Australian Government
Comcover

Comcover fact sheet

Shared risk

Managing Shared Risks

Audience

The aim of this information sheet is to assist Commonwealth officials at the Specialist and Executive levels understand:

- the benefits of managing shred risks,
- a process for managing shared risk, and
- practical tips to manage shared risks.

At a glance

This information sheet provides guidance to entities seeking to develop or formalise their approach to shared risk. It outlines how to manage shared risks by incorporating processes to manage shared risk within existing risk management arrangements.

What are the benefits of managing shared risks?

Shared risk refers to risks that arise from objectives shared between multiple entities. Shared risks are not risks that arise from objective shared within an entity. Management of shared risk requires ongoing communication between entities to accept and manage these risks effectively. Many entity processes to manage shared risk are often informal (discussions and consideration), rather than formal (risk assessments or risk frameworks – including risk registers that identify the shared risks). Depending on the context of the body of work and its complexity, there can be more benefits associated with more formal processes in managing shared risk. These benefits include:

1. Greater ability to identify and manage challenges

Management of shared risk requires stakeholder collaboration and agreement in order to effectively control the risk. The effective management of shared risk requires ongoing communication between entities sharing the risk to agree on how best to manage complex scenarios. The shared risk process serves as a mechanism to flag dependency and the need to collectively monitor and manage risk more closely.

2. Clarity and understanding of risk drivers

Managing shared risk can pose some challenges. Different entities may view the same risk differently due to different objectives. In some complex situations, their measures for success in managing the risk may even differ too. In these instances, issues may arise due to conflicting interests, resulting in a lack of coordination to manage the risk.

To addresses these issues, shared risk identification processes can provide entities with a more structured way to understand the risk and how best to manage it together to meet both of their objectives. Working together to manage the risk creates efficiencies by consolidating effort between entities and ensures all control activities are identified, allocated and managed by the entity best placed to manage them. Other than the efficiencies, sharing the management (as distinct from ownership) of one common risk can enable streamlined assurance and effective governance.

Process

The following outlines the approach that can be used to identify and manage shared risks.

Identify shared risks

Shared risks: Areas where a risk involves multiple stakeholders in pursuit of a common objective and linked by common objective and linked by common sources of uncertainty.

Assess Materiality

Confirm the materiality of each identified shared risk and its impact on the achievement of strategic objectives and other stakeholder priorities. This detail is important to effectively engage with the other stakeholders in the management of risk.

Name Single Risk Owner

Agree who the natural risk owner should be. It will most likely be the agency that is most impacted if the risk were to materialise.

Calibrate Methodologies

Agree which entity's risk framework / methodology should be used to manage, monitor and report on risk. Entities may be required to take on more or less risk in the process of aligning risk appetite.

Agree Governance

Establish governance arrangements at the earliest opportunity. Consider issues including, but not limited to, who the overarching sponsor is, whether there are committees / sub-committees, what the reporting structure / content will be and escalation points.

Construct Risk Record

Develop a risk record for the shared risk through collaboration and joint workshops. This will include causes, consequences, existing controls, future treatment plans and ratings of likelihood and consequence. Each control should have one owner.

Form Risk Management Plan

Agree on risk management plan using the collective of controls, tasks and future treatment plans articulated in the risk record. Part of that plan should include review schedules, identification of risk indicators and mechanism to maintain ongoing information sharing.

Operationalise Risk Actions

It is critical that the oversight function ensures actions in the risk record are being operationalised. The task should be managed dynamically in response to changes in the operating environment and ongoing monitoring including regular analysis of control effectiveness.

To assist in the practical application of the above model below is a five-step process to formally identify and capture relevant shared risks:

1. Identify the shared risk

Using a fictitious example of a collaborative project between The Department of Wellbeing and The Department of Amusement, the following questions can be used to assess whether a risk should be classified as a 'shared risk':

- Was the risk related to the delivery of a program, policy, or body of work that included external stakeholders?
- Did management of the risk have the ability to impact external stakeholders?
- Was management of the risk (likelihood or consequence) dependent on the activities of third parties (e.g. control design and implementation)?
- Was it difficult to clearly identify one sole risk owner?
- Was there limited visibility of the risk without interaction with external stakeholders?

Shared risk validation process for Department of Wellbeing			
Risk	**Consideration**	**Outcome**	**Deemed a shared risk**
Serious injury to Department of Wellbeing staff member at Department of Amusement premises while working on collaborative project	Is the risk related to the delivery of a program, policy, project or body of work that includes stakeholders external to the Department of Wellbeing	Yes: The Department of Wellbeing has to collaborate with the Department Amusement (external stakeholder). Achievement of the project is in line with the corporate outcomes of both Departments.	✓
	Does the Department of Wellbeing actions relating to this risk have the ability to impact external stakeholders?	Yes: Control actions to manage the risk by the Department of Wellbeing (modifications to workspace) will result in additional costs to the Department of Amusement (external stakeholder).	
	Is the Department Wellbeing's management of the risk dependant on the activities of third parties (e.g. control implementation)?	Yes: The Department of Wellbeing will depend on the Department of Amusement to implement the controls on their premises to reduce the likelihood of the Department of Wellbeing staff getting injured.	
	Is it difficult to clearly identify one sole risk owner?	No	
	Does the Department of Wellbeing have limited visibility of the risk without working with external stakeholders?	Yes: The Department of Wellbeing has limited visibility of the risk and will rely on the Department of Amusement to know if the risk is being managed effectively or requires treatment.	

2. Assess significance

- The significance of each identified shared risk then needs to be assessed. This is an important step in the process as it informs the type of governance required to manage the risk.
- In assessing the significance of the risk on stakeholders, consultation is required to understand how the risk may impact on the achievement of each stakeholder's strategic objectives and priorities, and the significance of the impacts as it may be different for each stakeholder.
- It is important to note that while all stakeholders may not be exposed to the consequences of the risk, they may be a key control owner in the management of the risk.

3. Confirmation of the risk owner and agreement on governance

- With consideration to the significance of the risk across various stakeholder groups, agreement on the natural owner needs to be reached by all stakeholders. Key considerations in assigning risk ownership can be the significance of the impact and degrees of control.
- For complex risks, the appointment of a single risk owner can be difficult. However, it is vital these risks have owners. In addition to not having oversight, not having a clear owner could result in affected entities pointing the finger of blame at each other if the risk eventuates. Governance arrangements such as project boards and steering committees can sometimes be useful in dictating the appropriate owner of more complex risks.
- In some instances, risk ownerships could be considered and agreed to on a case-by-case basis by those affected or by the governance arrangements overseeing the project or initiative.
- It is important to note that while some stakeholders only need to be informed on a need to know basis for agreed changes, others that can be significantly impacted may need formal, periodic updates and consultation.

4. Construct risk record

- The information gathered in steps 1 – 3 can be used as the basis for the risk record. The causes, consequences, existing controls, future treatment plans and ratings of likelihood and consequence can be gathered through consultation with stakeholders. This information should be documented to represent views of all interested parties.
- Each control should have one owner, and they should be aware of their responsibilities relating to management of the risk.

5. Form the risk management plan and operationalise

- Having an agreed governance structure and methodology can help guide the risk management plan by providing the protocols relating to review schedules based on agreed risk ratings.
- Depending on the significance of the risk, agreed risk indicators can be useful to inform ongoing monitoring, management and escalation (where required) of the risk. Refer to Comcover's information sheet Understanding and Developing Key Risk Indicators for guidance on developing indicators.
- The risk owner, or oversight function is responsible for ensuring the risk management plan is actively managed.

Practical tips

Don't start from scratch – build on what you have

Processes to identify and manage shared risk should leverage your existing Risk Management Framework. Additional considerations to improve managing shared risk should be incorporated into the existing Risk Management Framework as necessary.

It's also important to recognise that your entity may already be informally managing shared risks. Capture these existing processes if they're working well rather than creating a new process from scratch.

Work it through

Determining what is actually a 'shared risk' can initially seem overwhelming. It might seem like every risk could be classified as a shared risk. By agreeing on questions as key criteria to determine whether a risk is a 'shared risk' for your entity, you will have a consistent framework for working through the initial classification. Talking through examples with key participants relating to the risks can be a useful way to work through the initial assessment. An example of questions to ask are provided in Step 1 of the model on page 2.

Keep it simple

While this document provides guidance on a framework to identify and manage shared risk, your process should be scalable to the size, complexity or significance of the risk and the entities that share the risk.

It's also important to recognise that if your entity is unable to obtain the desired level of engagement from third parties to manage the risk, it shouldn't mean that your entity ceases to actively manage the risk as far as practicable. Rather, identifying a risk as a shared risk will serve to highlight dependency on internal or external stakeholders.

Revisit and refine – don’t ‘set and forget’

Risk management should not be a static process, but should be continually revisited and refined. Risks are constantly evolving, and this requires periodic review of current and emerging risks. You may not have all the answers the first time you identify the shared risk, but as your knowledge of the risk evolves, revisit your protocols to manage the risk and adjust as required.

Related resources

Names and links to related risk information resources

- Information Sheet: Understanding and Managing Shared Risk
- Information Sheet: Reviewing a Risk Management Framework
- Information Sheet: Understanding and Developing Key Risk Indicators

Contact

If you have any questions or feedback in relation to this information sheet, please contact Comcover Member Services at comcover@comcover.com.au.

Use of this information sheet

Comcover’s series of Risk Management Information Sheets are learning resources and are not mandatory.

It is important that entities develop risk management frameworks and systems that are tailored to the needs of their entity. Entities may choose to adopt some or all of the concepts contained in this information sheet to suit their specific needs or use alternative methodologies.