Council Briefing Agenda

Date:	Tuesday, 9 June, 2020
Time:	9:00 am
Location:	Council Chamber
	Forum North, Rust Avenue
	Whangarei
Elected Members:	Her Worship the Mayor Sheryl Mai (Chairperson)
	Cr Gavin Benney
	Cr Vince Cocurullo
	Cr Nicholas Connop
	Cr Ken Couper
	Cr Tricia Cutforth
	Cr Shelley Deeming
	Cr Jayne Golightly
	Cr Phil Halse
	Cr Greg Innes
	Cr Greg Martin
	Cr Anna Murphy
	Cr Carol Peters
	Cr Simon Reid

For any queries regarding this meeting please contact
the Whangarei District Council on (09) 430-4200.

2.1 Review Risk Framework

Meeting:	Council Briefing
Date of meeting:	Tuesday 9 June 2020
Reporting officer:	John Isles (Independent Chair Risk and Audit Committee)
	Emily Thompson (Senior Assurance Advisor)

1 Purpose

To consider upcoming risks for Council. The session will share with the Elected Members an overview of the current risk framework and initiate an update into a policy and supporting framework.

2 Background

Risk is an important factor in any decision making and should be embedded into our operational processes. It is important to ensure that Council understand and manage the risks in the provision of services to our District. This should be embedded in the governance processes and thinking.

There are many sources of risk to an organisation, some representing hazards while others are opportunities. Risk management involves managing risk to achieve an appropriate balance between realising opportunities for gains while minimising losses. It is an iterative process consisting of steps that, when undertaken in sequence, enable continuous improvements in decision making and performance.

It is good practice for organisations to have a formal risk management framework that it reviews on a regular basis. Council has a risk management framework that was adopted in April 2016.

The current Risk Management Framework incorporates the Risk Management Policy statement.

This framework has been implemented across the organisations successfully over the last four years and is now due for review to ensure that we are in line with best practice. Given recent global events a review of both the Risk Management Framework, and Council's risk appetite, is timely.

The proposal for the review is to separate the policy and framework. In doing so Council will set the direction and expectations around Risk Management within the policy, while providing for the framework to be a living document that can meet changing needs.

This workshop follows the paper Risk Management Framework Review that was received by Council on Thursday 30 April. In that paper Council noted that the risk management framework is due for review and that the Chair of the Risk and Audit committee would use his expertise to assist in this review.

3   Discussion

There will be a short presentation to provide an overview of the current framework and to define terminology that we use to describe risk such as:

Likelihood – the chance that the risk occurs

Consequence: The impact on Council, or the District, if the risk occurs.

Mitigation: The treatment we will apply to reduce the risk - what we will do about it, or are already doing

Then the independent Chair of the Risk and Audit Committee will facilitate a session to consider risks across Council and use these to develop risk principles to add to the Policy.

Councillors are invited to consider current, emerging and additional risks that may arise across the Council. It would be helpful to bring these thoughts to the session for discussion to assist with the development of Council's risk principles.

4   Attachments

Existing Risk Management Framework

Proposed Risk Management Policy - DRAFT

Whangarei District Council

Risk Management Policy

Policy 210

Policy title			
Audience (Primary)	Internal/external*	Business Owner (Dept)	
Policy Author		Review Date	

Table of contents

Policy title			
Audience (Primary)	Internal/external*	Business Owner (Dept)	
Policy Author		Review date	

Legislative Requirement

Whangarei District Council strives to provide good governance behaviours. Whilst there is no legislative requirement for this policy it aims to support ratepayer trust.

Purpose

To clearly state the objectives and behaviours required to achieve effective risk management across the organisation.

Policy background

Risk is the impact of an uncertain event or condition that, if it occurs, has a positive or negative effect on the things that we value and want to achieve. We seek to better understand risk because it informs the decisions that we make in order to achieve our vision for community outcomes.

Risk management is the knowledge and practices that we use to control the risks that can impact on the things we value. Risk management aims to reduce threats and maximise opportunities.

Risk management is overseen by the Senior Leadership Team and the Risk and Audit committee, via regular reporting and escalation as appropriate.

Risk Management encompasses all risk assurance activities including Health and Safety, Project risks (ICT and Infrastructure), Business Continuity, Insurance placement, and many operational processes across the organisation. It also encompasses the elected members of Council.

Policy Statement

Whangarei District Council is committed to council wide risk management principles, framework and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

Council has a responsibility to align decisions with the vision and outcomes as agreed under the Long Term Plan. This includes the delivery of the requirements under the Local Government Act, and other associated legislation. These outcomes create the basis of the Council risk appetite to ensure provision of essential services are prioritised and maintained with minimal risk exposure.

Procedures, Processes, Standards & Guidelines

Details of how this policy will be implemented are contained in the risk management framework and associated documents.

Definitions

Definitions relating to this policy are in the Risk Management Framework.

Related Policies and Documents

- Risk Management Framework
- Health and Safety Policy

Policy title			
Audience (Primary)	Internal/external*	Business Owner (Dept)	
Policy Author		Review date	

- Risk and Audit Committee – terms of reference
- Legislative Compliance Policy
- ISO31000

Adopted

Time line and dates of adoption are captured in the Kete approval process.

Policy Review

This Policy was created in May 2020 and was adopted as follows:

Date of meeting: DD-MM-YYYY

By: Risk and Audit Committee

WHANGAREI
DISTRICT COUNCIL

Risk Management Framework

Adopted 27 April 2016

Note that this Framework is evolving as Council moves through organisation-level identification, assessment and treatment of risk. Group and Department managers will be continually asked to identify, assess and treat risk in their own areas so that we end up with a cascading overall risk profile. Risks will be captured according to the Risk Escalation and Reporting Matrix detailed in appendix 4, and monitored quarterly using the Integrated Risk Management (IRM) module of CAMMS, a web application.

This document is updated regularly as we progress. Printed copies of this document are therefore uncontrolled.

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SECTION ONE - INTRODUCTION

1. Purpose

The Whangarei District Council (WDC) is committed to providing the highest standard of risk management to enable informed decision making and meet the principles outlined in the Policy. This framework will guide the application of risk management within WDC and its CCOs to ensure risks are managed in an ongoing and proactive manner using a cohesive and structured approach. This Framework outlines the organisational process for risk management.

In this document "risk management" refers to the culture, processes and structures that are directed towards the effective and efficient management of potential threats and opportunities at all levels of the organisation. It aims to optimise the balance between risk and control. Risk management is recognised as an integral part of good management practice and is an important aspect of corporate governance.

2. Policy Statement

The Whangarei District Council will accept and tolerate risk according to their risk appetite, as discussed in section 8.3, to the extent that it can achieve its objectives.

Council recognises that it is prudent to systematically manage and regularly review its risk profile at a strategic/organisation-wide, activity/departmental and project level. Council is doing this by

refreshing its risk management framework and process to redefine the management practices required to adequately control risk across all levels of the organisation in a consistent and effective manner.

Council's risk management framework is consistent with the AS/NZS ISO 31000 Risk Management Principles and Guidelines. These standards are considered to be best practice and are a foundation of similar processes for many local government entities across the country.

3. Objectives

Council seeks to identify all key risks that could impact on the viability of its responsibilities and operations and has contingencies in place to avoid, minimise, mitigate and/or accept risks within its sphere of control or influence. This will be achieved through:

- The Whangarei District Council having an up to date and comprehensive understanding of its risks;
- Risk ownership being evident; and
- Council's risks actively managed, monitored and (if possible) treated.

4. Risk Management within WDC

4.1. Definitions

Using common terminology will make understanding concepts around risk much easier. Below is a short list of key terms used in this RMF but Appendix One contains a detailed list:

- **Risk**: The effect of uncertainty on objectives. An effect is a deviation from the expected – positive or negative.
- **Risk Assessment**: The overall process of risk identification, risk analysis and risk evaluation.
- **Risk Management**: The culture, process and structures that are directed towards realising potential opportunities whilst managing adverse effects.
- **Risk Management Framework**: The set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout WDC.
- **Risk Management Process**: Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing and evaluating, treating and monitoring and reviewing risk.
- **Risk Owner**: The person or entity with the accountability and authority to manage a risk.
- **Risk Register**: Record of information about identified risks.
- **Control**: Measures that modify the risk.
- **Risk Appetite**: The amount and type of risk that Council is prepared to pursue, retain or tolerate in pursuit of its objectives

4.2. What is Risk Management and why does it matter?

Risk management is the process of identifying the risks, whether strategic or operational, which may impact the extent to which WDC will achieve or exceed its objectives, determining the consequence and probability, and establishing a plan to manage the risks to an acceptable level. The proactive management of risks increases the likelihood of WDC achieving its objectives.

There are many sources of risk to an organisation, some representing hazards while others are opportunities. Risk management involves managing risk to achieve an appropriate balance between realising opportunities for gains while minimising losses. It is an iterative process consisting of steps that, when undertaken in sequence, enable continuous improvements in decision making and facilitates continuous improvements in performance.

The consistent evaluation of risk across WDC can provide a reliable source of information for decision-making and planning, facilitating the effective allocation and use of resources and improving operational effectiveness and efficiency.

The existence of a robust Risk Management Framework improves stakeholder confidence and trust that WDC is operating as an effective and well managed organisation. Documented risk management processes and consideration will assist WDC in withstanding internal and external scrutiny of decisions and actions.

To be most effective, risk management should become part of an organisation's culture. It should be embedded into the organisation's philosophy, practices and business processes rather than be viewed or practiced as a separate activity.

Appendix Two contains an extract from the Standard which sets out the relationship between risk management principles including the benefits, the establishment and maintenance of the risk framework and the risk management process.

4.3. WDC's Risk Management commitment

An effective risk management policy is essential for WDC to achieve its objectives. WDC faces a range of risks that are inherent to the council activities undertaken. WDC stakeholders including ratepayers, customers, personnel and suppliers require assurance that WDC will manage the risk exposures so that its objectives are achieved. Senior management and staff must be able to demonstrate that all reasonable steps have been taken to properly manage WDC's risks.

Governance of WDC lies with Council. Council has delegated management of WDC's risk management programme to the Audit and Risk Committee (ARC), a sub-committee of Council. Policy execution is the responsibility of the Chief Executive, the Leadership team and Department Managers. Senior management assign risk treatments to the most appropriate person within each business unit so that risks are managed at line level and at the point where the greatest risk mitigation can be achieved for the most cost effective effort.

In order to ensure that risk management is recognised and treated as a core competency, WDC has implemented a council wide framework for the management of risk. The Audit and Risk Analyst is responsible for administering this framework and for co-ordinating WDC's effort to ensure risk management activity achieves appropriate focus.

The following principles reflect WDC's commitment to effective risk management:

- Delivering opportunities by managing risk as a key part of all WDC's activities.
- In all WDC's activities, risk should be understood and visible.
- Risk will be managed consistent with organisational values.
- Risk will be managed to meet all legal and regulatory requirements as a minimum.
- Approaches to managing risk will be simple, flexible and sustained.

4.4. Risk Management culture

An effective risk management culture is essential for Council to ensure it is adequately addressing its risks and obligations and is in a position to achieve its objectives. Ensuring ratepayer value comes from creating opportunities and managing risks.

Council and LT are committed to ensuring that all reasonable measures are taken to maintain a responsible risk management environment through which obligations and stakeholder commitments are fully met.

In order for risk management to be effective, staff at all levels of the organisation must understand their responsibilities and maintain the standards of this framework.

This risk management framework is based on a consultative team approach to facilitate best practice risk management throughout WDC. This will help bring different areas of expertise together to analyse risks, ensure different views are appropriately considered in evaluating risks and for appropriate change management practices to be applied during risk treatment. Involvement

also allows the "ownership" of risk by managers and the engagement of stakeholders. It allows them to appreciate the benefits of particular controls and the need to endorse and support a treatment plan.

In a practical sense a risk management culture seeks to combine effective implementation, whereby risk management forms part of the process of doing business, with informed reporting, and regular monitoring of risk.

4.5. Risk Management Principles

WDC has implemented an enterprise wide risk management framework, the principles of which are aligned with the 11 principles of AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines. The 11 principles and how WDC has adopted these are outlined in the Appendix Three.

5. Scope

The WDC risk management process incorporates risk at all levels of the organisation - the five Groups, departments, strategies, activity management plans and projects. Council sees risk management as a governance priority and therefore involves all senior staff (Leadership Team, Department Managers and Team Leaders) and Councillors, with overall co-ordination from within the Governance Department.

Although the day to day identification and management of risk lies with management positions within the organisational structure, the Governance Department will continue to manage the continuous improvement of the process to ensure the quality and effectiveness of risk-related efforts.

6. Integration with Organisational Processes

Risk management is not an isolated management practice, nor a yearly compliance task. To be truly effective, risk management must be integral to business as usual. The risk management framework therefore focuses on pro-active monitoring and treatment of risk with strong accountability. In order to facilitate this, risk management is an integral part of WDC's activity as follows:

Planning Process

Material risks and issues, which could impact the achievement of business plans both at a strategic and operational level, will be identified as part of the annual business planning cycle. WDC's strategic risk assessment will also be annually refreshed so that the outputs can be addressed during the business planning cycle.

Business Operations

Each business unit is responsible for risk management planning as part of their planning process and responsible for risk management monitoring and reporting as part of their day-to-day operations. The operations are required to establish the risk treatment and identify the person accountable for implementation.

Risks may be identified in a variety of ways and it is the responsibility of all council staff to log a risk as soon as they become aware of it.

Leadership teams monitor the operational risk register on a monthly basis and conduct risk workshops on a quarterly basis.

Decision making

All advice and key organisational decisions are to incorporate and reflect an objective assessment of the key risks and opportunities that might arise in relation to each option put forward as part of the analysis.

Integrated risk management and internal audit

An integrated approach to risk management and internal audit provides transparency as to the level of reliance that can be placed on the control environment for risk management purposes and can also monitor the degree of application of the risk framework.

The internal audit programme, which is set and approved by the Audit and Risk Committee prior to the beginning of each financial year, will amongst other things use outputs from the risk management process to identify key areas of concern. This will include evaluating the robustness of controls relied upon to mitigate key risks and monitoring progress with previous internal audit findings managed in the risk register.

Program and Project Delivery

A project risk register will be maintained by the project manager to monitor the risks impacting program / project delivery.

Incorporated into preparation of the business case, a risk assessment will be conducted by the project manager for new projects against WDC's enterprise risk rating matrix to ascertain whether the program/ project risks are of sufficient magnitude to warrant registering in the risk register and monitoring through WDC's risk management framework. For substantive projects the delivery of which could have significant impact on the organisation a separate risk report may be prepared.

Safety based decision making

Business unit annual plans and maintenance plans outline the strategies for maintaining the infrastructure at a safe level to meet the customer service delivery requirements. WDC has plans for managing assets and safety matching their service potential to customer requirements and priorities. WDC achieves this by prioritizing according to safety needs including assessing and treating safety risks followed by market needs.

7. Accountability for Risk Management

Council staff who have management responsibility (Group, Department, Activity/Asset, Team, Project) will eventually be involved in risk management and should be aware of their responsibilities in identifying and managing risk. Key responsibilities are noted below.

Role	Accountability
Council	Council will: • ensure an appropriate risk governance structure is in place; • support the Risk Management Framework including risk management as an element of Council's Long Term Plan and Annual Plans as well as other strategies, plans and documents; • be responsible for setting risk appetite
Audit & Risk Committee	The Audit and Risk Committee will deliver on its mandate as outlined in its delegations including acting in a risk monitoring advisory and improver role for Council. The Audit and Risk Committee should support the overall risk management process by: • ensuring Council has appropriate risk management and internal controls in place; • approving and review risk management programmes and risk treatment options for critical risks; • being responsible for making recommendations to Council for setting risk appetite; • providing guidance and governance to support significant and/or high profile elements of the risk management spectrum.

Chief Executive	The Chief Executive is responsible for: • nominating a risk management sponsor; • reporting critical and high risks to the Audit and Risk Committee and/or Council with treatment options; • oversight of the risk management process; • promotion of a risk aware culture within Council through the risk management programme; • providing direction and advice on the management of risks within Council and ensuring that appropriate treatment measures are in place to mitigate Council exposure; • promoting a culture of risk management and ensuring strategic, comprehensive and systematic risk management programmes operate throughout Council; • ensuring that Council's organisation vision and values (relevant to risk) are aligned and synchronised with the strategic direction (including Community outcomes and budgetary considerations) and culture; • ensuring that risk management is considered in everything Council undertakes and is incorporated in the messages given to the organisation; • supporting the Audit and Risk Committee in delivering its duties; and ☐ supporting the internal audit process
Group Managers	Leadership Team are responsible within their Business Units for: • maintaining the overall responsibility for the effective and efficient management of all types of risks related to Council activities and delivery of the Risk Management Framework and objectives; • promotion of a risk management culture; • communicate and raise awareness of risk management to Council managers and staff; • identify, manage, and monitor risks in their Groups; • assisting in setting Council's risk attitude; • ensuring that Council's assets and operations, together with liability risks and hazards to the public, are adequately protected through appropriate risk planning and budgeting, internal audit processes, and appropriate internal systems and controls;

Role	Accountability
	• ensure that risk management is in place and reviewed as required and at least annually for all risks for timely updating and continuous improvement; • ensuring legislative and governance requirements and obligations are met; and ☐ integration of risk management with Councils policies, process and practices.

Department Managers and Team Leaders	All Department Managers and Team Leaders will be responsible for: • the registration and maintenance of risks in the risk register pertaining to their Divisions and at a Council-wide level as required and appropriate; • managing activity/project/asset risks; • on-going identification and assessment of risk including appropriate responses; • management of the relevant risks as delegated within the agreed acceptable risk tolerance levels; • support and assistance to the Audit and Risk Analyst in the delivery of all duties and responsibilities; • ensuring the effectiveness of risk controls; • ensuring risk management and process are embedded in strategies, policies, business plans, contracts, and standard operating procedures; and • proactively implementation of best practice in all facets of business including asset management planning, emergency management planning, and disaster and recovery plans
Asset Managers	☐ The management of risks that may affect the delivery, operational capacity or reputation of their activity. To support this responsibility, all asset managers are required to ensure: ○ That their activity's risks are managed in accordance with the risk management framework; ○ Control and treatment plans form an integral part of their planning and AMPs; ○ That risk management plans required by third parties (e.g. drinking water risk management plans) are current; ○ That all relevant staff are aware of and comply with the risk assessment, control procedures and treatment plans.
Project Steering Teams	☐ The management of risks that may affect the delivery of the project: ○ Project risks are managed in accordance with the risk management framework; ○ Control and treatment plans form an integral part of project planning and execution and those plans are approved by the steering team (and LT if necessary); ○ That all relevant project staff are aware of and comply with the risk assessment, control procedures and treatment plans.
Project Managers	☐ The identification and assessment of risks that may affect the delivery of the project: ○ Steering teams have full visibility of the complete risk profile of the project through regular reporting to the steering team.
Specialist roles	Engineering and IT staff, inclusive of contractors (i.e. OPUS and), employed in specialists roles that may affect the impact of the council's reputational risk during delivery of their activities are required to ensure the: ☐ the acceptance, recording and maintenance of their relevant risks in the risk
Role	**Accountability**

	register pertaining to their activities as required and appropriate; • managing activity/project/asset risks; and • on-going identification and assessment of risk including appropriate responses.
Audit and Risk Analyst	The Audit and Risk Analyst will: • coordinate the risk management process; • assist with the development and maintenance of the risk register; • report critical and high risks to the ARC and LT with treatment plans; • plan, and execute reviews and audits of the risk register; • measure and report the effectiveness and adequacy of risk management and internal control processes and systems, and report to the ARC and LT; • assist with the education of staff on risk management; • provide technical assistance on risk management; and • facilitate the management of cross-organisational risks
All staff	All staff will: • have awareness of the risk management framework; and • identify, monitor and report issues and potential risks as they occur.

8. Risk Management Reporting

Risks will be captured on the WDC standard risk register. This will be owned and maintained by each department and be subject to review by Audit and Risk Analyst.

WDC has a legal and custodianship obligation to manage risks. Departmental reporting will include top current risks and emerging risks that could have a future influence on WDC. These risks will be consolidated into WDC-wide summary on a quarterly basis and be included in Risk and Assurance's quarterly report to the ARC.

WDC is committed to the principle of continuous improvement. A proactive approach to monitoring, reviewing and continuously improving risk management practices has been assigned in Risk Management Accountability, section 7. An annual risk management performance review will provide a basis for ongoing improvements to the risk management framework and process with a particular focus on improvement over time.

8.1 Centralised Risk Database

A centralised database to facilitate accurate, timely, consistent and traceable risk information will be maintained. The Department Managers and Team Leaders will be responsible for maintaining the integrity of their information including reflecting the current status of risk treatment plans and actions, with support and oversight provided by the Audit and Risk Analyst. The structure of the database will facilitate reporting to enable regular monitoring of risk. The risk register stores all risks and issues, irrespective of their risk rating, as this represents WDC's risk profile.

8.2 Risk Identification and Logging

WDC staff are expected to manage risk as a part of their daily activity. All staff are tasked with identifying and escalating new risks according to the risk management process described where after it will be entered and maintained in the risk register (IRM) by the Audit and Risk Analyst, or delegate as required.

All risks will be logged into IRM to enable relevant information to be captured and forwarded to the relevant manager for evaluation and approval of any acceptance, avoidance, transfer and mitigation actions. If necessary, the relevant LT member will escalate the risk to CE and/or

Councillors for discussion. Further rework by the risk owner may be required. If the risk relates to a project, approval is carried out by the project sponsor.

8.3 Risk Appetite and Tolerance

Risk appetite is 'the amount of risk that WDC is prepared to take in pursuit of its objectives' whilst risk tolerance is 'the amount of loss WDC is willing to bear should a risk materialise'. Key expectations with respect to risk appetite and tolerance are that:

- LT and the ARC will provide guidance regarding organisational risk appetite and tolerance levels.

- Risk appetite and risk tolerance will be considered in respect of each risk that is assessed.

- WDC expects management to *escalate risks* to the LT with an appropriate risk mitigation plan that lowers the level / class of risk exposure. Risk tolerance will be determined through this process.

The risk matrix provides guidance to the assessment of risks from an organisation wide perspective. The risk appetite for the organisation as a whole may be higher o r l o w e r than that of a business unit/project.

8.4 Risk Reporting and Monitoring

Risks are reported on a regular basis as indicated in Appendix Four.

Departmental and escalated project risks are to be monitored and reported on a monthly basis. Project risk is to be monitored on an ongoing basis with reporting to the project sponsor at least monthly (alternative timing may be determined) through project status reports. This is the responsibility of the project manager.

Organisation-wide risk is to be reviewed by the LT on a quarterly basis prior to reporting to the ARC.

The Audit and Risk Analyst maintains responsibility for issuing a summary report monthly to all LT members following a general review to ensure that:

- Progress against action items is satisfactory;

- Relevant documentation has been maintained and is available in IRM;

- All new organisational risks have been entered into IRM; and ☐ Any obsolete risks have been updated accordingly.

On-going monitoring and reporting provides assurance that the risk management framework is effective by:

- Ensuring relevant information derived from the application of risk management across the organisation is available to appropriate levels at specified times in agreed formats

- Focusing attention on risk management at regular intervals over and above day to day work priorities;

- Ensuring risks are maintained and the information is relevant and current; and

- Providing documented evidence (should it ever be required) of the way risks are managed within WDC.

Monthly Leadership meetings

The risk assessment process produces important management information which can assist in prioritising workflows and managing actions on a timely basis. Each month the risk register should be reviewed by the leadership teams to enable an integrated approach to managing risk within the day to day operations. Management is also required to flow relevant risk information through to their teams on a regular basis.

Quarterly Risk Workshops

Each quarter prior to the Audit and Risk Committee Meeting, the Audit and Risk Analyst facilitates workshops with the Group Managers to discuss and review existing risks, and to document any new or emerging risks. The Group Manager delegate collates the information needed to update IRM for reporting purposes.

The workshops also serve to continue to embed a risk management culture within Council by providing a forum in which risks can be openly debated, best practice risk management knowledge can be shared and any training of development opportunities are identified.

Quarterly Audit and Risk Committee Reporting

A quarterly report is prepared for the Audit and Risk Committee by the Audit and Risk Analyst providing:

- an update on the risk management framework and how it is being embedded into WDC.
- on a rotational basis the report includes a comprehensive review of 1 or 2 of the key strategic risks facing the organisation. This is complemented in the meeting by the presence of the relevant treatment owner(s)
- operational risks that are rated as 'critical' or 'high' are reported by business unit ⬜ statistical risk data as required.

Annual Strategic Risk Review

An annual review of the strategic risks to achievement of the organisation's objectives, as articulated in the LTP and other strategic documents, is undertaken in conjunction with the Leadership Team. The strategic risk review includes an updated SWOT analysis. A strategic risk report is submitted to Council.

SECTION TWO – RISK MANAGEMENT PROCESS

1. Introduction

To achieve the benefits of risk management, WDC has adopted the Joint Australian New Zealand International Standard: Risk Management – Principles and Guidelines (AS/NZS ISO 31000:2009) - an integrated risk management approach that provides a systematic and consistent methodology to risk identification, assessment and treatment as reflected in the risk management process.

The top risks across WDC will be monitored monthly with key risk exposures, issues and trends being the focus. Risks relating to strategic, operational and projects will be included. The reporting will comment on the risks, mitigations and the resources committed to mitigating the risks.

For the Risk Management process to be efficient and effective within Council, it must be:

• an integral part of management;
• embedded in the culture and practices; and
• tailored to the business planning and processes of the organisation

Risk management is the process by which risks are identified and analysed, and treatments put in place to reduce the severity (likelihood and / or consequence) of the risk. The process comprises seven steps as recommended by ISO AS/NZS 3100.2009. The steps are detailed in the flowchart below:
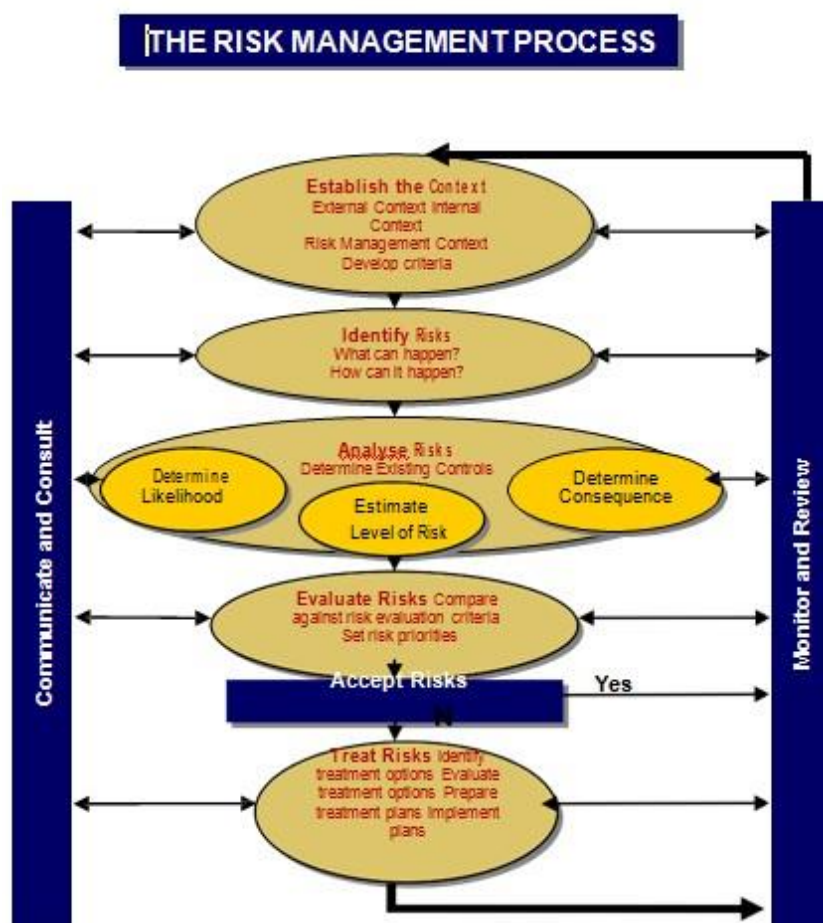
Step 1:   Establishing the Context

The establishment of the context is an integral element within the process of risk management as it establishes and defines the various environments in which risk is to be considered, assessed and managed.

The level of contextual relevance should be considered on;

- an external context - which is the extent to which Council's external environment will impact on its ability to achieve its corporate objectives;
- an internal context – which is about understanding the internal operating environment;
- the context of the risk management process – establishment of the objectives, strategies, scope;
- defining the risk criteria – the organisation should define criteria to be used to evaluate the significance of risk.

Step 2:   Identify Risks

Risk identification is a key step to ensure that the risk exposures which Council may be subject to are recorded. This sets the foundation for the establishment of effective and efficient risk mitigation, control and review.

Good risk identification includes:
- Having a deep understanding of the strategic and operational objectives of the business unit, including the key success factors and threats;
- Analysis of the functions within the business unit to identify the key risks that flow from the business activities; and
- Analysis of how the business unit risk could potentially flow through to other parts of the business.

There are many types of risk that may impact Council that should be considered when identifying risks. Of particular note are:

Risk Type	High Level Definition
Strategic Risk	A major challenge to delivering the outcomes required from the organisation's key objectives as detailed in the Council's Long Term Plan
Operational Risk	Challenges to delivering operations or services required to support the key outcomes. The risk of loss occurring as a result of weak or ineffective internal controls and processes. This also captures business continuity planning, internal or external fraud, project management, outsourcing and inadequate people management processes.
Risk Type	High Level Definition
Health and Safety Risk	The risk of any injury, whether lost time, serious harm or a fatality, directly attributable to organisational, mechanical or infrastructural failure. Health and safety hazards are logged direct into the Tech One Health and Safety programme, where an initial risk appraisal is undertaken using likelihood, consequences and probability as if no controls were in place. Once controls are in place, a residual risk score is then included. For further information, reference the "Workplace Hazard & Risk Management Policy (TRIM POLICY-0104).

Compliance Risk	The risk of non-compliance with laws, regulations resulting in enforceable undertakings, fines / penalties.

All risks must be linked to Council outcomes, strategies and plans and form part of Council's overall vision for the district, sphere of responsibility and/ or influence.

The key elements of Council's risk identification processes are:

- risk assessments undertaken within individual departments and teams including asset management planning, activity planning, contract management, legislative compliance, occupational health and safety, human resources, professional advice; security, financial management, reputational exposure, management reporting, records management, information technology, and systems;
- the liability risk assessments undertaken by Council's public liability insurer;
- legislative, regulatory and /or industry information obtained from various sources;
- feedback received from the communication and consultation process both from external and internal stakeholders;
- employees and members of the public are also encouraged to report potential risk exposures.

Each risk identified will be entered and maintained in the risk register (IRM) by the Audit and Risk Analyst or delegate as required. All staff are tasked with identifying and escalating new risks according to the risk management process using the risk logging form in Appendix Five.

Step 3:   Risk Assessment

Risk analysis aims at understanding the level of significance of a risk and ways to control and/or mitigate it.

A full accurate and objective assessment of any identified risk must be undertaken to:

- determine existing controls;
- determine the risk likelihood (Table 1 listed below);
- determine the consequence of the risk (Table 2 listed below); establish the risk rating.

An assessment of risk should be carried out three times during the life of the risk:

- Stage 1:
  Inherent risk - the risk exposure **prior** to management controls being put in place;
- Stage 2:
      Managed risk – the risk exposure with the current level of management

controls; Stage 3:

Residual risk – the risk exposure **after** management controls being put in place when no further controls are required and the level of risk is tolerable. The acceptance of residual risk is dependent on Council's agreed risk appetite and cost-benefit analysis of options.

Table 1:

Determine the likelihood using the ratings below		
	General description	**Frequency expression**
5 Almost Certain	Risk event expected to occur in most circumstances.	90% chance within next 12 months; or 18 out of every 20 years
4 Likely	Risk event will probably occur in most circumstances.	55% chance within next 12 months; or 11 out of every 20 years

3 Possible	Risk event should occur at some time.	25% chance within next 12 months; or 5 out of every 20 years
2 Unlikely	Risk event could occur at some time.	10% chance within next 12 months; or 1 out of every 10 years
1 Rare	Risk event may occur only in exceptional circumstances.	Up to 4% chance within next 12 months; or once in 25 years

Table 2:

Determine the consequence using the ratings Insignificant, Minor, Moderate, Major and Critical					
	CONSEQUENCE				
Category of Impact	**1 Insignificant[1]**	**2 Minor**	**3 Moderate**	**4 Major**	**5 Catastrophic**
Council Reputation/ Corporate Image	Of interest to individuals	Minor community interest, low key local media coverage	Public /community discussion, broad adverse media coverage	Loss of confidence in Council. National publicity. Public agitation for action.	Public investigation, international media coverage, management changes demanded, insertion of commissioner(s).
Environmental	Aesthetic issue only, no damage or contamination	Minor damage with on-site release and immediately contained. Reversible within days.	Material damage of local importance. Prosecution possible. On-site release contained with outside assistance and impact reversible within 1 year.	Serious damage of national importance. Prosecution expected. Off-site release with significant detrimental effects and impact reversible within 5 years.	Severe damage of national importance. Prosecution. Toxic release offsite with major detrimental effect; non-reversible.
Health & Safety	Negligible injury (first aid response only)	Minor injury (medical treatment required)	Serious injury or potential injuries (near miss)	Fatality	More than 3 fatalities or district-wide epidemic
Determine the consequence using the ratings Insignificant, Minor, Moderate, Major and Critical					
	CONSEQUENCE				
Category of Impact	**1 Insignificant[1]**	**2 Minor**	**3 Moderate**	**4 Major**	**5 Catastrophic**

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[1] While understanding that the Consequence descriptors used differs according to each person's perception, the wording used in this document is reflective of the international standard wording it is based on similarly to other Council's documentation

Council Third Party Loss	Council liability < $10,000	Council liability >$10,000 <$100,000	Council liability >$100,000 <$250,000 Complaint to the Ombudsman or other statutory offices.	Council liability >$250,000 <$1,000,000. Legislative non compliance involving the prosecution or the potential for a fine or a significant criticism of Council by Judiciary or Ombudsman. Adverse ruling by the Ombudsman or other statutory officer with power to investigate or make rulings.	Council liability >$1,000,000 Legislative non compliance involving the potential for imprisonment of a Councillor or Senior Officer. Judicial review of a Council decision on a matter relating to funding or rates.
Operational capability of Council	No loss of operational capability and/or minimal disruption to service levels Access affected Minimal loss of internal capacity.	Loss of operational capability in some areas and/or some disruption to service levels Local roads impassable Loss of internal capacity up to 1 week	Serious loss of operational capability for over 6 weeks and /or disruption to service levels for 4-6 weeks Collector roads impassable Loss of internal capacity 1-3 weeks	Serious loss of operational capability for over 8 weeks and major disruption to service levels Major roads impassable Loss of internal capacity 4-6 weeks	Serious loss of operational capability for 3 - 4 months and serious disruption to service levels Loss of internal capacity >6 weeks
Council Financial loss	No impact on achievement of output targets, business can continue as normal. Localised failure only. Financial loss <1% operating budget.	Up to 1% impact on targets Limited to a single business area of the organisation Financial loss 1-3% operating budget.	Up to 5% impact on targets Financial loss 36% operating budget	Up to 10% impact on targets. Financial loss 610% operating budget. Impact to multiple and diverse areas of the organisation.	Greater than 10% impact on achievement of key performance targets. Financial loss >10% of operating budget.
Council Project completion delays	Total delay less than 6 months.	Total delay between 6 and 12 months.	Total delay between 1 and 3 years.	Total delay between 3 and 5 years.	Total delay more than 5 years.

The thresholds for each consequence will be determined by risk appetite.

Step 4:   Risk evaluation

After the likelihood and consequence factors have been determined, the level of risk is calculated by multiplying the Probability/Likelihood of the risk occurring (Table 1 listed above) with the Consequence or Impact Levels (Table 2 listed above). The final outcome is the risk rating (Table 3 listed below).

Table 3:

Determine the current level of risk using the Risk matrix below					
	CONSEQUENCE or IMPACT				
LIKELIHOOD	**1 Insignificant**	**2 Minor**	**3 Moderate**	**4 Major**	**5 Catastrophic**
5 Almost Certain	H	H	C	C	C
4 Likely	M	H	H	C	C
3 Possible	L	M	H	C	C
2 Unlikely	L	L	M	H	C
1 Rare	L	L	M	H	H

Level 4	Critical risk	Intolerable - active management by operational leaders
Level 3	High risk	Intolerable – active management by operational leaders
Level 2	Medium risk	Tolerate if the cost of risk elimination, transfer or reduction is greater than the improvement gained
Level 1	Low risk	Tolerate if risk is managed by routine procedures

a   Determine the inherent risk level without any action (as it is now, assuming nothing was done to prevent it). Unacceptable, high, medium, low.

b   Document whether or not the risk can be prevented from occurring. If **YES**, document potential preventive actions. If **NO**, document mitigation actions if there are any. Identify who will be responsible for these actions.

c   Given the result of (a), assess the best way for the organisation to deal with the risk – avoid, accept, transfer, mitigate

Submit all risk documentation to the relevant manager for approval of any acceptance, avoidance, transfer and mitigation actions. If necessary, the applicable LT member will escalate the risk to CE and/or Councillors for discussion. Further rework by the risk owner may be required. If the risk relates to a project, approval is carried out by the project sponsor.

The results of the risk evaluation will determine in the first instance the risk management strategies that will be required to be tailored to the risk profile. (Refer to Appendix Four). Once the risk has been assessed according to the relative risk level it poses, it is then possible to target the treatment of the risk exposure.

Group/LT member or manager approval must be secured prior to further action.

Once acceptance, avoidance, transfer and/or mitigation actions have been approved and planned for, assess the residual risk and ensure that the risk register is updated.

Step 5:   Risk Treatment

The treatment of risk is dependent on a number of factors including Council's risk appetite and selection of risk control options.

Risk control options include:

- **Risk avoidance** – avoid the identified risk by deciding not to proceed with the activity likely to generate risk (where this is practicable);

- **Risk transfer** – reducing exposure by transferring the risk to another party e.g. buy specific insurance coverage;

- **Reduce the likelihood** of occurrence through measures such as audit compliance, programmes, contract conditions, preventative maintenance, engineering controls, inspections, process policies and procedures; and

- **Reduce the consequence** through measures such as contingency planning, disaster recovery plans, contractual arrangements, financial management controls and risk minimisation plans.

Step 6:   Monitoring and review

Risks are constantly changing so risk needs to be systematically and periodically monitored and reviewed.

Once risks have been identified, evaluated and treatment plans established, the risks are monitored on an on-going basis to ensure the appropriate actions are being taken within agreed timeframes. The risks should also be constantly re-evaluated to identify any change to the risk exposure, and escalated if required in accordance with the WDC risk appetite

Step 7:   Communication and Consultation

Communication and consultation with internal and external stakeholders should take place during all stages of the risk management process. Communication of risks to stakeholders is a fundamental means of keeping them appraised of WDC's risk exposure.

Communication needs to be timely, relevant and provide enough information to ensure informed decisions can be made.

External stakeholder communication informing and consulting on:

- Council's approach to risk management;
- effectiveness of Council's risk management approach;
- and gathering feedback as appropriate on risk management including risk appetites and fiscal choice.

Internal stakeholder communication including:

- communicating the risk management processes;
- gathering feed-back in relation to risk management and processes;
- ensuring accountability of roles and responsibilities are clearly understood in relation to the risk management process

Appendix One: Key Risk Management Definitions

The more commonly used terms are (reference ISO 31000:2009 Risk Management – Principles and Guidelines):

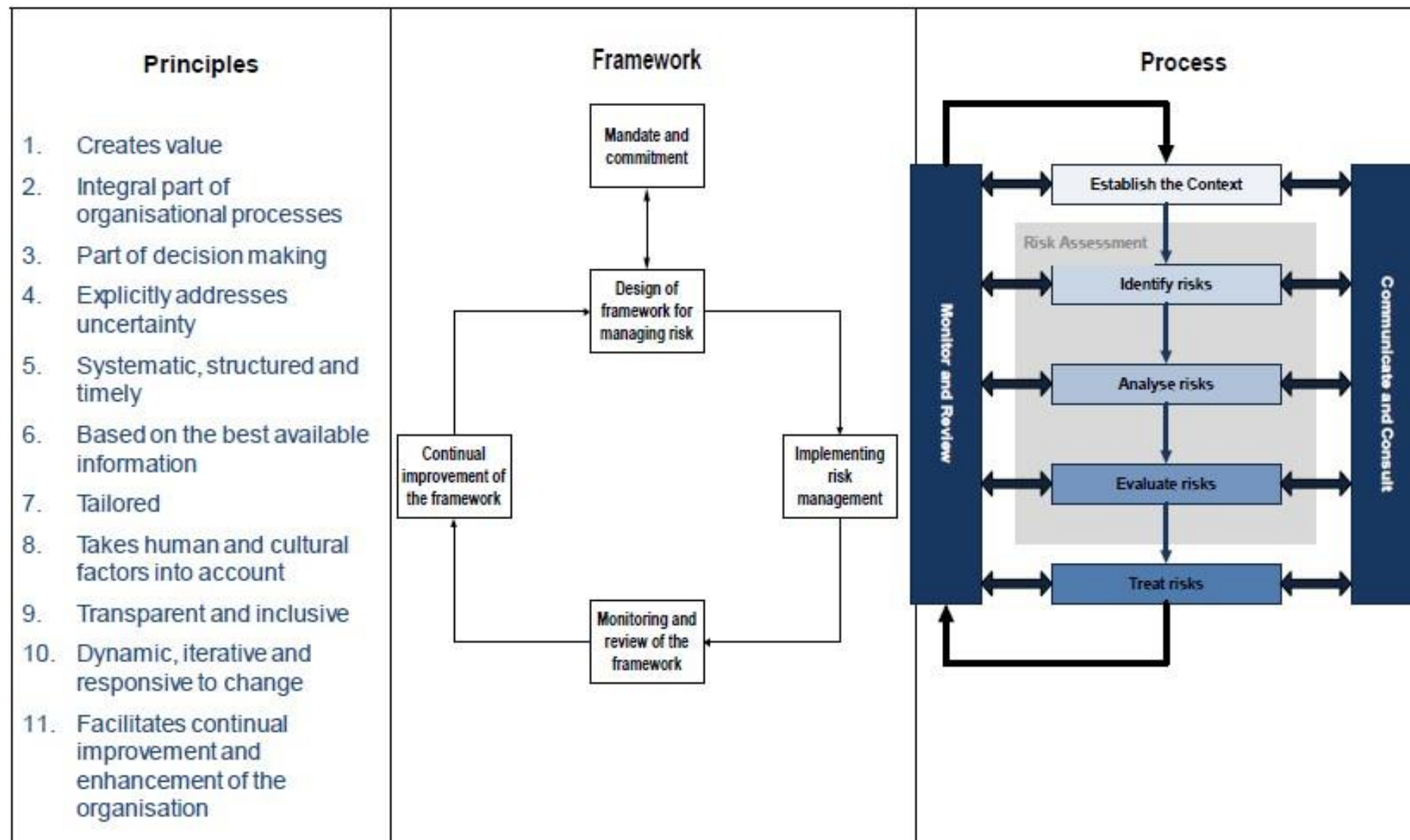| Term	Definition
Cause **(Risk Source)**	Anything (tangible or intangible) which alone or in combination has the intrinsic potential to give rise to the risk or is already occurring in the case of an issue

Consequence (Impact)	Outcome of an event affecting objectives
Consequence Level	A consequence can range from negligible, minor, moderate, major to catastrophic.
Context	The environment, both internal and external, in which the organisation seeks to achieve its objectives
Control	A measure that modifies the risk including any process, policy, device, practice or other actions.
Current Risk Rating	The level of risk after the application of existing controls but before planned treatments
Event	Occurrence of a particular set of circumstances
Hazard	Source of potential harm
Issue	An event that has occurred and is currently impacting upon objectives
Inherent Risk Rating	The level of risk before any treatment or the application of any existing controls
Likelihood	Chance of something happening
Likelihood Level	Likelihood level can range from rare, unlikely, possible, likely to almost certain
Monitor	Continual checking, supervising, critically observing or determining the status in order to identify any change from the performance level required or expected
Operational Risk	Challenges to delivering operations or services required to support the key outcomes
Target Risk Rating	The remaining level of risk after the application of existing controls and the implementation of risk treatments. WDC takes into account likely factors influencing an achievable rating over a medium term horizon of three years.
Risk	The effect of uncertainty on objectives. An effect is a deviation from the expected – positive or negative
Risk Analysis	A systematic use of available information to determine the magnitude of the consequence of events and their likelihood, to establish the level of risk
Risk Appetite	The amount and type of risk that an organisation is willing to pursue or retain
Risk Assessment	The overall process of risk identification, risk analysis and risk evaluation

Term	Definition
Risk Description	A structured statement of risk usually containing four elements: sources, events, causes and consequences
Risk Evaluation	The process of comparing the results of the risk analysis with risk criteria to determine whether the risk is acceptable or tolerable
Risk Identification	The process of finding, recognizing and describing the risks
Risk Management	The coordinated activities to direct and control an organisation with regard to risk
Risk Management Framework	Set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout Council.
Risk management plan	Scheme within the risk management framework specifying the approach, the management components and the resources to be applied to the management of risk
Risk management policy	Statement of overall intentions and directions of an organisation related to risk management
Risk management process	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context and identifying, analysing, evaluating, treating, monitoring and reviewing risk
Risk Owner	A person with the accountability and authority to manage a risk
Risk Register	Record of information about identified risks
Risk Tolerance	An organisation or stakeholders readiness to bear the risk after risk treatment in order to achieve its objectives
Risk Treatment	One or more actions which, when completed, will modify the risk
Stakeholder	A person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity
Strategic Risk	A major challenge to delivering the key outcomes required from Council's key objectives

Term	Definition

Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis	A <u>strategic planning</u> method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a <u>project</u>, <u>program</u> or other <u>business</u> venture. It involves specifying the objective of the business venture, program or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.
	A SWOT analysis must first start with defining a desired end state or objective.
	Strengths: attributes of the person or organisation that is helpful to achieving the objective(s).
	Weaknesses: attributes of the person or organisation that is harmful to achieving the objective(s).
	Opportunities: external conditions that are helpful to achieving the objective(s).
	Threats: external conditions which could do damage to the objective(s).

Appendix Two: Risk Management Principles, Framework & Processes

Principles

1.	Creates value
2.	Integral part of organisational processes
3.	Part of decision making
4.	Explicitly addresses uncertainty
5.	Systematic, structured and timely
6.	Based on the best available information
7.	Tailored
8.	Takes human and cultural factors into account
9.	Transparent and inclusive
10.	Dynamic, iterative and responsive to change
11.	Facilitates continual improvement and enhancement of the organisation

Framework

Mandate and commitment

Design of framework for managing risk

Continual improvement of the framework

Implementing risk management

Monitoring and review of the framework

Process

Monitor and Review

Communicate and Consult

Establish the Context

Risk Assessment

Identify risks

Analyse risks

Evaluate risks

Treat risks

Appendix Three: The 11 Risk Management Principles

ISO Principle	WDC Principle
Risk management creates and protects value.	Risk management contributes to the demonstrable achievement of objectives and improvement of performance of WDC's activities.
Risk management is an integral part of all organisational processes.	Risk management is part of the responsibilities of WDC staff and an integral part of all organisational processes, including strategic planning and all project and change management processes. Risk management is not a stand-alone activity that is separate from the main activities and processes of WDC.
Risk management is part of decision making.	Risk management helps decision makers within WDC make informed choices, prioritise actions and distinguish among alternative courses of action.
Risk management explicitly addresses uncertainty.	WDC's risk management processes explicitly take account of uncertainty, the nature of that uncertainty, and how it can be addressed.
Risk management is systematic, structured and timely.	WDC takes a systematic, timely and structured approach to risk management, which in turn contributes to efficient decisions and to consistent, comparable and reliable results.
Risk management is based on the best available information.	Through a deep understanding of the WDC business, WDC staff involved in the risk management process contributes information from sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement. Decision makers are also expected to inform themselves of, and should take into account, any limitations of the data or modelling used or the possibility of divergence among experts.
Risk management is tailored.	The WDC risk management framework has been developed to meet the specific needs of WDC and the relevant environment it operates in through understanding WDC's external and internal context and risk profile.
Risk management takes human and cultural factors into account.	The WDC risk management framework has been developed in a way which recognises the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of WDC's objectives.
Risk management is transparent and inclusive.	The WDC approach to risk management is to establish transparent processes across all levels of the organisation. Appropriate and timely involvement of stakeholders and, in particular, decision makers at all levels within WDC ensures that risk management remains relevant and up to date. Involvement also allows stakeholders to be properly represented and to have their views taken into account in determining risk criteria.

Risk management is dynamic, iterative and responsive to change.	Because risk management continually senses and responds to change, and external and internal events occur which changes the context of risks, WDC has an ongoing focus on the risk management framework to ensure it remains relevant and up to date.
Risk management facilitates continual improvement of the organisation.	WDC's commitment to a strong risk management culture ensures ongoing growth in decision making and further improves WDC's risk management maturity.

Appendix Four: WDC's Risk Escalation and Reporting Matrix

Rating	Interpretation	Accountability	Timing	Action Required
CRITICAL	Critical risks are those that jeopardise the achievement of one or more key objectives and threaten the existence of the Council. These demand urgent attention at the most senior level and cannot be accepted as a part of routine operation without CE and Council sanction.	Chair of the ARC followed by the Council Council – Risk acceptance ARC – Risk ownership	Immediately Quarterly, or as required	• Critical risks are immediately reported through CE to the Chair of the ARC and the Council followed with an action plan within 24 hours. • The Chief Executive manages mitigation action plans and reports progress on a monthly basis to the Council, including progress with strategic risks. • Risk action plans prepared and risks allocated to a GM. • The ARC, as delegated by the Council, monitor progress on a quarterly basis but more frequently if required. • Given highest priority in Internal Audit program.
HIGH	High risks are those that will have a significant impact on the performance of the Group in the short term.	Chair of the ARC ARC – Risk acceptance Chief Executive LT – Risk ownership	Immediately Quarterly, or as required	• High risks are reported immediately through CE to the Chair of the ARC followed with an action plan within 24 hours • The ARC, as delegated by Council, monitor progress on a quarterly basis but more frequently if required. • The Chief Executive monitors mitigation action plans and reports progress to Council as required. • The relevant GM manages mitigation action plans. • Given priority in Internal Audit program. • Discussed in detail at quarterly risk workshops with the relevant GM and their team.
MEDIUM	Medium risks are those that will have a significant impact on the performance of Council in the medium term.	LT– Risk acceptance GM – Risk ownership	Quarterly	• Escalate to GM within two days • Discussed in detail at quarterly risk workshops with the relevant GM and their team. • The Department Manager manages mitigation action plans and reports progress on a monthly basis to their GM.
LOW	Low risks can be expected to form part of routine operations but they will be explicitly assigned to relevant managers/team leaders for action, maintained under review and annually reported upon at department management level.	Department Managers – Risk ownership GM – Risk acceptance	Annually	• Escalate to relevant manager within one week • Department Managers will manage low risks through "business as usual" procedures and monitor for escalation or displacement of risks.

Appendix Five: WDC's Risk Logging form

WDC Risk Logging Form

In accordance with the WDC Risk Management Framework, this form is to be used to record all identified risks, and must be forwarded to the Audit and Risk Analyst as soon as the risk has been accepted. **RISK OWNER:** *[Who has overall responsibility for managing this risk?]*

RISK DESCRIPTION	*[Provide a brief description of what the risk is to WDC]*
CAUSE OF RISK	*[Describe what event could occur which would expose WDC to a risk / opportunity]*
CONSEQUENCE /IMPACT *(refer WDC risk rating matrix)*	Insignificant / Minor / Moderate / Major / Catastrophic ← *[Highlight one]* *[Describe the impact, noting any particular teams / departments impacted.]*
LIKELIHOOD *(refer WDC risk rating*	Rare / Unlikely / Possible / Likely / Almost Certain ← *[Highlight one]* *[Provide some rational for your decision]*
EXISTING CONTROLS	*[Describe what processes / policies / controls are currently in place to help manage this risk.]*
MITIGATION PLAN	*[Describe the high level actions likely to be taken to mitigate the chance of the risk occurring; inclusive of realistic timelines]*
GM or CE risk acceptance	Date: Signature
IRM capture	Date: Signature

DOCUMENT VERSION CONTROL AND DEVELOPMENT

This document forms part of the overall WDC Risk Management Framework, as endorsed by WDC's Audit and Risk Committee and adopted by Council.

The framework is to be reviewed no less than tri-annually, however it is anticipated that initially it will be updated more regularly as the risk framework evolves. In particular the framework should be updated to include:

- Protocols, yet to be agreed, with respect to managing projects including quantification methodologies to define project risk and assign contingencies
- Protocols, as they evolve, with respect to the outcomes of targeted reviews by risk management and internal audit
- Specifics relating to the centralized risk database once it is selected and implemented
- Changes to reporting requirements
- Direction relating to risk analysis techniques as they evolve
- Protocols, yet to be agreed with HR, relating to risk training
- Protocols, yet to be agreed with HR, relating to safety risks

Information

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Jason Marris	Governance Manager	03 February 2016	
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