Council Policy

Policy Title:	Risk Management Policy
Responsibility:	Information Manager
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1   Policy Objectives

1.1   The objective of this policy is to ensure that Council effectively and systematically manages risk.

2   Definitions

2.1   Risk - is "the effect of uncertainty on objectives" (AS/NZS ISO 31000:2009). "Risk is quantified in terms of likelihood (probability of occurrence) and consequence (impact)."[1]

2.2   Event – the actualisation of a risk. A cause has happened that has a certain (no longer an unlikely) effect on an asset or service resulting in consequences e.g. an earthquake disrupts water supply resulting in repair costs, alternative means of supplying water, increased cost of operation, potential ill health effects, etc.

2.3   Risk Management – the coordination of activities to direct and control an organisation with regard to risk. The risk management process involves communicating, consulting, establishing context, identifying, assessing and evaluating, treating, monitoring and reviewing risks"[1]. Risk management can be applied across an entire organisation, to its business unit activities and to specific functions, projects and assets. Risk management may also be applied to specific tasks within any area of the business.2.5 Risk Appetite – is the level of risk that Council is willing to accept. It is the balancing point between the costs of the risk eventuating and the costs of further measures to treat the risk.

2.6   Risk Assessment – "refers to the overall process of identifying, analyzing and evaluating risks. It includes qualitative and in some cases quantitative assessment."[1]

2.7   Risk Management Framework – A set of [procedural] components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management.

2.8   Risk Manager – is the member of staff who is responsible for achieving the objective that the risk threatens. The Chief Executive is the Risk Manager for all Corporate Risks.

2.9   Inherent (untreated) Risk – The level of risk that exists in a raw or untreated (inherent) state.

2.10   Residual (treated) Risk – The level of risk that exists in the present, treated (residual) state after the actions of treatments (controls).

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[1] Risk Management definition – Waikato DC Risk Management Policy

2.11   Treatments (also known as controls) – The difference between the inherent and residual risk is the controls that exist at present. Analysis of controls assists in identifying the more important controls and the risks associated with these controls failing.

2.1   Future Risk - The level of risk that is expected to exist in the future after the application of additional treatments (controls).

3   Principles

3.1   Managing risk results in:
   (a)   Less likelihood of events that adversely affect success.
   (b)   Adverse events that have less impact than they might have had had the risks not been managed.
   (c)   Opportunities being identified and taken.

3.2   Strategies for addressing a risk are:
   (a)   Accept the risk.
   (b)   Reduce the risk through treatments/controls.
   (c)   Transfer the risk e.g. insurance transfers the risk of increased cost.
   (d)   Avoid the risk, e.g. stop doing that part of the business that generates this risk.

3.3   The lifecycle of risk management is to:
   (a)   Understand the context.
   (b)   Assess the risk by identifying it, analyzing it and evaluating it.
   (c)   Treating the risk to reduce its likelihood and/or impact.
   (d)   Communicating and consulting with stakeholders.
   (e)   Monitoring and reviewing the risk management process.

3.4   The likelihood of a certain magnitude of consequences results in the level of risk. Assessment of risk is often far from exact. The assessment of the level of threat from a particular risk drives the effort to further treat that risk and reduce the likelihood and/or impact.

4   Background

4.1   Council is required to "ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district."[2]

4.2   Council is exercising increasingly consistent and systematic management of risk.

4.3   This Policy is to read alongside the Legal Compliance Policy and the Risk Management Framework.

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[2] S.14(1)(g) Local Government Act 2002

5 Policy Statement

5.1 Risks need to be described in a way that facilitates assessment. Risks should not be described in such a way as to:
- congest the Risk Register with many similar risks.

Nor to generalize the risks so much
- that it is not possible to assign treatment to those risks.

5.1.2 The proper description of each risk should include the following elements:
  (a) Cause: the specific factors giving rise to the event.
  (b) Event: the specific effect on an asset or service.
  (c) Impacts/Consequences: the specific impacts on activity performance or objectives which may result.

5.1.3 Risks will be assessed at one of three levels of risk:
  (a) Corporate (or strategic) risk.
  (b) Activity (or operating) risk.
  (c) Project (or ad-hoc) risk.

5.1.4 "Risks must be considered and documented as part of the justification for all new projects. Risk assessment and monitoring must form part of the management of operational activities."[3]

5.1.4 Risks should be categorized into the following standard categories:
  (a) Finance.
  (b) Governance, Control & Compliance.
  (c) Information Management.
  (d) Operations and Service Delivery.
  (e) People.
  (f) Planning and Strategy.
  (g) Property and Assets.

5.1.5 Council has different risk appetites[4] depending on the potential consequences –

Focus Areas	Indicative Risk Appetite
• Leadership and governance	Low
• Financial decision-making	Moderate
• Service delivery and asset management	Low moderate
• Communication and engagement	Low and moderate

5.1.6 The amount of risk that Council is prepared to take depends on the individual case and is not necessarily indicated by the table above.

5.1.7 Council maintains prudent levels of indebtedness and does not invest in speculative ventures. It purchases insurance and has low insurance deductibles. Council operates to reduce uncertainty. Council must balance this with the cost of risk management and so is forced to accept uncertainty from risks that cannot be efficiently treated.

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[3] Waikato DC Risk Management Policy
[4] Refer document 648064

5.1.8   Once assessed risks will be managed by the Risk Manager as follows:

Risk Rating	Risk Actions	Reporting
• Extreme	• Monitors the effectiveness of the existing treatments/controls. • Implements additional treatments/controls. • Make contingency plans.	• Update Management Team at fortnightly meetings. • Include in a report to the Audit and Risk Committee.
• High (Treated)	• Monitors the effectiveness of the existing treatments/controls. • Implements additional treatments/controls.	• Update Chief Executive monthly.
• High (Untreated)	• Implements treatments/controls.	• Update Chief Executive monthly.
• Medium		• Monitor with annual review.
• Low		• Monitor with review every two years.

5.1.9   An approved Risk Management Framework may override these escalations but will otherwise comply with this policy.

5.1.10 Risk is managed at each level of management in the organisation:
   (a)   Council and the Audit and Risk Committee.
   (b)   Chief Executive and Senior Managers.
   (c)   Staff.

5.2   Council and the Audit and Risk Committee

5.2.1   Council is responsible for the overall conduct of the organisation and achieving the organisations goals.

5.2.2   Council acts through the Audit and Risk Committee to ensure that risk is well managed.

5.2.3   The Audit and Risk Committee sets an internal audit programme which may address specific elements of risk management e.g.(1) auditing compliance with this policy e.g.(2) auditing the effectiveness of selected treatments/controls.

5.2.4   The Audit and Risk Committee commissions, receives, considers and acts on reports from Audit NZ, any internal audit and staff on risk management.

5.2.5   The Audit and Risk Committee considers reports from staff on extreme risks.

5.2.6   The Audit and Risk Committee considers a six monthly report on Corporate Risk.

5.3 Chief Executive and Senior Managers

5.3.1   Managers are responsible to ensure that they and their staff are appropriately trained in the risk management process.

5.3.2   Managers facilitate training staff in risk management.

5.3.3   Managers include responsibility for effective risk management in all Job Descriptions.

5.3.4   Managers monitor that staff manage risk effectively.

5.3.5   The Chief Executive will provide guidance to the Audit and Risk Committee on Council's exposure to risk.

5.3.6   The Management Team prepares reports on Corporate Risk and submits it to the Audit and Risk Committee every six months.

5.4 Staff (includes Managers)

5.4.1   Risk Managers are aware of the context in which they operate and are alert to changes in the context that could impact on the existence of new risks or changes in the likelihood of risks or in the severity of consequences from risks.

5.4.2   Risk Managers manage risk in accordance with this Risk Management Policy and the adopted Risk Management Framework.

5.4.3   Risk Managers develop Risk Action Plans for managing risks that are rated as extreme or high.

5.4.4   Risk Managers report on risks that are rated as extreme or high in accordance with this Risk Management Policy

5.4.5   Risk Managers will record and assess risks in a centralised Council Risk Register.

Annotations

Date	Description
July 2009	Policy inception.
October 2015	Policy reviewed and updated.
November 2017	Policy reviewed and framework updated.

Risk Management Framework

Likelihood

	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)
	More than 50 years	Within 10 – 50 years	Within 2 - 10 years	Within 1 – 2 years	Within 1 year
	1% chance	3% chance	17% chance	67% chance	90% chance
	May occur in exceptional circumstances	Could occur at some time	Should occur at some time	Probably occur in most circumstances	Will occur in most circumstances

Consequence

Consequence Rating	Cost	People	Assets (Critical LoS reduced)	Environment	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)
Insignificant (1)	< $200		Small number of customers for a short time		Low	Low	Med	Med	High
Minor (2)	< $2k	First aid	Localised effects	Material damage of local importance	Low	Low	Med	High	High
Significant (3)	< $200k	Off work injury; Inability to recruit	Whole community for > 2 hours	Serious damage of local importance	Low	Med	High	High	EXT
Major (4)	< $1m	Hospital; Long term stress	Isolated areas for > 2 weeks	Serious damage of regional importance	Med	High	High	EXT	EXT
Catastrophic (5)	> $1m	Death; Pandemic	Whole community for > 1 week	Serious damage of national importance	High	High	EXT	EXT	EXT

Manage the risk -
- What are the existing risk controls?
- Are those controls effective?
- Do we need more controls?
- Do it!
- Monitor it

Risk Manager (you!) -
- Low risk - monitor with review every 2 years
- Medium risk - monitor with annual review
- High risk - keep Chief Executive informed
- EXTREME risk - keep Management Team informed