

# **Papua New Guinea – Australia Transport Sector Support Program (TSSP)**

*Supported by the Australian Government - AusAID*

## **RISK MANAGEMENT POLICY**

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THIS DOCUMENT WAS PRODUCED BY MR PETER WHITE, ON BEHALF OF SMEC INTERNATIONAL PTY LTD  
IN SUPPORTING THE PNG-AUSTRALIA TRANSPORT SECTOR SUPPORT PROGRAM

## TSSP Risk Management Policy

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### 1.0 Introduction

- 1.1. This policy has been developed as a part of the TSSP Risk Management Framework.
- 1.2. The concept of managing risk is an integral part of the accountability requirements at all levels in AusAID, including programs, such as TSSP.
- 1.3. It has been developed to ensure that TSSP has analysed and determined an appropriate treatment for all risks of a significant or material nature and that the identification and assessment of risks is undertaken regularly.
- 1.4. This policy has also been developed to ensure that all members of TSSP are aware of those things that may constitute risks to TSSP and have the means, opportunity and confidence to report potential risks as they are encountered.

This policy applies to all staff, consultants, contractors and other persons engaged by TSSP.

### 2.0 Purpose

- 2.1. To protect and enhance all of TSSP's resources to enable its program objectives as identified in the Program Plan to be achieved.
- 2.2. To protect TSSP given the environment within which it operates.
- 2.3. To apply risk management principles in all areas of endeavour in accordance with best practice and relevant Standards.
- 2.4. To apply and incorporate TSSP's Risk Management Framework into the ongoing program planning process.
- 2.5. To ensure all risk management decisions and practices are in accordance with TSSP's policies, ethical standards and values.

### 3.0 Objective

- 3.1. To preserve TSSP's ability to deliver its objectives as identified in the Program Plan, in a legally correct, timely, efficient and effective manner.
- 3.2. To maintain the highest possible integrity in all the dealings of TSSP.
- 3.3. To ensure resources are identified, safeguarded and responsibly and efficiently deployed.
- 3.4. To demonstrate transparent and responsible risk management processes which align with best practice.
- 3.5. To create an environment where all TSSP personnel assume responsibility for managing risk.
- 3.6. To ensure TSSP can appropriately deal with risk.

### 4.0 Policy statement

TSSP will:

- 4.1. Maintain a structured approach to risk assessment, management and reporting by establishing a Risk Management Framework within which all risks of a significant or material nature will be analysed and appropriate treatments will be determined for these risks.
- 4.2. Communicate this policy and provide appropriate training and information regarding risk management to all TSSP personnel, consultants, contractors and other relevant people.
- 4.3. Establish risk evaluation criteria that are related to TSSP's objectives
- 4.4. Regularly conduct risk assessment workshops to identify and quantify risks, and assess controls for inclusion in the strategic planning process.
- 4.5. Maintain a TSSP risk management matrix and report on risk treatments on a regular basis to ensure these treatments are actioned by the responsible person within agreed timeframes.
- 4.6. Assign responsibility for any necessary corrective action, set completion dates, and monitor and regularly report progress.
- 4.7. Adopt appropriate risk control techniques.
- 4.8. Undertake a comprehensive review of all activities to assess the extent of compliance with TSSP's policy for managing risk.
- 4.9. Review relevant aspects of the Risk Management Framework annually.

### 5.0 Definitions

#### 5.1 Risk

- 5.1.1. Risk is any exposure to potential loss or damage that can impact upon TSSP's objectives, or any opportunity that is not being maximised by TSSP to meet its objectives. Risks are measured in terms of their likelihood and consequences.
- 5.1.2. Failure to manage risk can lead to stakeholder dissatisfaction, increased costs, personal injury, damage to property and reputation, breaches of agreements, negative publicity, litigation, etc.

#### 5.2 Risk Management

- 5.2.1. Risk management is the systematic, positive identification of threats to resources (both human and economic) and the development of appropriate strategies that minimise risk. The process involves identifying, analysing, evaluating, treating and monitoring risks within an established context and communicating with all those affected.
- 5.2.2. More simply put, risk management is a process for identifying what could stop TSSP from achieving its objectives, and preparing for these things should they occur. Generally, risk management tends to focus on what can go wrong, but it should also focus on opportunities for improvement and innovation as well.

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5.2.3. Risk management involves the implementation of procedures designed to reduce the likelihood of adverse events occurring, preventing or limiting loss from any cause before an event takes place and or reducing the consequences if the event does occur.

### 5.3 Risk Management Framework

5.3.1. The Risk Management Framework comprises this Risk Management Policy, the Risk Management Process Guide, and the Risk Management Plan supporting these documents and implementing their objectives.

## 6.0 Approach

### 6.1 Model

Risk management is an iterative process of continuous improvement that is best embedded into existing practices or business processes. The process of risk management adopted by TSSP is based on the AS/NZS4360:2004 standard as set out in the figure below.

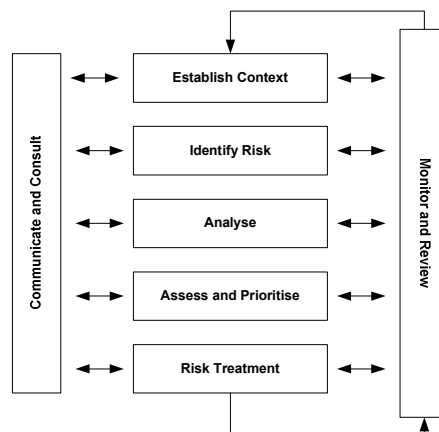


Figure 1: Risk Management Process

The main elements of the TSSP risk management process are:

- **Communicate and consult:**  
Liaise with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- **Establish the context:**  
Define the basic parameters within which risks must be managed and set the scope for the rest of the risk management process. The context includes TSSP's external and internal environment and the purpose of the risk management activity.
- **Identify risks:**  
This step seeks to identify the risks to be managed.

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- **Analyse risks:**  
Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur.
- **Assess and Prioritise:**  
Compare estimated levels of risk against pre-established criteria (see risk management matrix in Risk Management Process Guide) and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.
- **Treat risks:**  
Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs. Allocate responsibilities to those best placed to address the risk and agree on target date for action.
- **Monitor and Review:**  
Each stage of the risk management process must be documented. It is necessary to monitor the effectiveness of the risk management process. This is important for continuous improvement. Risks and the effectiveness of treatment measures need to be monitored to ensure changing circumstances are taken into consideration.

### 7.0 Roles and Responsibilities

The following roles and responsibilities exist for the implementation of effective TSSP wide risk management.

#### 7.1 Senior Program Management Team (SPMT)

The SPMT are responsible for the implementation and maintenance of sound risk management and will:

- Commission the development of a Risk Management Framework for review by the TSCMIC
- Monitor and review the existence and effectiveness of management controls and reporting systems in respect of the major risk areas.

#### 7.2 Program Manager

The Program Manager will:

- Ensure the Risk Management Framework is developed.
- Arrange audits and reviews of key risk areas and controls.
- Maintain the framework and the TSSP Risk Management Plan.

### 7.3 TSSP Staff

TSSP staff will:

- Act diligently and with due care in all professional dealings.
- Report potential risks encountered in their professional dealings to the Program Manager,
- Implement risk treatments delegated to them.

### 7.4 TSCMIC

Initially the TSCMIC will

- Review and endorse the Risk Management Framework.

Subject to the TSCMIC's agreement, it is anticipated that in the future, they will play a more active part in the ongoing management and review of risks within TSSP.

## 8.0 Review

This policy will be reviewed annually.