

The MiRAG

Welcome to the MYOB Integrated Risk Assessment Guide.

The MYOB Integrated Risk Assessment Guide (**The MiRAG**) is a practical, quick reference tool derived from the broader MYOB Risk Management Standard. It will help you when identifying and assessing actual and potential risks to our business objectives. When you see opportunities for improvement or roadblocks to our objectives - grab The MiRAG!

THE MYOB RISK MANAGEMENT SYSTEM IS DESIGNED TO HELP US.

When we effectively manage risk we:

- + increase the likelihood of reaching our objectives
- + establish a reliable and consistent basis for decision making and planning
- + enhance shareholder confidence
- + enhance internal issue / incident management capability
- + ensure compliance with legal and regulatory requirements

Involved in a project at MYOB?

The MiRAG is perfect for assessing project risks and roadblocks. If your project is significant, it is expected that you will use the MiRAG and conduct a risk assessment.



THE MYOB RISK ASSESSMENT PROCESS



Prepare

Establish the context and scope.
Engage relevant stakeholders



Identify hazards and risks

What are the issues we are concerned about?
Look at the consequence categories on the next page – which are relevant?



Analyse risks

Consequence (Step 1) + Likelihood (Step 2)
= Risk Ratings (Step 3)



Consider control effectiveness

Are they satisfactory? Can we accept the risk?



Plan and escalate as necessary

Design further mitigations. What is the new plan?
Who needs to know and when? (Step 4)

Use the rest of this document together with the Excel Risk Assessment template.

What do we mean when we say ...

Risk	The potential for uncertainty to affect objectives
Risk Management	Using the MYOB risk management system to effectively manage identified risks
Risk Assessment	Assessing the effect of a risk consequence, taking into account the likelihood of that consequence happening
Consequence	The worst outcome from the risk that is genuinely foreseeable
Likelihood	The genuine expectation of a consequence happening
Risk Rating	A level of risk determined from consequence and likelihood
ALARP	As Low As Reasonably Practicable. An acceptable level of risk below which it is impractical or not sensible to continue investing to reduce the risk level further

STEP 1 – USE THE CONSEQUENCES TABLE TO GET A ‘CONSEQUENCE RATING’

- + Decide what category is relevant (left column) and then move left to right for level of severity.
- + Always choose the worst consequence that is **genuinely foreseeable** – can you actually see that outcome happening? This is usually very different to the worst thing that you can possibly imagine. Please take into account controls – see “Controls” on page 3.
- + Always make sure you have the correct subject matter experts available when making the selection.
- + One issue can have multiple consequences. Just assess one at a time.
For example, you may be worried about resourcing for a project. This could be broken down into several consequence categories. For instance, there could be lost sales, (i.e. financial effect) and disappointed clients (i.e. brand and reputation damage).
- + **This is a guide only** – not every situation can be described, so pick the “best fit”

Consequence categories	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6
System security	Momentary issue with no intervention required	Minor security issues immediately resolved. No ongoing concerns	Security issue requiring specialist intervention. No ongoing concerns of recurrence	Security issue which requires specialist intervention. Ongoing recurrence concerns exist	Security issue which requires specialist intervention. Recurrence is likely and material	Multiple security issues or full system security failure.
Client and operations	A non-critical issue with minimal client or MYOB impact	System performance degradation with some client or MYOB impact	A system degradation or outage with moderate client or MYOB impact	A system degradation or outage with serious client or MYOB impact. There is an accurate determinable time to resolve.	A system degradation or outage with serious client or MYOB impact. There is not an accurate determinable time to resolve.	A system outage of utmost significance with a sustained client or MYOB impact.
Financial effect¹	<AU \$50k	AU\$50k-\$500k	AU\$500k-\$1m	AU\$1m-\$4.6m ²	AU\$4.6m- \$30m	>AU\$30m
Legal and compliance	Variance from a single policy, regulatory or legal requirement. No external intervention	Multiple variances from policy, regulatory or legal requirements. External interest	Regulatory body issues a finding, warning or improvement request	Regulatory / legal intervention including the issue of multiple findings, warnings or improvement requests	Regulatory intervention risk involving show cause notices, operational work cease, trading suspension or the like	Loss of regulatory approval to operate. Delisted from ASX.
Brand and reputation (both as a business and an employer)	Isolated event of little consequence	Short term media attention. Minor and isolated brand loyalty / advocacy effect	Extended media coverage. Multiple stakeholder brand loyalty / advocacy effects	National / Global media coverage. Serious medium term brand loyalty / advocacy effects	Sustained national / global media attention. Significant long term change in brand advocacy / loyalty by many key stakeholders	Extended international negative media attention. Irreparable brand effect. Minimal brand loyalty. Brand advocacy non existent
Team safety, security and wellbeing	Minor injury or issue. No treatment or remedial action required	Minor injury or issue. Once off first aid. No long term consequences	Medical practitioner required. May need further treatment. No permanent capacity loss	Hospital admission required. Possible partial loss of capacity ongoing	Single fatality or significant permanent capacity loss	Multiple fatalities or permanent capacity loss
Environment	Immediately resolved environmental issue. No ecosystem damage	Environmental issue resolved within one month. No ongoing issue to an ecosystem	Significant ecosystem or heritage item damage. Resolved within 1 year	Significant ecosystem or heritage item damage. Resolved within 1-3 years	Significant ecosystem or heritage item damage. Long term remedial action required	Significant ecosystem or heritage item damage. Beyond resolution

¹ Net impact to EBITDA

² This upper limit is MYOB's audit materiality level as at November 2018.

STEP 2 – USE THE LIKELIHOOD TABLE TO GET A ‘LIKELIHOOD RATING’

- + Thinking about the consequence you selected in Step 1, how likely is it that this will happen? Look at the left hand column to rate it from Almost Certain to Very Rare.
- + You can use the ‘word pictures’, time base and probability columns to guide you in reaching a rating.
- + Be realistic with your likelihood rating. Please take into account controls – see “Controls” in the next section.

Likelihood	Qualitative word picture	Time base	Probability
Almost certain	Absolutely expected to occur	Daily / weekly	>95%
Likely	In most circumstances expected. Not surprised to see it occur	Monthly	50-95%
Possible	May occur in some circumstances	Yearly	10-50%
Unlikely	Could occur. Surprised to see it occur	2-10 years	2-10%
Rare	Likely only in exceptional circumstances	10-50 years	0.1-1.9%
Very Rare	Theoretically possible but not expected to occur	More than every 50 years	<0.1%

CONTROLS

When deciding on your likelihood and consequence ratings, it is important to consider current “controls” and their effectiveness:

- + What are we doing to reduce the chance of the negative outcome actually happening? This may lower your likelihood rating.
- + What are we doing to reduce the impact of the negative outcome if it does happen? This may lower your consequence rating.

- + How well are these things working? Should we be doing anything else?

Here are some descriptions to use when we think about how effective your controls are:

Control Rating	Description
Fully Effective	Risk controls are operating exactly as designed and with full effectiveness. No further action is necessary. Monitoring of effectiveness is in place and working.
Satisfactory	Risk controls are effective but some further actions may be necessary.
Needs attention	Controls are not sufficient or are not operating as designed. Attention is necessary.
Ineffective	Significant concern with little or no confidence in risk controls.

STEP 3 – DETERMINE THE RISK RATING

Match your results from Steps 1 and 2 to determine the level of risk. If you are using the Risk Assessment Tool in Excel, this will happen automatically.

Likelihood	Consequence					
	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6
Almost certain	L	M	H	VH	VH	VH
Likely	L	M	H	H	VH	VH
Possible	VL	L	M	H	H	VH
Unlikely	VL	L	L	M	H	H
Rare	VL	VL	L	L	M	H
Very Rare	VL	VL	VL	L	M	M

STEP 4 – ACT ON THE RISK RATING

You now have a risk rating..... So what does it mean?
Depending on the rating, you will need to do various things:

Risk Rating Levels	Very Low	Low	Medium	High	Very High
Who do I need to tell?	If in doubt, a Team Leader / Supervisor	A supervisor / team leader	A BMT member	An Executive Team member	The Board
When do I need to tell them?	Business as usual reporting processes	Business as usual reporting processes	As soon as practical	Immediate	Immediate
What else needs to be done?	Monitor control effectiveness, consider trends	Review control effectiveness, consider trends	Risk Management Plan^ if not ALARP	Risk Management Plan^ if not ALARP	Mandatory Risk Management Plan^
Who can accept this risk level?	If in doubt, a Team Leader / Supervisor	Team Leader / Supervisor	A BMT member	An Executive Team member	CEO

^ See the Risk Management template in Excel to record a Risk Management Plan.