000	Might occur at some time in the future					
		1 in 1,000 – 10,000	Could occur but doubtful					
		1 in 10,000 – 100,000	May occur but only in exceptional circumstances					

Adapted from Standards Australia Risk Management AS/NZS 4360: 2004