

Insight aims to provide useful information, links and tips in the areas of Risk Management, Work Health and Safety, Business Continuity Management, and other areas relating to management systems and corporate governance.

Assessing Risks

The management of risks is a cornerstone principle within an array of legislative requirements, including WHS, Electrical Safety, Heavy Vehicle 'Chain of Responsibility' and Environmental Management and embedded within the requirements of most ISO standards (9001, 45001, 14001, 27001, 22001).

However, when it comes to the step-by-step process for assessing the risk there is confusion within industry as to how the process should be undertaken, and this can lead to an assessment which is skewed or not representative of the actual risk. This article walks through the process and the referenced documents to explore the correct way of assessing risk.

When it comes to the actual nuts and bolts of the process, there is either an overt deferral to the industry best-practice standard **ISO 31000 Risk Management** or (in QLD) to the **WHS Risk Management Code of Practice (2021)**.

ISO 31000 Risk Management introduced the concept in 2009 that "Risk is analyzed by determining consequences and their likelihood". The updated 2018 **ISO 31000** retained the definition (in the Terms & Definitions) that "Risk is usually expressed in terms of risk sources, potential events, their consequences and their likelihood". This is clarified in the supporting **Guide 73 Risk Management — Vocabulary (2009)** which includes that "Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood."

Then in 2020, Standards Australia issued a supporting **AS/NZS 31010 Risk Management – Risk Assessment techniques**, providing guidance and application of various risk assessment techniques, including the most commonly used risk matrix approach which combines consequence and likelihood ratings to generate an overall risk score. **AS/NZS 31010** details that "to rate a risk, the user first finds the consequence descriptor that best fits the situation then defines the likelihood with which it is believed the consequence will occur". The document also warns that the likelihood of any particular consequence will differ from the likelihood of the event at another level of consequence.



The **QLD WHS Risk Management Code of Practice** in 2011, included a re-packaged practical discussion under the sub-heading steps of 'Work out how severe the harm could be' and 'Work out the likelihood of harm occurring' (with the harm equating to the consequence and then the determination of the likelihood).

Both the **ISO Standard** (and its supporting documents) and the **Code of Practice** state that consequence / harm should be considered initially, and then the likelihood of that level of harm should be determined.

All of these references serve to point out that the correct order of steps in the risk analysis process is to determine consequence first and then likelihood.

The consideration of likelihood *before* consequence has the potential to significantly skew the assessment process. If likelihood were considered first, the process is essentially asking for the likelihood of an event occurring at all (i.e. at any level of consequence) which would logically be a much higher likelihood rating (e.g. the likelihood of a cyclone occurring would logically be higher than the likelihood of an injury occurring from the cyclone given all of the precautions and risk controls in place). The fundamental error of considering likelihood before consequence leads the assessment down a path whereby the likelihood and the consequence are not anchored together. We would have an inflated likelihood of the event, and then we think about what consequence is possible, but the two factors are not linked as they should be.

By determining the consequence first, we enable the risk assessment to be focused and 'credible', taking into account the current controls in place. Then with this consequence established, considering the likelihood of the event occurring *and* producing that defined level of consequence *considering* the effectiveness of existing controls. The two factors (the consequence and the likelihood) need to be relative to each other, they need to be anchored together to the risk statement, or else the result will be skewed. The resulting inaccurate rating of risks then makes it more difficult to properly prioritise and manage the risks.

The way the risk assessment process is written in an organisation's risk management procedure or risk register has the potential to inadvertently give rise to this error. QRMC recommends that discussion of the risk management methodology always refers to **consequence before likelihood** (as per the Standard and the Code of Practice). This frames and embeds the correct process every time it is undertaken.

Please [contact QRMC](#) for more information.

Understanding ISO 45004:2024

ISO 45004:2024 *Occupational health and safety management – Guidelines on performance evaluation* was recently released to complement ISO 45001 by providing a practical guide for organisations looking to improve the monitoring, measuring and evaluation of their safety performance and not simply rely on lagging incident data.



In Australia, ISO 45004 is a positive improvement while also filling the void left by the withdrawal of an old Australian Standard AS 1885.1:1990 relating to the recording of workplace injuries and diseases. The new standard advocates for a balanced approach based on the selection of performance evaluation processes and indicators, with an emphasis on proactive (leading) OHS performance indicators. There is an acknowledgement that previously there had been a 'tunnel vision' over-reliance on incidents and frequency rates, and that this has undermined efforts to improve OHS performance.

OHS professionals for over the past two decades have been championing a move away from Lost Time Injury Frequency Rates (LTIFR) as a performance indicator, as it has been recognised as a flawed measure that doesn't accurately reflect the true OHS performance of the organisation. Just because an injured employee could be provided menial duties on subsequent work shifts (and therefore avoid being recorded as an LTI), the fact that a worker was still injured seriously enough that they couldn't return to their full work duties would not be recognised within the data.

In practical terms, ISO 45004 considers performance evaluation via a range of source data such as workplace inspections, audits, culture surveys, interview feedback, and other qualitative and quantitative indicators. Proactive organisations are using leading indicators to identify weaknesses in their safety systems and practices, before physical incidents and/or injuries occur. While ISO 45004 provides examples which demonstrate how to evaluate performance to drive continual improvement, it comes with the caveat that every organisation is different, and as such there is a need to identify performance evaluation processes and indicators to suit each organisation's specific needs. This ties neatly back to the first step in, and integration with, the ISO45001 OHS Management Systems Standard, which is to identify the "context" of the organisation".

However, the balanced approach recommended in ISO 45004 requires that the traditional lagging indicators of LTI, MTI, TRIs, etc. and workers' compensation costs should not be ignored.

ISO 45004:2024 is applicable to organisations of all types, irrespective of whether they have implemented formal OHS management systems. It provides practical examples and guidance to evaluate performance, drive continual improvement and aid organisations in achieving their intended results. By embracing the principles outlined within ISO45004, the identification and evaluation of OHS performance indicators will assist in identifying areas where intended performance is not being met, and the application of targeted plans and actions to address these. Ultimately, this should result in improved OHS performance and a safer workplace for all.

Please [contact QRMC](#) for more information.