Treasury

February 2018

Risk Management Framework (TIPP5.01)

Version

Document number: A3457989	Version number: 2.0
Original issue date	November 2016
Revised	July 2017; February 2018

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1.1 Introduction

NSW Treasury's (Treasury) vision is to create a world class Treasury team that enables the Government to deliver on its promises to the people of NSW that the State will always be a great place to live and work. Our purpose includes the provision of strong and transparent risk management.

This Risk Management Framework (Framework) outlines NSW Treasury's approach to enterprise risk management. Risk management is an integral part of good management practice and an essential element of good corporate governance. This Framework should be read in conjunction with Treasury's Compliance Framework and Fraud and Corruption Prevention Framework documents as compliance risk (or legal and regulatory compliance risk) and fraud risk are considered risk categories in themselves.

Treasury's Leadership Team and senior management are committed to developing a risk management culture, where risk management is not seen as a separate exercise but rather, as an integral component to the achievement of our objectives and integrated into all our business activities. The integration of risk management into our business activities means staff are alert to risks, are capable of performing an appropriate level of risk assessment to accept risk within our risk appetite and are confident to report risks or opportunities perceived to be important in relation to Treasury's priorities and goals. All managers and staff (including temporary staff and contractors) are responsible for the management of risk in accordance with this Framework.

Treasury's Framework has been developed in accordance with the NSW Government's Policy Paper's TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector (under Principle One) and TPP12-03 NSW Risk Management Toolkit for Public Sector Agencies.

Effective risk management processes are also required by the *Public Finance and Audit Act 1983* and the *Work Health & Safety Act 2011*. The *Annual Reports (Departments) Regulation 2015* requires agencies to report on their risk management and insurance arrangements. Agencies must also attest annually to compliance with all of the core requirements of TPP15-03.

1.2 Objectives

Treasury has established the Framework for the management of risk across all parts of its operations and has adopted the definition of risk used in AS/NZ ISO 31000:2009: Risk management – Principles and Guidelines:

"The effect of uncertainty on objectives"

Risk can be applied in a strategic context including positive and negative impacts. The term "Risk Management" refers to having an overview of Treasury's risks, our risk appetite and the way we choose to manage our strategic and major operational and project risks.

This Framework deals with risk management by aiming to provide a standard for consistency in the language of risk including risk identification, analysis, evaluation, treatment, monitoring, communication, management and reporting that can be applied to strategic and business planning as well as project management.

The aim of the Framework is to ensure that:

- the Secretary, the Leadership Team, the Extended Leadership Team and all managers can confidently make informed business decisions
- change opportunities and initiatives can be pursued with greater speed, robustness and confidence for the benefit of Treasury and its stakeholders
- there is greater certainty in achieving strategic objectives
- daily decisions at the operating level are made within the context of Treasury's capacity to accept risk.

As a central agency of the NSW Government, Treasury may also apply the Framework to support a whole-of-government view (for example, when considering risks in the development of the Budget or state-wide accounting processes).

1.3 Scope

The Framework applies to all staff including contractors and consultants engaged by Treasury and any entities to which Treasury provides principle department-led shared arrangements for audit and risk committees.

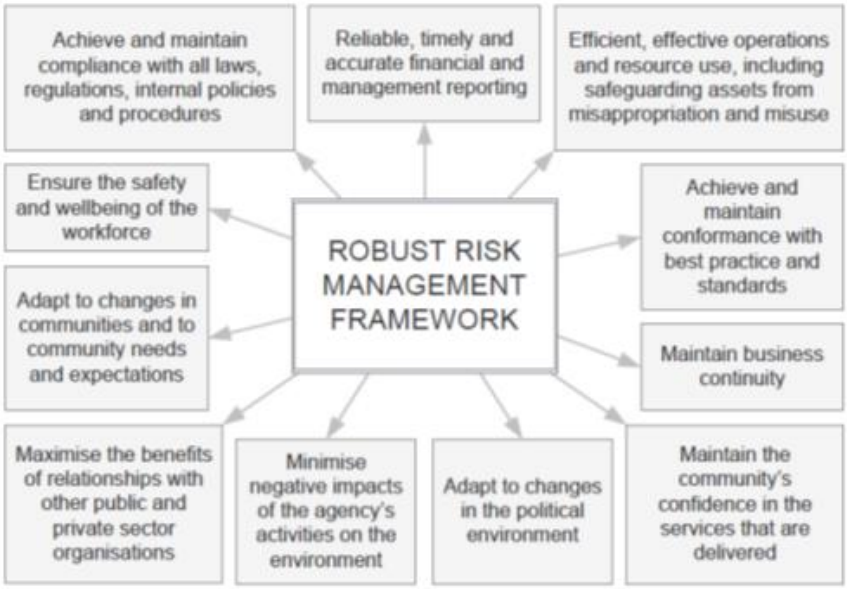
1.4 Background

1.4.1 Benefits of effective risk management

The successful identification, analysis, evaluation, treatment, monitoring, communication and management of key risks remove or minimise negative deviations from Treasury's objectives. It also assists with the early identification of opportunities. This Framework is intended to ensure that Treasury engages with risk at all levels in an effective, efficient, consistent and integrated manner.

Benefits of a robust risk management framework are summarised in Figure 1 below:

Figure 1: Benefits of a robust risk management framework



Source: TPP12-03 *Management Toolkit for NSW Public Sector Agencies*

1.5 Responsibilities

As an integral part of Treasury's management systems, covering all aspects of the business, ownership of the Framework rests with the entire Extended Leadership Team. In practice, however, the custody of this Framework rests with the Secretary who is responsible for ensuring that the Framework is implemented, tested, maintained and updated. The Secretary is assisted in this process by the Director of Risk, who is Treasury's Chief Risk Officer (CRO).

Accountability is central to an effective risk management framework. Table 1 identifies the key responsibilities regarding risk management within Treasury.

Table 1: Key Responsibilities

Secretary	• Governance responsibility for risk management and legal compliance within Treasury. • Strategic responsibility for advising the Treasurer on risks and opportunities for strengthening State finances and the policy settings driving the State economy. • Required to provide an annual attestation that Treasury complies with TPP15-03.
Audit & Risk Committees (ARC)	• Provides independent advice to the Secretary on risk management and legal/regulatory compliance within Treasury. • As input to its advice, the ARC continually monitors: risk identification, assessment and treatment; Treasury's control framework; external accountability, particularly in relation to financial statements including the accounts of the Total State Sector; compliance with laws, regulations and policies; external audit findings; and the Internal Audit program, including management's progress in implementing agreed actions arising from both internal and external audit recommendations. • Oversees the implementation and operation of this Risk Management Framework, and assesses its adequacy. The ARC monitors the internal policies for identifying and determining the risks to which Treasury is exposed to in accordance with TPP15-03, with particular focus on reviewing the implementation of risk treatments.

Chief Audit Executive /Director of Audit
3rd line of defence
	• Supports the ARC and reports to the Secretary on audit maters.
	• In consultation with the Secretary and the ARC, plans Treasury's annual Internal Audit programs and subsequently manages them.
	• Internal Audit reviews the efficiency, effectiveness and compliance of priority programs/processes as well as the adequacy of internal controls. It is responsible for:
	  ○ directing internal audit activity which relates to the critical controls for high-level Operational and Strategic risks within the business
	  ○ independently reviews selected controls as part of the Internal Audit Plan to provide assurance that key controls are in place and are effective.

Director of Risk CRO – **2nd line of defence**	• Assists the Leadership Team and staff to identify and assess risks and associated control effectiveness and determine appropriate treatments. • Embeds Treasury's risk management, fraud and corruption prevention and compliance frameworks within Treasury and reports on their effectiveness to the Leadership Team and the ARC. • Manages Treasury's business continuity planning including resources, tools and procedures. • Provides expert advice and assistance on risk management to the Leadership Team, Divisions, Business Units and project teams. • Manages the Protecht risk management system including provision of specialist support to Treasury in the use of the system.

Extended Leadership Team (includes Leadership Team) and Business Unit Managers **1st line of Defence**	• Monitoring of the identified risks within their area of responsibility. Key requirements are: ○ ensuring the completion, accuracy and updating of risk management plans within their area of responsibility; ○ championing risk management within their area of responsibility; ○ monitoring and reviewing the risks for completeness, continued relevance, and effectiveness of risk controls and treatment plans while taking into account changing circumstances, and ○ operational responsibility for advising the Secretary and Treasurer on risks and opportunities in relation to State finances and economic drivers.
Project Sponsors and Project Managers	• Identifying, analysing, evaluating, treating, monitoring, communicating, managing and reporting on Project risks, advising the Project Management Office (PMO), the project steering committee and/or senior management.
Risk Champions	• provide advice, advocate risk management, educate others through doing which will lead to embedding the Treasury Risk Management Framework across the organisation. • review existing Group risks including the progression of treatment actions, existence and effectiveness of controls • identify new of emerging risks and associated controls at the Divisional level, which means working with Division leadership team members. • assist in gathering Key Risk Indicators' information.
All staff	• Understand and act on their responsibility to report new risks or increases in risk in a timely way and escalate in accordance with Table 5. • Have regard to the organisation's risk appetite in the way staff perform their own work.

1.6 Risk Appetite

Treasury's internally focussed risk appetite statement sets out the maximum acceptable level of risk / risk impact which combine to articulate Treasury's attitude towards risk and the level of risk Treasury is prepared to take in pursuit of its strategic objectives and ongoing operational commitments.

Our risk appetite should be used to support decision making and shape change activities whilst maintaining focus upon current business operations within the parameters described. The Leadership Team will use the risk appetite to review business decisions for Treasury the agency at an overall aggregate level.

Risk taking is a necessary and desirable part of doing business. The defining of our risk appetite is intended to support considered risk taking whilst maintaining Treasury's operational and financial stability and protecting our reputation. It is acknowledged that instances may occur where it is considered to be in Treasury's broader interests to act outside of one or more of the parameters set out in **Appendix 1**. This should nonetheless be subject to Leadership Team approval.

The Treasury Risk Appetite Policy (TIPP5.01A) provides further guidance on applying the Risk Appetite Statement (RAS) to assess Treasury's Risks. The tolerances defined in the RAS should be used as a guide for determining the acceptable level of risk associated with key business functions performed by Treasury.

1.7 Control Assurance

The Framework is largely self-regulating. Control assurance is principally through the use of control self-assessment, practised by risk and control owners. The online risk management system (Protecht) supports the proactive monitoring of controls and provides evidence that review of controls is taking place. Control assurance is focused on validating this measure in terms of both the adequacy and effectiveness of controls.

See also 2.3.3 Risk Controls and Effectiveness. Where it is required, Internal Audit will review specific controls as part of the annual Internal Audit program.

1.8 Risk Management Maturity Evaluation

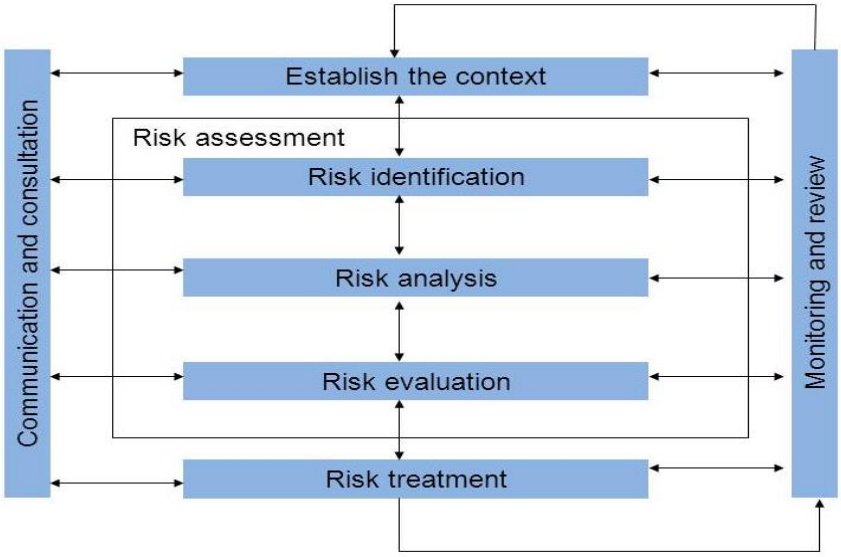
A formal system is to be introduced which will measure and report risk maturity and its improvement over time in Treasury. The evaluation will be conducted using a protocol in TPP 15-03 or an internal audit to provide the ARC with an accurate representation of the maturity across Treasury.

2. Risk Management Requirements

To provide the highest degree of consistency practicable in the management of risk across Treasury it is important to have a systematic means of establishing the context in which we are operating and for identifying, analysing, evaluating and treating risk in the most effective way within the demands of that context.

The seven elements of the ASNZS/ISO 31000:2009 risk management process and their interrelationships are shown in Figure 2 below. Risk identification, analysis and evaluation are collectively known as “risk assessment”.

Figure 2: The Risk Management Process



Source: ASNZS/ISO 31000:2009

2.1 Requirement 1 – Establish the Context

Risk is the effect of uncertainty on Treasury’s objectives. Because of this, the first step is to identify and understand those objectives.

Depending on the level at which we are identifying risk, the context may come from the Government’s priorities, Treasury’s strategic level planning, from a Branch’s business plan, or from a program or project plan. When identifying and evaluating risk, we also need an understanding of Treasury’s internal strengths and weaknesses relevant to its goals and to the objectives that most closely concern us. Bearing the strengths in mind may assist with the identification of unforeseen opportunities.

The more we understand our internal and external operating environment, and the expectations of our stakeholders, the better prepared we are to identify and evaluate those risks which are likely to prevent the efficient achievement of our goals in line with our appetite for risk.
Factors to consider in the external environment include the political environment, economic conditions, social norms and trends, technology, major international trends and laws and regulations. In its role as a central agency, Treasury also needs to consider the strengths and weaknesses of the structures and systems at its interface with other agencies.

2.1.1 Strategic Risks

Strategic risks relate directly to our strategic planning and management processes. Strategic risks are those which could significantly impact on the achievement of our vision and strategic objectives as outlined in Treasury's Strategy. These are high-level risks which require identification, treatment, monitoring and management by the Leadership Team and Extended Leadership Team.

The Leadership Team conducts formal reviews of strategic risks annually, including the progress of risk controls and mitigation strategies. These reviews also involve identifying any new or emerging risks that might affect the achievement of its goals and group and business plans' objectives.

2.1.2 Operational Risks

Operational risks generally require oversight by each Group and associated Divisional head, or by the relevant program or project steering committee.

Operational risks are those which could have a significant impact on the achievement of the:

- strategic objectives and goals from the perspective of the actions undertaken by a particular Division, Business Unit or project, or
- individual programs or project management objectives.

Each operational risk has a nominated Risk Owner who manages the risk and reports as required to the responsible Group or Divisional head. In some instances, these risks may require escalation to the Leadership Team.

All Divisions, Business Units and projects conduct formal reviews of operational risks at least annually, including the progress of risk controls and treatment plans. The reviews also involve identifying any new or emerging risks that might affect the achievement of plan objectives and budgets of the respective Division, Business Unit or project.

2.1.3 Project Risks

A major and/or priority project should have significant risks managed at the Sponsor, Group Head or Division / Business Unit area level depending on Treasury's exposure. In particular:

- all major projects are planned using a suitable risk assessment to focus their execution plan on the major sources of uncertainty – the risks
- the financial justification and business case for the project are subjected to a suitable risk assessment
- the project risk management plan is to be reviewed at least at each phase of the project life cycle:
    - pre-project
    - project initiation
    - project delivery
    - project close - for lessons learned, and for passing any remaining risks to business as usual management
    - and if major changes are made to the business case, scope, timeframe or budget.

During the project delivery phase of a project the critical controls should be subjected to an assurance assessment in accordance with Section 2.3.3.

2.2 Requirement 2 – Identifying Risks

2.2.1 Identify Risk

The next step is to identify and document all the key risks that may impact on Treasury's ability to achieve its objectives. A list of key risks is identified, based on those risk events that might prevent, degrade, or delay the achievement of our business objectives. Key areas to consider when identifying risks to the business objectives include people, service delivery, financial, regulatory, external events (e.g. natural disasters, man-made disasters, and security), ICT, health and safety, government requirements, fraud and stakeholders.

Risk categories commonly used in Treasury include:

- compliance (i.e. with laws, regulations, Premier/Treasurer Circulars, NSW Government and Treasury policies)
- financial (i.e. the risk involves the department's or state-wide financial losses)
- reputational (a particularly important concern for any Treasury)
- fraud and/or corruption
- Information technology and security
- people/capability (i.e. key person risk)
- service delivery
- stakeholder engagement
- work health and safety
- business continuity (specifically, risks related to recovery after an incident)

2.2.2 Identify Causes of Risk

It is important that the potential causes of each risk are identified and recorded. In some cases, a cause may become a risk where it is considered that it requires its own controls and possibly its own risk treatment plan. As an example, a cause of the strategic risk '*Fraud or corruption'* could be '*the gifts and benefits register not kept up to date and requirements not understood*'. This cause may also need to be dealt with as a risk at the operational level (Division / Business Unit), as it requires its own controls and treatments to manage. Refer to **Appendix 2** for a Library of Treasury's common identified risks.

2.2.3 Identify the Impact

It is also important to identify the potential impacts of a risk, particularly when determining the consequence, risk rating and risk level. It is quite possible for the impacts to occur in a number of areas of the consequence criteria (Table 3), but also several times within an area of consequence.

For example, an impact of risk around *'Fraud or corruption'* may be rated highest as a '*regulatory non-compliance'* consequence but the impacts on the organisation could include '*a reputation, financial, media interest/reporting, client/stakeholder negative feedback, etc*'.

2.3 Requirement 3 – Analyse the Risk

2.3.1 Consequence and Likelihood

To analyse a risk to determine its severity, a risk matrix is used to identify the highest impact consequence with the likelihood of it happening.

Once the risk has been identified, a likelihood rating is determined from **Appendix 3 – Table 2** based on the corresponding likelihood that Treasury and its stakeholders could be affected.

A consequence rating is determined from **Appendix 3 - Table 3** based on the highest potential adverse impact on Treasury and its stakeholders. Where there is more than one type of consequence possible, the one that gives the most severe adverse consequences should be selected as the basis for the rating.

2.3.2 Risk Level

The risk level is the outcome of the combination of consequence and likelihood using the risk matrix (**Appendix 3: Table 4: Risk Level Matrix**). To determine the overall risk level, (expressed as Extreme, High, Significant, Moderate and Low), the consequence and likelihood are multiplied together in the risk matrix**.** For example, a Likelihood of possible (3) combined with a consequence of moderate (3) equates to an overall risk rating of moderate.

The final overall level of risk rating following the application of Controls is reviewed by the appropriate manager, based on Treasury's risk appetite and reporting requirements. Refer to **Appendix 3: Table 5: Residual Risk Level Action Requirements**.

The risk levels are expressed as follows:

- **Inherent risk** level is the level of risk **before** controls and their effectiveness are considered.
- **Residual risk** level is the level of risk **after** controls and their effectiveness are included in the assessment.

The residual risk review and action requirements are outlined in **Appendix 3 – Table 5.**

2.3.3 Risk Controls and Effectiveness

As defined in AS/NZS ISO: 31000:2009, a control is a measure that modifies risk and can include a process, policy, device, practice or automated system. Any controls listed as a mitigating factor must then be assessed for their overall effectiveness (determined by looking at their design and performance effectiveness) when determining the residual risk. This ascertains how the appropriate residual risk level is rated compared to the inherent risk level. Refer to Appendix 4: **Table 6: Control Design; Table 7: Performance; Table 8: Overall Effectiveness and Table 9: Effectiveness Definitions.**

The assessment of control effectiveness requires a robust and defensible assessment of controls. A quantitative assessment technique can be used to determine the adequacy of existing controls to mitigate a particular risk.

For example, a control to mitigate the risk of 'fraud or corruption' occurring, could be ensuring that there is a 'gift and benefits register in place'. The control, however, may only be rated 'partially effective' (refer to **Table 8: Control Effectiveness)** because a survey of staff has been undertaken

which indicates that the 'requirement to complete the gift register is not understood by all staff, particularly temporary staff'. As a result, the control is determined to be weak and does not adequately mitigate the risk. In this example, the recommended action would be that management implements further controls/actions to manage the risk and improve the standard of control effectiveness.

a) Control Design and Implementation

Assess the effectiveness of the control design and implementation. That is, are the controls capable of managing the risk and maintaining it at an acceptable or tolerable level. Refer to **Appendix 4 – Table 6: Control Design.**

b) Control Performance

Are the controls operating as intended? Have they been, or can they be, proven to work in practice, and are they cost effective?

Note: When considering "Failure Rate", it is the failure rate with respect to the Risk Appetite of failure for that control. It is understood many controls can and do fail especially on high volumes of transactions. **Refer to Appendix 4 – Table 7 Control Performance**.

c) Control Effectiveness Rating

The overall Control Effectiveness rating is generated from the inputs you determined for (a) Controls Design and Implementation and (b) Control Performance. **Refer to Appendix 4 –Table 8: Control Effectiveness**.

2.4 Requirement 4 - Evaluating Risk

The results of risk analysis are subjected to risk evaluation to make decisions about whether further treatment is required, which risks need treatment, treatment priorities and whether the risk must be escalated to the next level of management for review. (**Refer to Table 5: Residual Risk Level Action Requirements).**

Generally, a risk review involves four distinct steps, these being:

- comparison with similar risks
- in accordance with Table 5, escalation to the next level of management for review and acceptance, and then reporting and managing by an appropriate manager
- where required, the development of treatment plans to further reduce the residual risk level
- regular review as required by the residual risk level.

The decision to tolerate a risk and continue the exposure should be based on a consideration of the:

- cost-effectiveness to further treat the risk
- willingness of Treasury to tolerate risks of that type and level
- need to escalate the risk to the next level of management to manage.

Low and moderate risks may be accepted with minimal further treatment. They are to be monitored and reviewed periodically to ensure they remain tolerable.

2.5 Requirement 5 - Treating Risks

Risk treatment is the activity of selecting and implementing appropriate treatment measures to modify and reduce the risk. Risk treatment includes, as its major element, risk controls and includes the treatment options below. Any system of risk treatment should provide efficient and effective internal controls.

Additional treatments, in the form of treatment plans may be required if the residual risk level is unacceptable (Extreme, High and Significant residual risks), refer to **Table 5**: Residual Risk Level Review Requirements.

Treatment options, which are not necessarily mutually exclusive or appropriate in all circumstances, should be considered in the order below:

- Risk Avoidance: to avoid a risk with a detrimental consequence by deciding not to proceed with the activity likely to create risk (where this is practicable)
- Changing the likelihood of the risk: to enhance the likelihood of beneficial outcomes and reduce the likelihood of negative outcomes
- Changing the consequences: to increase the gains and reduce the losses, this may include emergency response, business continuity plans and disaster recovery plans
- Risk Transfer: this may include taking the appropriate insurances or the requirement for a warranty as part of a contract
- Risk Tolerance without further treatment: this involves an explicit decision to accept the risk.

Selecting the most appropriate treatment option involves comparing the cost of implementing each option against the benefits derived from it. In general, the cost of treating risks will need to be commensurate with the benefits obtained.

Several treatment options should be considered and applied, either individually or in combination.

Additional risk treatments to reduce the residual risk level may be resolved into either a treatment plan or several specific treatment plans and these are to be allocated to nominated individuals who are accountable for their completion. Once treatment plans have been completed they may, if appropriate as an ongoing mitigation for a risk, become a control.

2.6 Requirement 6 - Monitoring and Reviewing Risks

On a quarterly basis, the Leadership Team and the ARC review all Strategic, Operational and Project risks with a residual risk rating of “significant” or greater. The review includes the provision of a risk management report which includes:

- any significant changes in the risk profile (including emerging risks) since the last report and the reasons for the changes
- an update on the progress and implementation of mitigation treatments
- any other specific risk issues or concerns.

Each Group executive team will review their operational risks and update the progress on the implementation of identified mitigation treatments at least biannually. Risks with a residual rating of significant or greater and/or with mitigation treatments will be reviewed on a quarterly basis. Project steering committees will determine the timing of the review of project related risks. The timing will be outlined in each project’s governance arrangements.

2.6.1 Recording Risks

All risks are to be recorded in the Protecht - Risk Audit and Compliance management system, which provides for a risk report to be generated. This involves a licence user of the system or the Risk & Compliance Unit inputting into Protecht the identified risks and their associated controls, followed by undertaking a risk and controls' effectiveness assessment to establish the inherent and residual risk ratings and if required, treatment plans. Assistance can be requested from the Risk & Compliance Unit to complete this process.

If you are not a licenced user of the Protecht system, risk identification and assessment can by undertaken using the Assessment Template provided at **Appendix 5** or for multiple risks, the excel template provided at **Appendix 6.** The Risk & Compliance Unit is to receive the completed templates for loading into the Protecht system.

2.6.2 Risk Register Review

Risk owners are to regularly review their risks, ensure that control owners and, where applicable, treatment plan owners are monitoring and reporting on their control and/or treatment plans.

Before the Director of Risk provides reports to the Leadership Team or the ARC, Division and functional heads and Project Managers are to ensure that risks, controls and treatment plans held in Protecht are up-to-date. A reminder will be sent by the Risk & Compliance Unit to undertake this exercise.

2.7 Requirement 7 - Communication and Consultation Plan

The Treasury Intranet will include a Risk and Compliance page that has been designed to inform staff of their risk and compliance responsibilities. Leaders in the Loop is used to inform the Extended Leadership Team of future requirements and to send out reminders.

2.7.1 Training Strategy

The Risk & Compliance Unit will facilitate training of all relevant managers and staff (those identified as being users of the Protecht system) about the risk management processes and the online risk management system. The training is a major element of the implementation of the Framework. The training covers:

- awareness briefings on the Risk Management Framework and the Protecht system for all relevant managers, including project managers and staff
- training for risk champions on the Protecht system
- an eLearning module on risk management for staff.

After the initial training program, refresher training will be conducted on a regular basis to ensure that existing users and new users are familiar with risk management within Treasury.

2.8 Related Policies and Documents

Issuer	Reference	Document Name
Director of Risk	TIPP5.03	Business Continuity Plan Policy
Secretary	TIPP2.05	Code of Ethics and Conduct
Director of Risk	TIPP5.15	Compliance Incident Management Policy
Director of Risk	TIPP5.14	Compliance Management Framework
NSW Government	[No 17 of 1998]	State Records Act 1998 No 17
NSW Treasury	TPP15.03	TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector
NSW Treasury	TPP15.03	TPP 12-03 - Risk Management Toolkit
Director of Risk	TIPP5.09	Fraud and Corruption Prevention policy
Director of Risk	TIPP5.10	Fraud and Corruption Prevention framework
Director of Risk	TIPP5.10	Gifts and Benefits Policy
Manager Parliamentary Support and Information	TIPP5.04	Public Interest Disclosures Internal Reporting Policy
Director of Risk	TIPP5.01A	Risk Appetite Statement Policy
Director of Risk	TIPP5.02	Risk Management in Treasury Policy

2.9 Document Control

2.9.1 Document Approval

Name & Position	Signature	Date
Secretary	Endorsed	02/11/16
Executive Director, Corporate	Endorsed	02/18

2.9.2 Document Version Control

Version	Status	Date	Prepared By	Comments
1.0	Finial	November 2016	Virginia Tinson	
2.0	Finial	February 2018	Virginia Tinson	Remove LSC references; insert updated consequence table; insertion of new RAS; updating policies' section

2.9.3 Review Date

This Framework will be reviewed annually or earlier if required.
It may be reviewed earlier in response to post-implementation feedback from Divisions.

Appendix 1: Risk Appetite Statement

Overall Risk Appetite Statement:
Within the context of the NSW Treasury Strategy, to seek and take an appropriate and balanced range of risks that deliver NSW Treasury's strategic objectives, while seeking to reduce or eliminate those risks that do not support these objectives, where it is cost effective to do so.

TABLE 1: RAS / Tolerance /Risk descriptions

Degree of Risk Appetite	Descriptor	Appetite Rating
Avoid/Transfer/Zero tolerance	Zero tolerance for specific risk. Taking all measures possible to avoid exposure to the risk and prevent a negative outcome.	Zero
Avoid wherever possible or include additional treatments/Minimal Tolerance	Minimal tolerance for specific risk. Taking all reasonable measures possible to avoid a negative outcome.	Very Low to Low
Minimise Risk, effective controls operating	Taking all reasonable measures to minimise exposure to the risk with additional treatments being applied	Moderate
Actively manage risk within tolerance, executive management oversight assigned.	Actively manage the exposure to the risk pre-defined limits or parameters	High
Actively pursue risk for reward	Optimising the risk/reward's trade off. Recognising the increased return requires an increased exposure to risk.	Very High

TABLE 2: RAS and Tolerances

Risk Category	RAS	Risk Measure	Risk Tolerance	
			Acceptable	Unacceptable
ADVICE AND FISCAL RESPONSIBILITY				
1. Advice	Treasury will provide quality, independent and objective advice so that we strengthen our trusted advisor status with the Treasurer, Premier and other stakeholders and building our influence by implementing these key risk measures. Treasury has no appetite for providing inaccurate or poor-quality advice.	Avoiding unanticipated impact of new policies on State finances	+/- $100m	+/- $110
		% of unanticipated material, adverse impact on the economy	0%	>0%
		% of Govt policies and priorities controlled by Treasury that are successfully implemented for the benefit of the people of NSW	>/= 90%	<90%
		% compliance with statutory industrial frameworks and Government policy	100%	<100%
2. Fiscal Responsibility	Treasury will drive the achievement of Fiscal Responsibility Act (FRA) 2012 targets by ensuring best practice financial management. Treasury has no appetite for risks causing failure to the achievement of the FRA targets	Maintain Triple-A credit rating metrics	100%	<100%
		% unfunded superannuation liabilities eliminated by 2030	100%	<100%
		% annual expense growth remaining below long-term average revenue growth	100%	<100%

Risk Category	RAS	Risk Measure	Risk Tolerance	
			Acceptable	Unacceptable
PROJECT, TRANSACTION & BUSINESS MANAGEMENT				
3. Project	Treasury will implement strong governance over all key projects, transactions and BAU activities to ensure: • effective decision making • clear accountabilities and responsibilities • timely & quality delivery Treasury has a very low appetite for projects that fail to have in place clear governance structures including risk management and reporting processes.	% key projects have governance structures in place including steering committees	100%	<100%
		% key projects have risk/issue management processes in place.	100%	<100%
4. Project	Treasury will successfully manage major projects to time and within total budget (including contingency funding and approved variations) achieving the desired project outcomes. Treasury has a moderate appetite for undertaking innovative projects that meet the Premier's priorities and Government objectives. These projects will not be pursued by compromising our low appetite for risks that result in major reputational damage to Treasury or the Treasurer.	% project cost variances of total budget which includes contingency funding and approved budget variations.	< 10%	>10%
		% project delivery extension tolerances defined prior to the commencement of each project	100%	<100%
		% material defects / issues post implementation	0%	>0%
		% of projects that are managed in accordance with Government policy	100%	<100%
		% of project completion being in accordance with the approved objectives	100%	<100%
5. Compliance	Treasury will comply with law, relevant legislation, regulation, standards, external and internal policies. Treasury has no appetite for deliberate or purposeful violations of law, legislative or regulatory requirements and zero tolerance for intended breaches.	% deliberate or purposeful violations of law, legislative or regulatory requirements.	0%	>0%
		% of intended breaches of legislation and/or policy.	0%	>0%
6. Legal	Treasury is to avoid significant disputes with third parties and has no appetite for such disputes.	% significant disputes with third parties	0%	>0%
BUDGETING, FORECASTING & FINANCIAL REPORTING				
7. Financial	Treasury will provide excellent budgeting and forecasting services. Treasury has a low appetite for risks that cause anticipated budget variances	$ in budget variances excluding anticipated matters.	< 1.5%	>1.5% (FRA impact)
		% adherence to NSW Public Sector Wages Policy (incl. 2.5% cap)	100%	<100%
8. Financial	Treasury will produce high quality, accurate and timely financial reporting and minimise adverse findings by the Audit Office of NSW. Treasury has no appetite for risks that cause inaccurate reporting or breaches of Statutory deadlines	% unqualified Auditor opinion on TSSA	100% unqualified	<100% unqualified
		Number of errors identified by Audit Office	< 10 errors above $20m	> 10 errors above $20m
		% of Statutory reporting deadlines' breaches	0%	>0%
9. Financial	Treasury will expertly manage Crown liquidity to meet all short-term cash obligations as they fall due while optimising returns and effectively managing the balance sheet Treasury has a high appetite for risks that optimise returns.	% of short term cash obligations met	100%	<100%

Risk Category	RAS	Risk Measure	Risk Tolerance	
			Acceptable	Unacceptable
PEOPLE, CAPABILITY & SYSTEMS				
10. People	Treasury will ensure it has strong controls and mitigation strategies in place to ensure it complies with WHS Legislation and Regulations. Treasury has no appetite for WHS risks that endanger the safety of employees and visitors or impact their wellbeing.	% of significant workplace injuries and fatalities	0%	>0%
11. People	With respect to achieving its strategy, Treasury will endeavour to drive superior People Matter Employee (PME) Survey results. Treasury has a low appetite for risks that detract from its strategy being achieved.	% Treasury survey response rate	> 75%	< 75%
		Treasury's Engagement Index score	=> Sector average	< Sector average
		% PME Survey action plans in place for areas identified to drive improvement	100%	<100%
12. Capability	Treasury is invested in maximising its talent management and development. Treasury has a high appetite for attracting talented people to Treasury.	% Staff Performance & Development Plans in place.	100%	<100%
		A formal talent assessment program is in place with talent reviews.	Twice yearly talent reviews.	< Twice yearly talent reviews.
13. People	Treasury will endeavour to be an Employer of Choice attracting and retaining talented staff. Treasury has a moderate appetite for driving staff mobility.	% of new staff retained for the first year of employment	>95%	<95%
		% of staff mobilised including HDA based on organisational needs and career opportunities.	>10%	<10%
INFORMATION AND INFORMATION TECHNOLOGY SYSTEMS SECURITY				
14. IT Systems security	Treasury is required to continually invest in IT infrastructure and applications to enable business strategy to ensure security of systems and the Treasury has a very low appetite for risks to the security and availability of its core business systems or misuse of its ICT systems.	Recovery time of business-critical systems	<= 12 hours of a service interruption ^	> 12 hours of a service interruption ^
15. Security of Inform-ation	Treasury will securely maintain its confidential data and information and only disclose as required by contractual & legislative obligations. Treasury has a very low appetite for risks causing data leakage with zero tolerance for intended breaches.	% leaks in confidential data or information or breaches in its secure information holdings.	0%	>0%

^ Business Critical systems PRIME, LAN, Microsoft Outlook, Objective, Treasury Website / Intranet, Salesforce, SAP, CALAIS

During peak business periods, a shortened recovery time of 2 hours and/or extended IT support will be required (approved by Leadership Team)

Appendix 2: Risk Categories

The risk categories are provided to assist with the identification and understanding of risks that may exist in Treasury's operations. The library is not an exhaustive list of all risks but is intended as a guide only. It is proposed that the categories will be expanded and linked to the Risk Events, Causes, Impacts and Controls Libraries and amended over time and responsibility for maintaining lies with the Risk & Compliance Unit. (Refer Appendix 7).

Risk Category	Specific Risk	Key Risk Issue
Advice	Provision of advice	The risk that Treasury provides poor quality or inaccurate or inadequate financial/commercial/budget/IR advice.
Asset Management	Access and control of sensitive information	The risk that controls surrounding access to sensitive documents is inadequate to safeguard, track and restrict access to the sensitive information.
	Protection of cash and fixed / mobile assets	Controls over the custody of cash and assets may not be adequate and lead to loss, theft or mismanagement.
Business Continuity	Reliance on single supplier	Risk that supply of critical services or equipment is concentrated in a single supplier. May result in a significant disruption to Treasury's activities or ability to operate or adequately service clients if the supplier's business is unable to meet its contractual obligations.
	Back-up and (off-site) storage of records	Risk that data back-up arrangements are inadequate. As a result, critical data may not be regularly backed-up and stored securely off-site to ensure IT systems can be recovered in the event of an unexpected disruption.
	Terrorist or another physical event	The risk that Treasury is unprepared to respond successfully to a terrorist incident or major disaster
Compliance / Regulatory	Treasury policies and procedures	The risk of failing to develop necessary management protocols, e.g. policies, standards or codes etc with a resultant breach causing a financial loss or an impact to Treasury's image and reputation.
	Regulatory compliance	The risk of not identifying, complying with and monitoring requirements of legislation.
Contract Management (Outsourced and In-housed Services)	Adequacy of legal agreements	The risk that Treasury's legal rights are not enforceable due to the inadequate contractual documentation.
	Service requirements and performance of both parties Shared Services	The risk of cost and performance targets not being achieved by service providers due to insufficient or ineffective monitoring. The risk of inadequate Key Performance Indicators.
Corporate Governance	Governance	The risk that inappropriate oversight or practices impair the ability of the Treasury Extended Leadership Team to make appropriate decisions or fulfil its reporting obligations.
Financial	Budget setting and management	The risk of inadequate/poor quality budget setting and monitoring processes.
Information Technology	Fit for Purpose	The risk that existing Information technology infrastructure does not meet the business requirements of end users including functionality, cost, maintenance and security issues.
	Day to day availability	The risk of loss of connectivity will result in reduced productivity.
Work Health and Safety (WH&S)	Health and Safety	The risk of failing to provide documented guidance to managers to implement a safe workplace and practices.

Risk Category	Specific Risk	Key Risk Issue
Operations & Service Delivery	Delegations of Authority	The risk that the Delegations of Authority are unclear. This may be due to poor communication of the delegations, due to them being not fully documented or due to a lack of management oversight.
	Management reporting	The risk that management reporting is not available, inaccurate, incomplete or not delivered in a timely manner.
	Fraud and corruption	The risk that inadequate systems and security allows unauthorised access to information and/or misuse of position. Also, the risk that Treasury's systems or processes could be subject to sabotage with the objective of interrupting its operations.
	Organisational culture	The risk that inappropriate culture increases opportunity for fraudulent conduct. The risk that ineffective change management and inconsistent procedural compliance impact upon the objectives of Treasury.
People & Capability	Staff development	The risk that inadequate practices are in place to maintain staff core / other capabilities.
	Performance Management	The risk that inadequate practices are in place to assess staff's performance against organisational expectations including processes to address identified gaps.
	Employer of choice	The risk that Treasury cannot attract and retain appropriately skilled talented staff.
	Industrial Relations	The risk of industrial relations adversely affecting operations, damaging morale, flexibility and goodwill.
	Unfair dismissal and unfair work practices	Non-compliance with Code of Ethics and Conduct and Ethics, the Award and the GSE Act 2013 and established personnel practices.
	Resource management	The risk that the appropriate staff are not available to meet workloads.
Project	Adequacy of project management skills	The risk of failing to properly plan and/or implement a project successfully on time and within budget.
	Project approval process	The risk of lack of technical, risk assessment, financial or commercial rigour leading to projects, which would not otherwise have been undertaken.
Stakeholder Management	Stakeholder requirement	The risk of failing to meet stakeholder requirements and expectations.
Strategic	Image / reputation management	The risk that Treasury's image / reputation is diluted or damaged over time.
	Strategic alliances Strategic Goals	The risk that strategic alliance partners' objectives are inconsistent or in conflict with Treasury's strategic vision or the intended benefit/opportunity is not realised. The risk that Treasury's results do not meet goals thereby impacting on reputation / image of Government.

Appendix 3: Analysing Risk - Likelihood & Consequence rating

Table 2: Likelihood Table

Likelihood Rating	Description	Frequency	Probability
Very Likely (5)	The event will almost certainly occur within next twelve months.	Risk event could occur up to several times within the next twelve months or during project life, whichever is shorter.	80% or greater probability of the event occurring within the next 12 months, and / or the life of the project (where applicable for Projects).
Likely (4)	The event is likely to occur within next twelve months.	Risk event is likely to occur once in the next twelve months or during project life, whichever is shorter.	Less than 80% probability of the event occurring within the next 12 months, and / or the life of the project (where applicable for Projects).
Possible (3)	The event could occur in some circumstances.	Risk event may occur during the next twelve months or during project life, whichever is shorter.	Less than 50% probability of the event occurring within the next 12 months, and / or the life of the project (where applicable for Projects).
Unlikely (2)	The event is not expected to occur during normal operations.	Risk event is unlikely to occur in the next twelve months or during project life, whichever is shorter.	Less than 25% probability of the event occurring within the next 12 months, and / or the life of the project (where applicable for Projects).
Rare (1)	The event may occur only in exceptional circumstances.	Risk event is not expected to occur for some time or during project life, whichever is shorter.	Less than 10% probability of the event occurring within the next 12 months, and / or the life of the project (where applicable for Projects).

Table 3: Consequence Table

Scale Category	Insignificant (1) Risk has negligible consequences and can be managed within existing resources and budget.	Minor (2) Risk has minor short-term impact on the achievement of objectives and can be resolved within existing resources and budget.	Moderate (3) Risk may affect the achievement of some objectives and can be resolved through the reassignment of resources.	Major (4) Major impact that would disrupt business activities and may threaten Treasury's ability to achieve organisational objectives.	Extreme (5) Severe threat to Treasury's functions and ability to fulfil its purpose and organisational objectives, with extreme state-wide impact.
FINANCIAL Whole of Government	Minor errors in costings or accounting and/or the advice included in the budget. Projected shortfall in the State being able to eliminate unfunded super liabilities by 2030 is able to be addressed by remedial action by 2030.	Annual growth in general government expenses exceeds long-term revenue. The budget is not delivered on time. Rating agencies put the State's Triple-A credit rating on negative outlook. Projected modest shortfall in the State being able to eliminate unfunded super liabilities by 2030.	Agencies not adhering by <$100m to Treasury allocation letter limits and Treasury not adequately advising Government. Rating agencies include the State on a watch list. Projected large shortfall in the State being able to eliminate unfunded super liabilities by 2030. The forecasted budget result is not achieved by an amount between $100m and $250m.	A qualification of the accounts. Providing advice which causes a major breach of key legislation for example the *Public Finance and Audit Act 1987*. Loss of State's Triple-A Credit rating. Agencies not adhering by $100m or > to Treasury allocation letter limits and Treasury not adequately advising Government. Projected extreme shortfall in the State being able to eliminate unfunded super liabilities by 2030.	Policy or investment advice to Government has severe state-wide implications on the economy, environment and/or threatens security and safety. The Treasurer/Minister has to resign as a result of continued poor advice from Treasury and loss of confidence in government. Extremely severe impact on State finances as a result of poor advice and administration by Treasury whereby the State cannot deliver on its obligations.
Impact on Budget over a 12-month period	The forecasted budget result is not achieved by an amount less than $10m.	The forecasted budget result is not achieved by an amount between $10m and $100m.	The forecasted budget result is not achieved by an amount between $100m and $250m.	The forecasted budget result is not achieved by an amount between $250m and $1b.	The forecasted budget result is not achieved by more than $1b.
Impact on Budget over a 4-year period	The forecasted budget result is not achieved by an amount less than $40m.	The forecasted budget result is not achieved by an amount between $40m and $400m.	The forecasted budget result is not achieved by an amount between $400m and $1b.	The forecasted budget result is not achieved by an amount between $1b and $4b.	The forecasted budget result is not achieved by more than $4b.

Scale	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
FINANCIAL **Treasury Agency**	Negligible under or over spend by, whichever is lowest, <$500K or <0.5% of full year total expenses budget Capital under or over-spend <3%	Minor under or over spend by, whichever is lowest, $500K to <$1m or 0.5% to <1% of full year total expenses budget, with minor impacts Capital under or over-spend 3% to <10%	Moderate under or over spend by, whichever is lowest, > $1m to <$5m or >1% to 5% of full year total expenses budget, with significant impacts Capital under or over-spend >10% to <15%	Major under or over spend by, whichever is lowest, $5m to <$10m, or 5% to <10% of full year total expenses budget, with major Treasury wide impact Capital under or over-spend >15% to <20%	Severe under or over spend by, whichever is lowest, $10m+ or 10%+ of full year total expenses budget, with severe Treasury wide impact Capital under or over-spend 20%+
REPUTATION **Political**	No media attention Negligible impact on reputation	Minor level adverse publicity in local media, no broader media reporting Readily controlled negative impact on reputation	Moderate adverse publicity with coverage in local and/or state wide media only Treasurer's enquiries Verbal advice required to Treasurer's or Premier's Office or (big) Treasury	State-wide and/or national severe adverse publicity lasting for greater than one week Lead and/or major story in media, with potential for lasting damage to reputation of Treasury Written advice and follow up with Treasury Office and/or Premier's Office	Royal Commission inquiry, Major ICAC investigation/hearing, or adverse and published Auditor General findings
STAKEHOLDER ENGAGEMENT / RELATIONS	No loss of client or stakeholder confidence	May create some short-term, temporary concern amongst clients or stakeholders	May create temporary loss of credibility to clients or stakeholders Treasurer's enquiries	Serious loss of credibility with clients, Treasurer's Office and key stakeholders	Critical long-term loss of credibility with clients, Treasurer's Office and key stakeholders
PEOPLE & CAPABILITY **Workplace Relations** **Staff Morale and engagement**	Very limited/transient staff engagement problems No threat to critical skills or business knowledge No threat to attracting talented and retaining staff Little or no effect on operations	Minor staff engagement problems Short-term loss of skills and business knowledge, effect absorbed within routine operations Minor threat to attracting talented staff to a few key roles and the loss of a small number of key staff with minimal effect on the business	Key person loss Loss of a critical skill or some loss of skills and corporate knowledge with programs/strategies compromised Moderate threat to attracting talented staff to a number of key roles Some minor industrial disputes	Loss of critical skills and key people, programs/strategies cannot be delivered Capacity to attract quality staff is significantly compromised Major industrial disputes	Severe loss of critical skills, key people and business knowledge, programs/strategies are not delivered Widespread poor engagement and staff moral with high staff turnover Inability to attract talented staff to numerous roles Significant long-term industrial disputes involving union/large staff numbers

Scale	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
WORK, HEALTH AND SAFETY (Our people and the public)	Minor injury, first aid treatment, minimal or no lost work time	Moderate injury, medical treatment and lost work time resulting in compensation claim	Serious injury resulting in hospitalisation and/or significant compensation or public liability claim	Potential for multiple injuries Dangerous occurrence requiring notification to SafeWork NSW Multiple worker's compensation claims from Treasury employees or public liability claims	Extreme event involving multiple injuries or fatalities and/or dangerous occurrence from extensive/catastrophic damage to property and infrastructure Notification to and investigation by SafeWork NSW
COMPLIANCE (Regulatory, Legislation and Environment)	Negligible non-compliance with minimal impact on operational business processes Rare legislative non-compliance, little or no effect on business operations Negligible impact on local environment	Regulatory non-compliance requiring local staff effort to rectify Isolated legislative non-compliance, effect managed at operational level Minimal impact on local environment	Regulatory non-compliance requiring management effort to rectify and / or limited notification to a regulatory authority. Control failures resulting in frequent legislative non-compliance Significant effect on Treasury business operations requiring changes to business processes Some impact on local environment	Regulatory non-compliance resulting in notification by a regulatory authority Grossly negligent breach of legislation Formal investigations, disciplinary action, ministerial involvement Substantial impact on local and surrounding environments	Significant non-compliance which may result in fine to agency and/or prosecution Widespread serious or wilful breach Prosecutions, dismissals and Parliamentary scrutiny Severe impact on local and surrounding environments
PROJECT	No threat to overall timeframe Negligible cost increase <5% Scope increase/decrease barely noticeable Quality degradation barely noticeable Insignificant impact on benefits	Delay 5% to <19% of original timeframe 5% to <19% cost increase or <$100k, whichever is less Minor areas of scope affected Objective achieved but slight reduction in quality 5% to <19% benefits not delivered	Delay 20% to <39% of original timeframe 20% to <39% cost increase or $100k to <$250k, whichever is less Major areas of scope affected Objective achieved but quality reduced significantly 20% to <39% benefits not delivered	Delay 40% to <64% of original timeframe 40% to <64% cost increase or $250k to <$500k, whichever is less Scope increase/decrease unacceptable Quality reduction unacceptable with major impact on objectives 40% to <64% benefits not delivered	Delay 65% to 100%+ of original timeframe 65% to 100%+ cost increase or $500k+, whichever is less Product or services does not meet key requirements Quality issues lead to non-achievement of objectives and outcomes are not delivered 65%+ benefits not delivered

Scale	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
OPERATIONS & SERVICE DELIVERY **Fraud**	Minimal disruption to service delivery of operations Short infrequent disruptions to IT Services (<4 hours) No threat to reputation and managed within the business unit .	Minor disruption to service delivery and operations (1 to 2 hours) IT Services not available for <1 day Isolated fraud event by one employee Minor threat to reputation and managed within the business unit No press coverage (or very limited)	Moderate disruption to operations due to restricted supply or services, requiring some alternate arrangements by management IT Services not available for >1 day and <2 days Multiple fraud events by one or more employees for a limited period Moderate damage to reputation to Treasury with limited press coverage and external inquiry investigation by NSW Police and / or ICAC	Key Treasury operations / service provision disrupted Access to a Divisional office or several building levels/floors denied >2 days and <5 days IT services not available Treasury wide for >2 working day and <5 working days Multiple fraud events occurring for a sustained period by one or more employees Major damage to reputation to Treasury resulting in an external inquiry and investigation by ICAC and/or NSW Police resulting in prosecution of perpetuator(s) National news coverage	Total shut down of operations and or access to premises denied >5 days Long-term loss of business capability Very significant and long-term disruption to supply or services Very few or no alternate arrangements available Significant level of community, client and executive dissatisfaction Significant Treasurer and/or Secretary intervention and dissatisfaction IT Services not available Treasury wide for >5 days or more Systemic fraud across parts of the organisation for a sustained period and involving collusion of senior staff Severe damage to reputation to Treasurer and Treasury resulting in an external inquiry and investigation by ICAC and/or NSW Police and prosecution of perpetuator(s) with likely custodial sentence Sustained negative press coverage

Table 4: Risk Rating – The Risk Level Matrix

NSW Treasury Risk Matrix					
A	Consequences				
Likelihood	Insignificant 1	Minor 2	Moderate 3	Major 4	Extreme 5
Very Likely 5	M 5	S 10	H 15	E 20	E 25
Likely 4	L 4	M 8	S 12	H 16	E 20
Possible 3	L 3	M 6	M 9	S 12	H 15
Unlikely 2	L 2	L 4	M 6	M 8	S 10
Rare 1	L 1	L 2	L 3	L 4	M 5

Table 5: Residual Action Requirements

	Residual Review Requirements
E 20-25	**Extreme Risk:** Extreme adverse effect on Treasury **Immediate Action Required, for Secretary/Leadership Team attention Treatment action plans should be put in place to reduce the risk level further**
H 15-19	**High Risk:** Potential for high adverse effect on Treasury **Executive Management attention needed** Treatment action plans should be put in place to reduce the risk level further
S 10-14	**Significant Risk:** Potential for significant adverse effect on Treasury **Senior Management attention needed** Treatment action plans could be used to reduce the risk level further
M 5-9	**Moderate Risk:** Moderate potential for adverse effect on Treasury **Reviewed by the next level of management when initially rated** Manage by Standard Procedures
L 1-4	**Low Risk:** Low potential for adverse effect on Treasury **Ongoing control as part of a business as usual management.**

Appendix 4: Control Assessment- Design, Performance & Effectiveness

Table 6: Control Design

Rating Category		Control Design
1	**Very Strong**	Designed in such a way that will reduce risk substantially. High degree of automation or documented formalised processes.
2	**Strong**	Designed in such a way it will reduce risk substantially. Very automated or documented formalised processes. Rare exceptions places reliance on knowledge/actions of key persons.
3	**Adequate**	Designed in such a way it will reduce risk. Expected to fail at times, however within acceptable appetite. Places reliance on knowledge/actions of key persons.
4	**Limited**	Designed in such a way it will reduce some aspects of risk. Likely to fail requiring remedial effort and actions. Places heavy reliance on knowledge/actions on persons to manually address exceptions/incidents.
5	**Weak**	Poor design even where used correctly. It provides little or no protection. Only addresses part of the risk requiring additional work arounds or manual processes to make up for deficiencies. Extreme reliance on knowledge/actions of key persons.

Table 7: Control Performance

Rating Category		Control Performance
1	**Very Strong**	The control operates as intended and consistently. Never known to fail in the past, highly unlikely to fail in a short to mid-term.
2	**Strong**	The control operates as intended and consistently. Control is mature and unlikely to fail significantly within 12-month period. Has significantly addressed the risk.
3	**Adequate**	The control has experienced **a failure** in the past 12 months and is not expected to experience more. Rates of failure are deemed within appetite or risk tolerance but not outside acceptable risk tolerance levels.
4	**Limited**	The control has experienced failures in the past 12 months and is expected to experience more, potentially more frequently. Rates of failure are deemed outside acceptable risk tolerance levels.
5	**Weak**	Consistently not operating as intended, immature, operating inappropriately or inconsistently. Rates of failure are significant, and deemed outside acceptable risk tolerance levels.

Table 8: Control Effectiveness

Control Effectiveness						
		Control Performance				
		Very Strong	Strong	Adequate	Limited	Weak
Control Design	Weak	None or Totally Ineffective	None or Totally Ineffective	None or Totally Ineffective	None or Totally Ineffective	None or Totally Ineffective
	Limited	Largely Ineffective	Largely Ineffective	Largely Ineffective	Largely Ineffective	None or Totally Ineffective
	Adequate	Partially Effective	Partially Effective	Partially Effective	Largely Ineffective	None or Totally Ineffective
	Strong	Substantially Effective	Substantially Effective	Partially Effective	Largely Ineffective	None or Totally Ineffective
	Very Strong	Fully Effective	Substantially Effective	Partially Effective	Largely Ineffective	None or Totally Ineffective

Table 9 Control Effectiveness Definitions

Rating Category		Description
1	**Fully Effective**	Nothing more to be done except review and monitor the existing controls. Controls are well designed for the risk, address the root causes and Management believes that they are effective and reliable at all times.
2	**Substantially Effective**	Most controls are designed correctly and are in place and effective. Some more work may be done to improve operating effectiveness or Management believes that they are effective and reliable most of the time.
3	**Partially Effective**	While the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective or Some of the controls do not seem correctly designed in that they do not treat root causes, those that are correctly designed are operating ineffectively.
4	**Largely Ineffective**	Significant control gaps. Either controls do not treat root causes or they do not operate at all effectively.
5	**None or Totally Ineffective**	Virtually no credible control. Management has no confidence that any degree of control is being achieved due to poor control design and/or very limited operational effectiveness.

Appendix 5: Risk Assessment Template

Division / Project:	

1. Communicate and Consult:		
Key Stakeholders: *Which internal and external stakeholders have been consulted in developing the risk assessment?*	▪ ▪ ▪	▪ ▪ ▪

2. Operating Environment & Context:
Identify the key internal and external factors influencing the operating environment: ▪ ▪ ▪ ▪

3. Risk Identification			
Risk No.:	1.	2.	3.
Risk Event Classification: *Select from Event Classification Library located on Intranet*			
Risk Description:			

4. Risk Assessment			
Cause Factors: *Identify those factors that might lead to the risk/opportunity occurring from Cause Library located on Intranet*			
Consequences: *Identify the impacts on Treasury/State if the risk/opportunity occurs from the Impacts Library located on Intranet*			
NSW Treasury Goals impacted *Select the NSW Treasury Goal(s) that may be impacted by the risk event*			
Inherent Likelihood Rating: *Use Likelihood Table*			
Inherent Consequence Rating: Use Consequence Table			
Inherent Risk Rating: *Likelihood rating combined with Consequence rating*			

4. Risk Assessment *(continued)*			
Existing Key Controls: *Identify key controls in place to mitigate risk from the Controls Library located on Intranet*	1. 2. 3.	1. 2. 3.	1. 2. 3.
Control Description *Describe the control how it relates to this particular risk*	1. 2. 3.	1. 2. 3.	1. 2. 3.
Control Design Rating: *Is the design of the current controls adequate? Refer to control design rating table.*	1. 2. 3.	1. 2. 3.	1. 2. 3.
Control Performance Rating *Is the performance of the current controls adequate? Refer to control performance rating table.*	1. 2. 3.	1. 2. 3.	1. 2. 3.
Control Effectiveness Rating *Design rating combined with performance rating. Are they being complied with?*	1. 2. 3.	1. 2. 3.	1. 2. 3.
Overall Control Rating *The overall effectiveness when all controls are considered*			
Residual Likelihood Rating:			
Residual Consequence Rating:			
Residual Risk Rating: *Likelihood rating combined with Consequence rating*			
5. Risk Treatment – If risk is not accepted i.e. residual rating still too high			
Management Action: *As prescribed in the Framework*			
Additional Risk Mitigation Strategies / Treatments: *Identify those strategies in addition to the existing controls that will be implemented to further manage this risk.*			
Responsibility: *The position supervising the implementation of this risk treatment strategy.*			
Timetable: *When will implementation of the strategies be completed?*			

Risk Assessment Undertaken by:	
Risk Management Strategies Approved by:	
Date of Approval:	
Date of Review:	

Appendix 6: Risk and Control Self-Assessment (RCSA) & Register Excel Template

Click here to download the **Risk Assessment & Register template**

Appendix 7: Risk Cause, Event, Impact, Control classification libraries

Click here to download the **Risk Cause, Events, Impact, Control classification libraries**

Appendix 8: Glossary of Terms

Term	Meaning
Compliance risk	Compliance risk is exposure to legal penalties, financial forfeiture and material loss Treasury faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.
Compliance register	Tool for identifying and monitoring compliance with legislation, regulation or state-wide policy. Raises staff awareness of legal obligations and aims to embed/maintain a regard for regulatory compliance in the culture.
Consequence	Positive or negative impact on an objective
Controls	Currently existing processes, policy, procedures or other actions that act to minimise negative risks and/or enhance opportunities
Failure Mode	The manner by which a failure is observed; it generally describes the way the failure occurs and its impact on the operation of the system
Incident	An event that has the capacity to lead to loss of or a disruption to Treasury's operations, services, or functions – which, if not managed, can escalate into an emergency, crisis, or disaster.
Inherent Risk	Initial assessment of the consequence and likelihood a risk. Does not take into account the impact of existing controls.
Likelihood	The chance of something happening. May be defined, measured or determined objectively or subjectively and described verbally or mathematically.
Operational risks	Risks associated with day-to-day operational performance (e.g. staff safety or availability, mechanical or technological risks, most corruption risks, etc)
Project risks	Risks which may significantly affect the likelihood of a project being completed to planned time, quality and/or budget.
Residual risk	The consequence and likelihood of a risk when existing controls are taken into account.
Risk	The effect of uncertainty on Treasury's objectives
Risk assessment	The overall process of identifying, analysing and evaluating risks and their controls. May involve qualitative or quantitative assessment.
Risk avoidance	An informed decision to not become involved in or to withdraw from a risk situation
Risk management	The culture, processes, coordinated activities and structures that are directed to realising potential opportunities or managing adverse effects. It includes communicating, consulting, establishing context, identifying, analysing, evaluating, treating, monitoring and reviewing risks.
Risk management plan	A plan which takes the Risk Register further, considering Treasury's appetite for the risk, any gaps between existing controls and appetite, and proposing treatments for any remaining risks, which are assigned to owners, given deadlines and monitored. In Treasury, at cluster level, there is one document which is the Risk Register and Management Plan.
Risk owner	Person or entity with the accountability for a specified risk. In Treasury, the Secretary is accountable for all risks however individual or Group owns manage specific risks.
Risk register	System/document recording each risk identified, its rating and existing controls.
Risk tolerance	Risk tolerance is the amount of risk that Treasury is comfortable taking, or the degree of uncertainty that it is able to handle.
Risk transfer	Refers to the shifting of the burden of loss to another party through legislation, contract, insurance or other means. It can also refer to the shifting of a physical risk or part thereof elsewhere
Risk treatment	Actions planned and undertaken to deal with any gaps between existing controls and the agreed appetite for the risk.
Strategic risks	Internally or externally generated forces that may have a significant impact on the achievement of strategic objectives.