Risk Management Procedure

GOV-CORP 005

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Previous policies withdrawn or amended	N/A
Department responsible for implementation	All Departments
Department responsible for Procedure	Legal and Governance Services
Publication of Procedure	A copy of the *Risk Management Procedure* is to be placed on Council's website and copies be made available for inspection at and free of charge from Council's Customer Service Centre.

Table of Contents

Executive Summary

This procedure forms part of the Council's Risk Management Policy.

The Huon Valley Council's Risk Management Procedure aims to improve the effectiveness of risk management across all functional activities of the Council. This Procedure explains Huon Valley Council's approach to risk management, and the framework that will operate to ensure that risks are effectively managed.

Effective risk management seeks to maximise opportunities and minimises the impact of risks the Huon Valley Council faces, thereby improving Council's ability to deliver priorities, improve outcomes for residents and mitigate legal action and financial claims against Council and any damage to its reputation.

Effective risk management allows Council to;

- Have increased confidence in achieving our priorities and outcomes;

- Constrain threats to acceptable levels;

- Make informed decisions about exploiting opportunities;

- More effectively manage capital investment and operational planning;

- Refine and enhance Council's Asset Management capacity;

- Ensure that we get the right balance between rewards and risks; and

- Improve partnership working arrangements and corporate governance.

Signature……………………………………………………………………………………..

GENERAL MANAGER
HUON VALLEY COUNCIL

1. Introduction

All employees within Council recognise that risk management is a daily task and risk management is a core element of Council's operations. This Procedure ensures that a risk management framework and culture is embedded throughout the Council. Council has limited human, financial and material resources and prudent decision making is critical to achieving our vision **"working together for a prosperous, vibrant and caring Huon Valley community".** To this end, Council employees must identify and minimise threats to the safe and effective use of Council resources, employees also have an obligation to identify and make the most of opportunities to ensure efficient delivery of services to the community. In order to develop a strong risk management culture, risk management processes must be aligned with the Huon Valley Council's culture, processes, structure and procedure.

2. Statement of Commitment

The major risk for most organisations is failing to achieve their strategic objectives, or being perceived to be failing their stakeholders. Council is committed to managing its risks by identifying, analysing, evaluating, treating, monitoring and communicating risks that may directly or indirectly impact on its ability to achieve the vision and strategic objectives.

This Procedure demonstrates Council's commitment, by detailing the risk management framework for all employees, contactors, committees and volunteers engaged in the delivery of Council services and programs and defining the responsibilities for contemporary risk management processes.

Council will aim at effectively managing risks by complying with these principles which are outlined in the International Risk Management Principles and Guidelines (See figure below).

a) Risk management creates and protects value – by contributing to the demonstrable achievement of objectives and improvement of performance in, for examples, human health and safety, security, legal and regulatory compliance, public acceptance, environmental protection, product/service quality, project management, effectiveness in operations, governance and reputation.

b) Risk management is an integral part of all organisational processes – not a standalone activity that is separate from the main activities and processes of the organisation. Risk management is part of the responsibilities of management and integral to all organisational processes, including strategic planning and all project and change management processes.

c) Risk management is part of decision making – by helping decision makers make informed choices, prioritise actions and distinguish between alternate courses of action.

d) Risk management explicitly addresses uncertainty, the nature of that uncertainty and how it can be addressed.

e) Risk management is systematic, structured and timely – which contributes to efficiency and consistent, comparable and reliable results.

f) Risk management is based on the best available information – however, decision makers should inform themselves of, and should take into account, any limitations of the data or modelling used or the possibility of divergence among experts.

g) Risk management is tailored and aligned with the organisation's external and internal control and risk factors.

h) Risk management takes human and cultural factors into account by recognizing the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the organisation's objectives.

i) Risk management is transparent and inclusive through appropriate and timely involvement of stakeholders and in particular, decision makers at all levels of the organisation, so 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.

j) Risk management is dynamic, iterative and responsive to change by continually sensing and responding to change. As external and internal events occur, context and knowledge change, monitoring and review of risks take place new risks emerge, some change and some disappear.

k) Risk management facilitates continual improvement of the organisation from development and implementation of strategies to improve their risk management maturity alongside all other aspects of the organisation.

The success of risk management depends on the effectiveness of the management framework providing the foundation and arrangements that will embed it throughout the organisation at all levels. The framework ensures that information about risk derived from the risk management process is adequately reported and used as a basis for decision making and accountability at all relevant levels.

This Figure shows the principles, process and framework of risk management according to the International Risk Management Standards. (Source ISO 31000:2009 Risk Management – Principles and Guidelines)
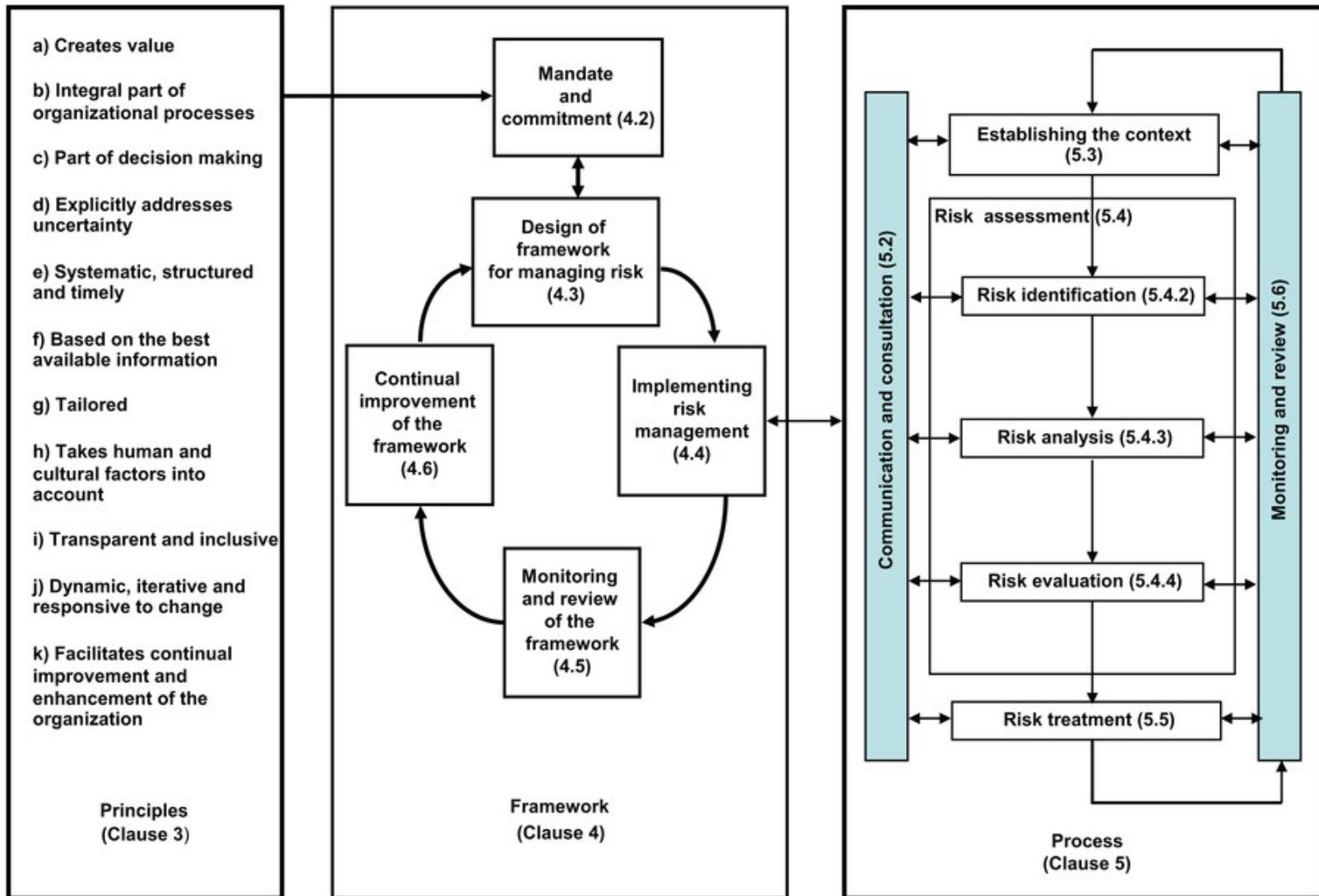
3.   Scope and Key Stakeholders

This Risk Management Procedure applies across all Council services, functions and activities, whether directly controlled by Council or delivered through third party arrangements. All employees, contactors, partner organisations and volunteers engaged in the conduct of Council business are to apply consistent, proactive and systematic risk management practices in the delivery of Council services and use of resources. Successful risk management relies on input and commitment from all stakeholders.

4.   Objectives and Outcomes

The objectives of this Risk Management Procedure are to:

- Fully integrate risk management into the culture of Council and into Council's strategic planning, performance management processes, templates and procedures;
- Ensure that the framework for identifying, evaluating, controlling, reviewing, reporting and communicating risks across Council is implemented and understood by all employees;
- Communicate to stakeholders Council's approach and commitment to risk management;
- Improve coordination of risk management activity across all Council activities;
- Ensure that the Council through its Executive Management Team and external regulators are provided with the necessary assurance that Council is committed to managing its risks and complies with contemporary corporate governance practices ;
- Ensure consistency throughout the Council in the identification and management of risk.

The principle outcomes of the Risk Management Procedure are:

- Achievement of Council's strategic and operational objectives through the identification, evaluation and prioritization of Council's risk with a view to reducing, managing, transferring or eliminating them;
- Effective allocation and use of resources;
- Protecting Council's corporate image as a professional, responsible and ethical organisation as an employer of choice;
- Minimising Council's exposure to loss and litigation;
- Protecting and enhancing Council's reputation;
- Protecting Council's financial and physical assets; and
- Maintaining a commitment to employee Work Health and Safety programs.

5.   Responsibilities

All employees, contractors and volunteers are to be familiar with and competent in the application of Council's Risk Management Policy and Procedure. Managers and supervisors are accountable for adhering to this Procedure within their areas of responsibility. This section defines these responsibilities;

Councillors
- Endorse the Risk Management Policy of which this Procedure is an integral part that has been established.
- Review the strategic risks and establish the risk appetite that forms the basis for how risks are rated and managed.

Audit Panel
- Review the risk management framework and risk matrix to ensure that it is current, comprehensive and meets the relevant standards.
- Review whether the risk management framework is being adhered to, and that associated procedures exist for the effective identification, assessment, management and reporting of Council's significant risk areas including, but not limited to: financial, legislative, compliance, fraud, business and environmental risks.

- Monitor the organisational performance in managing the risks identified in the strategic and operational risk register.

- Review the impact of the Council's risk management framework on its control environment and insurance arrangements, including workers compensation.

- Review whether a sound and effective approach has been followed in establishing the Council's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.

- Review the Council's *Fraud Control and Corruption Prevention Policy* and satisfy itself that the Council has appropriate policies, processes and systems in place to deter, capture and effectively investigate fraud related information.

- Determine if Council has appropriately considered legal and compliance risks as part of its risk assessment and management arrangement.

- Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated Government policy.

General Manager

- Maintain overall responsibility for leadership for the effective management of all types of risks across Council operations.

- Define responsibility and authority for officers with involvement in risk management.

- Recognise, actively encourage and adopt Risk Management as a key function of the Council.

Executive Managers/ Managers/ Coordinators

- Ensure risks are managed in accordance with the relevant risk register and to relevant standards.

- Prepare and implement risk management procedures for each area of operations.

- Employ risk management principles and practices to ensure that loss control and prevention is a priority.

- Monitor and report on practices and processes to ensure appropriateness to current conditions and standards.

- Actively participate in training provided

- Implement risk management audit recommendations.

Employees, Contractors, Volunteers and Representatives

- Familiarisation with Council's Risk Management Policy.

- Actively participate in training provided in relation to risk management.

- Use risk management principles and practices while undertaking daily tasks.

- Take notice of and implement recommendations from risk management audits conducted in the workplace.

Executive Manager Corporate Services

- Develop, review and maintain Council's risk management policies, systems and procedures.

- Recommend new processes to manage risk.

- Review and monitor Council risk management performance measures.

- Monitor recommendations and outcomes from risk management audits.

- Provide a central liaison point for employees and management in relation to risk management.

6. Risk Management Process

The risk management procedure to be applied within Council is based on the International Standard for Risk Management: AS/NZS ISO 3100:2009, Risk Management – Principles and Guidelines. Councils' risk management processes consist of the following seven steps:

1) Knowing the strategic and operational priorities;
2) Defining risks;
3) Scoring risks;
4) Treating risks;
5) Compiling a risk database and register;
6) Monitoring and reporting risks;
7) Reviewing risks.

The following sections provide more detail on the steps within this Risk Management Process.

6.1 Knowing the strategic and operational priorities

The starting point for risk management is a clear understanding of what Council is trying to achieve. Risk management is about managing the threats that may hinder delivery of our priorities and maximising the opportunities that will help to deliver them. Effective risk management must therefore be clearly aligned to the business planning processes and will take into account the environment within which Council operates.

6.2 Defining Risks

There are many ways of identifying risks depending upon the type of risk being considered. These include:

- Interviews or facilities workshops with all stakeholders;
- Reviewing published information;
- Checklists for similar events/activities/projects;
- An examination of previous events/activities/projects; and
- Taking advantage of past experience in undertaking an event/activity/project.

Types of risks include:
- Products and service delivery;
- People;
- Financial and economic;
- Technology and information management;
- Leadership and corporate governance;
- Assets and security;
- Ethics and corporate image; and
- Environment.

The risk management process is based on the fundamentals of International Standard AS/NZS ISO 3100:2009. It is an analysis and problem solving technique designed to provide a logical process for the selection of treatment plans and management actions to protect against unacceptable risks.

6.3 Rating Risks

In order to decide on the best treatment option and to prioritise the treatment of identified risks, the risk must first be rated. See the Huon Valley Council's Risk Management Matrix below to demonstrate the rating methodology. In summary, risks are rated by identifying the likelihood of the event versus the consequences of the event. When rating a risk the potential consequences for our financial, workplace health and safety, reputation, business interruption and corporate objectives must be considered.

HUON VALLEY COUNCIL'S RISK MANAGEMENT MATRIX

LIKELIHOOD		RISK CONSEQUENCE				
		Insignificant	Minor	Moderate	Major	Catastrophic
RISK LIKELIHOOD		1	2	3	4	5
A	ALMOST CERTAIN	High	High	Extreme	Extreme	Extreme
B	LIKELY	Moderate	High	High	Extreme	Extreme
C	POSSIBLE	Low	Moderate	High	Extreme	Extreme
D	UNLIKELY	Low	Low	Moderate	High	Extreme
E	RARE	Low	Low	Moderate	High	High

		RISK LIKELIHOOD DESCRIPTOR				

A	**ALMOST CERTAIN**. The event is expected to occur in most circumstances.
B	**LIKELY**. There is a strong possibility that the event will occur.
C	**POSSIBLE.** May occur some time, there is a history of occurrence.
D	**UNLIKELY. Not expected** but may occur at some time.
E	**RARE.** Highly unlikely but may occur in exceptional circumstances. It could happen, but probably never will.

RISK CONSEQUENCE DESCRIPTORS

CONSEQUENCE RATING		FINANCIAL IMPACT $au	HEALTH & SAFETY	BUSINESS INTERRUPTION	REPUTATION	IMPACT on CORPORATE OBJECTIVES
1	**INSIGNIFICANT**	Less than $20k	Minor harm. First Aid treated. Nil time lost	Negligible: Critical systems unavailable for less than one hr	Negligible impact	Resolved in day-to-day management
2	**MINOR**	$20k to $150k;	Medically treated. Lost time injury	Inconvenient: Critical systems unavailable for several hours	Adverse local media coverage only	Minor impact
3	**MODERATE**	$150k to $500k;	Serious harm. Hospitalisation. Lost time injury	Client dissatisfaction: Critical systems unavailable for less than 1 day	Adverse capital city media coverage	Significant impact
4	**MAJOR**	$500k to $2M;	Fatality, or serious multiple injuries, or long-term illness	Critical systems unavailable for 1 day or a series of prolonged outages	Adverse and extended national media coverage	Major impact
5	**CATASTROPHIC**	Above $2M;	Fatality(ies) or permanent disability	Critical systems unavailable for more than a day (at a crucial time)	Demand for government inquiry	Disastrous impact

How to use the risk matrix

1) **Select risk CONSEQUENCE from scale 1 - 5** - *Consequence is the effect or impact of the risk event.*

2) **Select risk LIKELIHOOD from scale A - E**   - *Likelihood is the probability of an event occurring.*

3) **Determine the RISK RATING** from the intersection of Consequence & Likelihood

Caution:

Activities may only proceed where residual risk is rated LOW or MODERATE.
Work MUST NOT proceed where risk is rated HIGH or EXTREME - risk treatment is required to control the risk and reduce its' rating to LOW before work may proceed.

6.4 Treating Risks

There are four general approaches to treating risk:

1) Avoiding the risk – not undertaking the activity that is likely to trigger the risk.
2) Reducing the risk – controlling the likelihood of risk occurring, or controlling the impact of the consequences if the risk does occur.
3) Transferring the risk – handing the risk on elsewhere, either totally or in part (eg through insurance).
4) Accepting the risk – acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.

Assessment of each treatment option is used to provide the basis for selecting the best option to manage each risk identified. Risk treatment is concerned with actions taken to reduce the impact or likelihood of risks not wholly avoided or transferred (retained risks).

6.5 Risk Register

Council maintains a Risk Register which identifies potential risks, how serious the problem is, how it can be fixed, who is responsible for what and by when. The aim of the Risk Register is to effectively communicate risks within so that appropriate actions can be taken to manage risk. The Risk Register provides list of Council's risks and applying the likelihood and consequence rating for each risk. A residual risk rating is then determined. Council has strategies in place for managing all risks and these are included in the action column of the Register.

6.6 Monitoring and Reporting Risks

The Executive Management Team is responsible for ensuring that risks on the Risk Register are managed and that progress made toward mitigating actions is monitored. Executive Managers are responsible for ensuring that risks in the Risk Register relating to their area of responsibility are managed and that the 'High and Extreme Risks' feature as a standing item on the management team agendas.

Service-specific business risk must be included within the respective service plans and be monitored through the performance and risk management arrangements of the Department to which it relates.

6.7 Reviewing Risks

All risks should be reviewed and reported at least annually in conjunction with the annual planning processes. Everyone in Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk. However, the ultimate responsibility for managing risk lies with the General Manager. Risk management audits are conducted periodically as required by external bodies, or can be initiated by the General Manager or by a recommendation to Council by the Audit Panel. Risk management performance measures are set by Council through recommendations by the Audit Panel and are to be review on a regular basis.

7.   Fraud Control

Council has a Fraud Control and Corruption Prevention Policy and Procedure. Council considers that the development of an anti-fraud and anti-corruption culture and strong internal control will provide an appropriate mitigation against the risk of fraud and corruption.

8.   Significant Risks

Significant risks are defined as those which have the potential for a significant effect on the Council's achievement of its objectives. These may be identified by being rated "High" or "Extreme".

9.   Corporate Risks

Corporate risks are risks that relate to Council as a whole and have a significant impact on Council.

Corporate risks relate to the Council's long-term place in, and relations with, the community. Some strategic risks relate to internal functions but have a key bearing on Council's situation in relation to the community and environment.

The main corporate risks are:

1) Failure to adhere to existing Council policies, procedures and legislative requirements.
2) Failure to identify community needs and desires through inadequate public engagement and consultation.
3) Failure to manage and meet basic community expectations.
4) That Council will be able to adapt to economical, governmental and environmental change that will have an impact on the community.
5) Damage to Council's reputation.
6) Breach of confidentiality.
7) Failure of Council to be able to sustainably finance the long term service delivery needs associated with municipal growth.
8) Failure to adequately maintain assets through insufficient allocation of funds in budgets.
9) Failure to achieve a sustainable long term financial position.
10) Failure to deliver expected infrastructure and services through poor management of large contracts.
11) Failure to ensure the safety and wellbeing of the community and public.
12) Failure to provide continuity of essential services during emergency events.
13) Failure to protect all assets from fraud or corrupt conduct.
14) Failure to provide a safe work environment.
15) Failure to facilitate diversification of industry sectors within the regional economy.

These risks form part of Council's risk register.

10. Review

This procedure will be reviewed every 4 years or as required in the event of legislative changes.