

# Shared Risk

## Part 1 – Introduction

Hello and welcome to Comcover's Microbite on shared risks. My name is Peter and I will be joined by my colleagues Cathi, Kate and Yannick. Sometimes risks have to be shared between two or more stakeholders when effective management is beyond the remit or capability of just one entity.

Sharing risks effectively requires high levels of collaboration, communication and cooperation including appointing roles and responsibilities, determining risk appetite, agreeing mitigation strategies and maintaining good oversight and governance.

Why is this important? Because of their nature, shared risks can be complex as they are influenced in different ways by the actions or inactions of a range of stakeholders which can lead to widespread consequences.

That's right Kate. Sharing risks means responsibilities have to be apportioned because no single entity can manage the risk on their own. This means that all the entities involved need to work together to monitor and mitigate risks. This sound pretty simple doesn't it? Well it can be, if it is done right.

There are five key elements you should consider when managing shared risk and we'll look at those now. Select the Manage Shared Risk button to see what they are.

## Part 2 – Managing Shared Risk

Cathi what are the five key elements you should consider when managing shared risk? Well Peter they are:

- Identify the shared risk
- Assess the likely impact
- Confirm who is the risk owner and agree on governance requirements
- Construct a risk record

- Form a risk management plan and initiate it

Now, let's return to our guides to consider each of these elements in more detail.

[Presenter 1]

So Yannick, the first element we spoke of was Identify shared risks. When does it become obvious that a risk needs to be shared?

[Presenter 2]

We can use a five-step process that will help with determining whether a risk is a shared risk, these include:

1. Is the risk related to the delivery of a program, policy, or body of work that includes external stakeholders?
2. Does management of the risk have the ability to impact external stakeholders?
3. Does management of the risk depend on the activities of third parties?
4. Is it difficult to clearly identify a single risk owner?
5. Is there limited visibility of the risk without interaction with external stakeholders?

[Presenter 1]

OK and how about the second element, assessing the impact of the risk.

[Presenter2]

When assessing the impact of a risk materialising, you should make sure to consult all those you are working with in delivering the outcome. This informs how the risk may impact the strategic objectives and priorities of each entity involved. Remember, the impact of each risk may be different for each stakeholder and this can influence how they monitor and manage it. So it is important to undertake this step together and make sure everyone is clear of how each risk could impact others. This will ensure that everyone actively monitors the risk and takes steps to mitigate the impact not just for them but for others. But hey, I've been doing all the talking, how about you explain the third element which is?....

[Presenter 1]

... Ahh confirm who the risk owner is and agree on governance requirements. Identifying the natural owner of the risk needs to be clear so everyone needs to know who is responsible for coordinating the efforts to mitigate or manage the risk. Equally, when it comes to shared risks, governance arrangements need to be agreed and specific controls allocated to those best suited to manage them.

[Presenter 2]

Do you keep the same approach for simple and complex risks?

[Presenter1]

No. For complex risks, appointing a single risk owner can be difficult. In such cases the only option may be multiple owners, each with designated roles and responsibilities, for managing the risk. However, you must ensure that these are captured in your governance arrangements.

[Presenter2]

So I guess communication is important?

[Presenter1]

Absolutely. Communication is key when there is more than one stakeholder. Everyone needs to know how a shared risk is being managed to ensure actions are coordinated and to reduce the risk of duplication or counterproductive effort. Stakeholders must also communicate the status of each shared risk regularly and highlight any concerns about the source, and their progress in managing it.

[Presenter2]

And how is that information shared?

[Presenter1]

Well, this doesn't have to be fancy, you can share information through the usual channels just as long as stakeholders understand how the various individual and collective controls are working and that everyone is working together to strengthen them as necessary. Without a strong commitment to communication and collaboration, efforts to manage a shared risk may be inefficient

or worse ineffective, which means the risk could materialise. Now the fourth element was Construct a risk record – why don't you tell us about that.

[Presenter2]

Sure. Once you identify the risk and work out who is to do what to manage it, you can start to construct a risk record. Make sure everyone involved is consulted, and give them an opportunity to represent their views. This can bring in different perspectives that might otherwise be overlooked. In the record make sure to document the risk sources and consequences, existing controls (including an assessment of control effectiveness), ratings of likelihood and consequence, and future treatment plans. And don't forget to make sure that each control has an owner, and also make sure the owner or owners are aware of their responsibilities for managing the risk.

[Presenter1]

Thank you both for that. And I'll take the fifth element, which is forming a risk management plan and initiating it. Once a shared risk is identified and documented in a risk management plan, your next step should be working out how to best initiate it. Inter-agency committees, task forces, working groups, memorandums of understanding and policies are some ways to help manage shared risks.

And a word to the wise, avoid trying to introduce new policies and procedures just to manage shared risks. It's best to utilise existing operating models and established frameworks within your entity if you can.

[Presenter2]

OK then, I think that covers everything – select the Challenges button.

### Part 3 – Challenges

It's important to be aware of the challenges that may arise from sharing risks. For example, entities have different objectives and different risk tolerances. What you consider a success from a joint

activity may not be the same for the others involved. Risk is managed through controls, and where more than one entity is responsible for implementing different controls for the same risk, there may be inconsistencies or misunderstandings in how those controls are applied.

This can lead to variable risk exposure. One entity might not be exposed to the consequences of the risk, but could still have greater *visibility* of the risk materialising. Therefore, it is important that you understand why entities may have different objectives and tolerances for the same risk when assessing the impact as this will help in setting expectations and responsibilities for implementing controls.

Now, select the Conclusion button.

#### Part 4 – Conclusion

Early identification, planning and management of shared risks helps to ensure that all parties understand their responsibility and the appropriate levels of risk transfer.

It is important to remember that when managing shared risk we must collaborate, identify key roles and responsibilities, develop mitigation strategies and determine the risk tolerance of all stakeholders...and don't forget to consistently communicate with all involved in managing the shared risk.

Please be sure to complete the survey below as your feedback enables us to tailor future microbites and learning programs that may be of value to your entity. For further information on shared risk please refer to Comcover's information sheet on understanding and managing shared risk, which is available on our website. If you would like any assistance with this subject or others, please leave your name and contact details below, or reach out to us at [comcover@comcover.com.au](mailto:comcover@comcover.com.au). Thank you for watching.