

Waimate
District Council



22 March 2022

Risk Management Policy 302

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POLICY OVERVIEW

1.0 Purpose

- 1.1 The purpose of this policy is to explain the Waimate District Council's (WDC) underlying approach to risk and risk management.

2.0 Scope

- 2.1 WDC Elected Members, staff, and contractors.

3.0 Definitions

- 3.1 For the purpose of the policy, relevant terms are defined as below:
- a. **Risk:** Defined as the effect of uncertainty on objectives. It is often characterised by reference to potential events and the consequences of an event, and may have either a positive or negative effect on objectives. Risk is measured in terms of likelihood and impact.
 - b. **Risk management:** Refers to the culture, processes and structures that are directed towards the effective management of risk.
 - c. **Risk management framework:** Refers to the combined suite of tools and processes, including this policy and supporting procedures, by which WDC manages risk.
 - d. **Internal controls:** Refers to policies and procedures WDC uses to govern the organisational work. Internal controls mitigate risk.
 - e. **Inherent risk:** Refers to the assessed level of raw or untreated risk; that is, the natural level of risk inherent in a process or activity without doing anything to mitigate the risk.
 - f. **Risk mitigation:** Refers to actions that must be taken to lower the likelihood of the risk occurring and/or to minimize the impact if the risk does occur. Risk can often not be totally eliminated, but it can be mitigated to lessen its likelihood and/ or impact.
 - g. **Residual risk:** Refers to the risk remaining after risk mitigation. The formula is: Inherent Risk minus Risk Mitigation equals Residual Risk.
 - h. **Risk owner:** Refers to person with the accountability and authority to manage a risk.

4.0 Approaches to Risk Management

- 4.1 WDC recognises that early and systematic identification, analysis and assessment of risks, and the development of plans for controlling and mitigating risk, are necessary to achieve its desired objectives.

- 4.2 As such, the WDC is committed to:
- a. The implementation of a comprehensive Risk Management Framework;
 - b. Identifying, analysing, assessing and appropriately managing the risks to its objectives;
 - c. An open and receptive approach to solving risk problems;
 - d. Ensuring that risk management is integrated into normal business processes and is aligned to the strategic outcomes of the WDC.
- 4.3 The WDC recognises that the identification and management of risk is linked to the achievement of its strategic outcomes, as outlined in its Long-Term Plan, Financial Strategy, Annual Plan, and 30-year Infrastructure Strategy.

5.0 Key Principles in Risk Management

- 5.1 The WDC adopts the following key principles in its approach to risk management:
- a. Risk management creates and protects value.
 - b. Risk management is an integral part of all organisational process.
 - c. Risk management is a part of decision making process.
 - d. Risk management explicitly addresses uncertainty.
 - e. Risk management is systematic, structured and timely.
 - f. Risk management is based on the best available information.
 - g. Risk management is tailored.
 - h. Risk management takes human and cultural factors into account.
 - i. Risk management is transparent and inclusive.
 - j. Risk management is dynamic, iterative and responsive to change.
 - k. Risk management facilitates continual improvement of the organisation.

PROCEDURES

6.0 Roles & Responsibilities

- 6.1 Assigning specific responsibilities to specific roles provides clarity and strengthens the overall risk management framework, as below:
- a. **Elected Members** to be assured that a risk management framework is in place and that risks are being appropriately managed.
 - b. **Audit & Risk Committee** to provide direction for the WDC's risk management and to ensure that appropriate risk mitigation activities are functioning effectively. Subject to the governing body's delegated authority, the Committee responsible for risk has responsibility to:
 - Review the risk management framework

- Consider the robustness of mechanisms adopted by management to mitigate key risks, including the adequacy of internal controls
 - Advise the governing body on matters of risk and provide objective advice and recommendations for the governing body's consideration
 - Review disaster management and business continuity plans.
 - Review the Risk Register at each quarterly meeting.
- c. **Chief Executive** has the responsibility to:
- Approve the risk management framework and recommend it to the Committee responsible for risk.
 - Lead and promote a risk aware culture across the organisation.
 - Implement the risk management framework across the organisation.
- d. **Leadership Team** has the responsibility to:
- Endorse the risk management framework and champion it to the organisation.
 - Monitor effective implementation of the risk management framework across the organisation.
 - Receive and consider risk management plans (risk registers) on a quarterly basis.
 - Receive and consider other risk-related reports on an as-required basis.
 - Provide direction on risk tolerance at a general and risk-specific level.
 - Periodically review the risk management framework to ensure it remains appropriate.
- e. **Leadership Team & People Managers** have the responsibility to:
- Lead and promote a risk aware culture within their units.
 - 'Own' risks relevant to, or arising from, their teams.
 - Develop, populate, and manage the risk management plan (risk register) for their unit in accordance with the risk management framework.
- f. **Corporate Services Group Manager & Leadership Team** have the responsibility to:
- Develop and maintain the risk management framework.
 - Facilitate the population and ongoing review of the high level 'corporate risk management plan' (risk register).
 - Manage the interface between subsidiary risk management plans and the high level 'corporate risk management plan' (risk register).
 - Advise on potential risk treatments for identified risk.
 - Consider and, where necessary, challenge the risks, controls, mitigations and accountabilities included (or not included) in risk management plans (risk registers) across the organisation.
 - Support unit managers to implement the risk management framework in their divisions and teams.

- Lead the integration of risk management principles into other WDC decision-making processes.
- g. **Staff & Contractors** have the responsibility to:
 - Provide support in identifying risk.
 - As appropriate, report and identify risks, controls or mitigations.

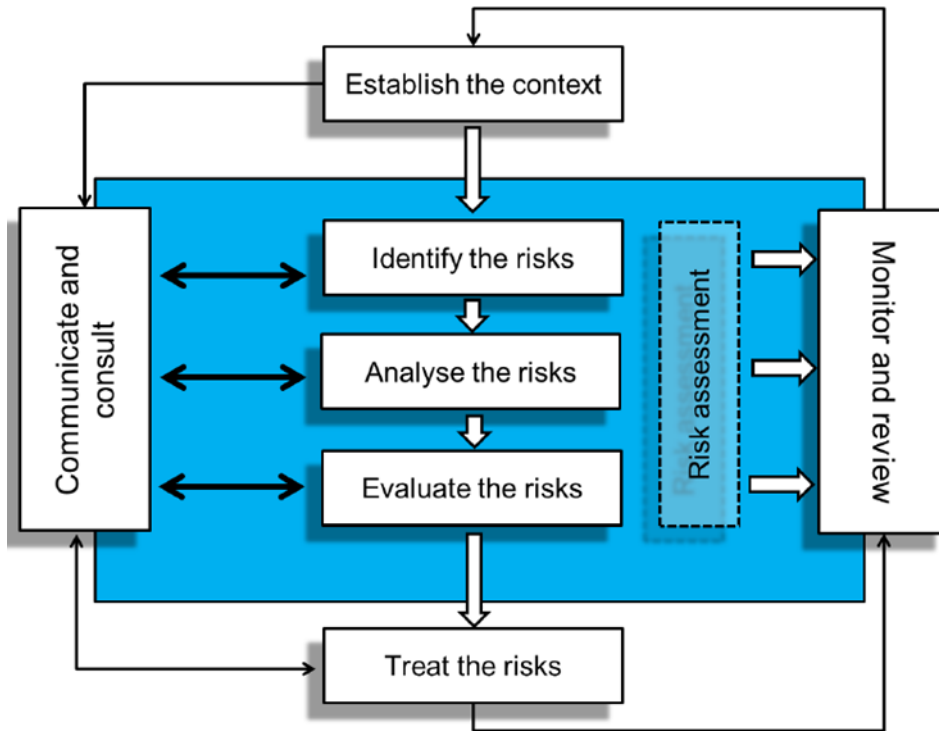
7.0 Business-as-usual Procedures

7.1 Business-as-usual procedures encompass a number of elements that together facilitate an effective and efficient operation, enabling the WDC to respond to a variety of risks. These elements include:

- a. Operational awareness: keeping ourselves updated on changes or issues within our operating environment.
- b. The process of tracking progress towards achievement of the strategic outcomes defined in the Long Term Plan, Annual Plan, Financial Strategy, and 30-year Infrastructure Strategy.
- c. Unit planning and budgeting – the unit planning and budgeting process is used to set actions and allocate resources. Progress towards meeting unit plan targets is monitored regularly.
- d. Major projects - risk assessment and mitigation strategies are essential elements.
- e. Risk Register – to identify, assess, and monitor risks significant to the WDC. The risk register is reviewed quarterly and emerging risks are added as required.
- f. Assurance measures (internal reporting and internal audit where appropriate).

8.0 Risk Management Process

8.1 The Risk Management Process comprises the activities described in the diagram below. It should be embedded in the culture and practices of the organisation and tailored to its business processes.



IDENTIFICATION OF RISKS

- 8.2 All staff members are empowered, and expected, to identify and communicate risks. Identified risks will be recorded in a risk management plan.
- 8.3 Where, for whatever reason, direct reporting lines are not able to be used to communicate identified risks, alternative methods will be made available. These will include, but not be restricted to, direct notification to Group Managers or the Chief Executive.

ANALYSIS OF RISKS

- 8.4 Risks will be analysed to determine potential causes, the likelihood of occurrence, and the potential consequences if they do occur.
- 8.5 The causes, likelihood and consequence will be recorded in a risk management plan (risk register).
- 8.6 In accordance with the principle that risk management is tailored, the analysis of risks will reflect the relevant objectives of the Elected Members, organisation, group, unit or project.
- 8.7 For the high-level corporate risk management plan (risk register):
- a. The likelihood of a risk event occurring will be assessed in accordance with the Likelihood Table included as Appendix 1.
 - b. The potential consequences if a risk event occurs will be assessed in accordance with the Consequence Table included as Appendix 1.
 - c. The assessments of the likelihood of a risk event occurring and the potential subsequent consequences will be considered together in accordance with the Risk Matrix included as Appendix 2.

- 8.8 The analysis of risks at subsidiary levels will be undertaken in a manner consistent with the above but may be tailored to suit the relevant circumstances.

EVALUATION OF RISKS

- 8.9 Analysed risks will be evaluated against criteria to determine whether a risk is tolerable in its current state or whether further action is required.
- 8.10 The evaluation of risks will consider established risk tolerances for such risks, as well as any risk-specific factors. In the first instance, the evaluation of risk will include reference to the Risk Response table included as Appendix 2.

TREATMENT OF RISKS

- 8.11 Where residual risk is considered to be too high, risk treatments will be applied to reduce the residual risk to an acceptable level.
- 8.12 In considering risk treatments, consideration will be given to both the costs and effort involved in the treatment and the potential benefit from the risk reduction.
- 8.13 Risk treatment can involve:
- a. Avoiding a risk by deciding not to start or continue with the activity that gives rise to the risk.
 - b. Taking or increasing risk in order to pursue an opportunity
 - c. Removing the risk source
 - d. Changing the likelihood of the risk occurring
 - e. Changing the consequence if the risk occurs
 - f. Sharing the risk with another party or parties, or
 - g. Retaining the risk by informed decision.

RECORDING OF RISKS

- 8.14 Risks, controls and mitigations will be recorded in a risk management plan (risk register).
- 8.15 A high-level organisation-wide 'corporate risk management plan' (risk register) will be maintained to record and report on risks of WDC-wide significance.
- 8.16 Subsidiary risk management plans will be prepared as appropriate throughout the organisation. These may include, but will not be limited to:
- a. Group risk management plans
 - b. Activity risk management plans (within Activity Management Plans)
 - c. Asset risk management plans (if appropriate to be separate from Activity Management Plans)
 - d. Specialists risk management plans (for example, health and safety)
 - e. Project risk management plans, and

- f. Any other risk management plan relevant to helping the WDC achieve its objectives.

REPORTING OF RISKS

- 8.17 Identified risks, and the associated controls, mitigations and accountabilities, will be reported in accordance with the Risk Response table included as Appendix 2. Risk management plans (risk registers) will be reported regularly to both the Leadership Team and the Committee responsible for risk.

ACCOUNTABILITY OF RISKS

- 8.18 Specific accountability for each risk, control and mitigation will be identified and recorded in a risk management plan (risk register).

9.0 Internal Audit Programme

- 9.1 The use of internal audit is an important tool to assess the effectiveness of the internal control environment. The Audit and Risk Committee are responsible for approving the appointment of the internal auditor and overseeing their programme of work.

10.0 Third Party Audits

- 10.1 From time to time, the use of external consultants may be appropriate. The use of specialist third parties for auditing and reporting may be used to increase the reliability of the internal control system.

11.0 Associated Documents

- 11.1 This Risk Management Policy has been developed in line with the standard AS/NZ ISO 31000:2009 Risk Management – Principles and Guidelines.

12.0 Document Control

Document owner:	Corporate Services Group Manager
Effective:	22 March 2022
Previous review date(s):	N/A
Next review date:	March 2025
Policy can only be amended by:	Resolution of Council
Council resolution number:	2022/29

Appendix 1: Likelihood & Consequences Defined

THE RATING DEFINITION OF RISK LIKELIHOOD

Likelihood Rating	Score	Likelihood Rating Definition
Almost certain	5	90% or greater chance of occurring in next 12 months Expected to occur in 9 or next 10 years Certain to occur at least once in next 5 years It would be unusual if this didn't happen
Likely	4	60% to 90% chance of occurring in next 12 months Expected to occur at least once in next 5 years Will occur more often than not
Possible	3	25% to 60% chance of occurring in next 12 months Expected to occur in 4 or next 10 years Likely will occur at least one in next five years (>80% chance) Not likely, but don't be surprised
Unlikely	2	2% to 25% chance of occurring in next 12 months Expected to occur a maximum of once every 5 to 20 years 50% chance of occurring in next 5 years A surprise, but not beyond the bounds of imagination
Rare	1	Up to 2% chance of occurring in next 12 months Could occur once every 50 or more years Less than 10-% chance of occurring in next 5 years Will only occur in exceptional circumstances

CONSEQUENCE RATING DEFINITIONS

Rating Level	Consequence Description	Score
Catastrophic	<ul style="list-style-type: none"> • Catastrophic loss of public or stakeholder confidence, or breakdown in standards, which requires major recovery action to restore reputation or effectiveness; or • Clearly threatens operations or ability of organisation over an extended period to achieve its objectives, or • Major unexpected financial overspend or loss of \$1 million or above • Loss of life • Prolonged national media and political attention 	5
Major	<ul style="list-style-type: none"> • Major unexpected financial overspend or loss of \$500,000 to \$1 million • Significant dissatisfaction expressed by stakeholders, • Serious harm, or • Unexpected failure to meet a standard and/or legislation. 	4
Moderate	<ul style="list-style-type: none"> • Failure leading to review of project or operation that will require changes to processes or goals; or • Likely to cause some damage or, disruption or breach of controls; or • Moderate financial overspend or loss of \$100,000 to \$500,000 • Regional media attention, loss of image • Injury to staff or contractor 	3
Minor	<ul style="list-style-type: none"> • Localised or isolated failure to meet stakeholder requirements or standards, • Unlikely to cause damage or threaten the effectiveness of the project, • Minor financial impact, involves management time, up to \$100,000 	2
Insignificant	<ul style="list-style-type: none"> • Very low impact that will not be visible, negligible 	1

Appendix 2: Scoring Risks Defined

Likelihood	Consequence				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Frequent (5)	5	10	15	20	25
Often (4)	4	8	12	16	20
Likely (3)	3	6	9	12	15
Possible (2)	2	4	6	8	10
Rare (1)	1	2	3	4	5

Risk Score	Level of Risk	Action Required	Attention Of / Assigned To
15-25	Extreme risk	Requires immediate assessment of actions	Audit and Risk Committee / Council / Chief Executive (as required), statutory bodies
8-12	Significant risk	Requires remedial assessment and action via the annual planning process	Chief Executive / Leadership Team
4-6	Moderate risk	Address via new procedures and/or modification of existing practices and training	Group Manager, programme manager, work stream leaders
1-3	Low risk	No formal requirement for further action, unless escalation of risk is possible	Work stream leaders, project managers