

ADM023 – Risk Management Policy

1. POLICY CERTIFICATION

Policy title:	RISK MANAGEMENT POLICY
Policy number:	ADM023
Category:	Council Policy
Classification:	Administration
Link to Strategic Plan Goals:	Goal 1: Strong Leadership through Good Governance. Strong Financial Management, Corporate Planning and Operational Support
Link to Strategic Plan Strategy:	Goal 1: Further strengthen corporate governance and financial sustainability
Link to Business Plan Strategy:	Goal 1: Achieve best practice in Governance within the term of Council
Status:	Approved

2. PURPOSE

This policy provides a standardised, organisation-wide risk-management strategy. As risk arises in all of Roper Gulf Regional Council’s (RGRC) activities and undertakings, risk management is an essential component of a good governance framework. At both a strategic and operational level, RGRC must strive to ensure that there is a risk management culture. A risk management policy will assist in this regard.

3. ORGANISATIONAL SCOPE

This policy is applicable across the entire Roper Gulf Regional Council organisation.

4. POLICY STATEMENT

Risk management is an important component of corporate governance. It is defined as “the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects” (*Risk Management – Principles and Guidelines* ISO 31000:2009(E)). Organisational risk management is the holistic management of all risks within the organisation (RGRC), rather than insurable risks or Work Health and Safety.

Risk management is the responsibility of all staff members under the direction of the Strategic Leadership Team (SLT) with an oversight by Council and the Audit Committee. The SLT has primary responsibility for the design and management of risk management and the internal control frameworks for RGRC. These functions provide advice and oversight in relation to risk management. Good governance relies on a robust and proactive risk management plan which identifies, assesses, controls, and manages risk.

5. DEFINITIONS

Hazard	A source of potential harm, or a situation with a potential to cause loss.
Likelihood	Probability of occurrence.

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Consequence	Result, effect. May be physical, financial, political, ethical, or legal.
Risk	The likelihood of something happening that will have an adverse impact upon objectives, and/or harmful consequences.
Inherent Risk	The risk associated with an activity or undertaking prior to the introduction of control measures.
Residual Risk	The risk associated with an activity or undertaking after the introduction of control measures.
Risk Appetite	The degree and type of risk that RGRC is willing to accept in order to meet strategic and operational objectives.
Control Measure	A physical or administrative action or barrier aimed at eliminating or reducing inherent risk. Can be broad, or activity/undertaking-specific.
Audit Trail	The concept of accountable and sufficient documentation of activities and undertakings so as to facilitate ease of audit and review.
CEO	Chief Executive Officer
RGRC	Roper Gulf Regional Council

6. PRINCIPLES

6.1 Risk

Risk has two (2) elements: likelihood and consequence. Risk can arise from external or internal sources, and may include exposure to such things as economic or financial loss or gain, political risk, damage to reputation, a threat to physical safety or a breach of security, exposure of members, staff, to hazards or peril, mismanagement, equipment failure, corruption and fraud. Risks should not necessarily be avoided. If managed effectively, risks allow RGRC to seize opportunities for improving services and business practices as they arise.

Risks can be categorised according to the goals, objectives, or outcomes in RGRC’s strategic, management, or business plans. At the highest level, these represent risks to RGRC’s ability to satisfy its service charter, or deliver outcomes to the community.

Risks can also be categorised as follows:

- **Stakeholder Relations** – RGRC’s relationship with, and duty of care towards external and internal parties; government(s), business partners, RGRC’s constituents, management and staff, maintaining RGRC’s public image and reputation (political risk).

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- **People:** Staff retention, maintenance of corporate knowledge, attracting qualified staff, adequate training and development, developing skills base, WHS.
- **Operations, Facilities and Environmental Sustainability:** Adequate facilities, general asset management and maintenance, replacement, minimising impact on operations and the environment.
- **Projects and Systems Management:** Ensuring non-financial systems are in place, controlled, and working effectively, including unique projects and ongoing systems requirements.
- **Financial Sustainability:** Maintaining financial viability, fraud reduction, income recognition, financial reporting, accurate financial data capture, credit availability, stability of funding sources.
- **Compliance:** Ensuring compliance with legislative and agreement obligations.
- **Services Development and Expansion:** Focus on core, agency, and commercial service delivery, improving service quality, and focusing on specific market sustainability.

Risk management is a logical and systematic process that can be used when making decisions and managing performance, and should be integrated to everyday work activities. Effective risk management is forward-looking, and proactive, helping improve operational decision-making. Risk management is about being able to positively deal with opportunities rather than avoiding or minimising losses.

Effective risk management is based on a well-planned, logical, comprehensive and documented strategy. This plan provides general policy guidance, plans and procedures, which can be used as part of RGRC's everyday work to manage risk.

Effective risk management must be based on a plan however a plan by itself does not manage risks. Leadership, effort by all levels of the Executive (SLT), management, and staff, and careful monitoring by the Audit Committee and Council are needed to ensure successful risk management.

The Audit Committee monitors the progress and effectiveness of control measures and remedial actions which are proposed and implemented by the SLT and management in response to risk assessments and internal audits.

Focus should be on embedding a risk management philosophy into the organisational decision making and providing tools to enable this process. Where major risks are identified, then material effort should be directed to managing those risks. Overly complex approaches to risk management will divert resources from the main objective of better performance.

6.2 Register of Risks

The Register of Risks records the inherent and residual risks associated with each RGRC activity and undertaking. The Register is to be reviewed on a regular basis as new risks are identified and/or new control measures are introduced.

All RGRC activities and undertakings have an inherent level of risk. This risk is managed through various control measures such as Standard Operating Procedures (SOPs) and Safe Work Method Statements (SWMS).

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A	Almost Certain	Expected to occur in most circumstances (happens often each year within this environment)
B	Likely	Will probably occur in most circumstances (happens several times a year within this environment)
C	Possible	Possible that it might occur at some time (has occurred previously within this environment)
D	Unlikely	Unlikely, but could occur at some time (has occurred previously within this environment)
E	Remote	Highly unlikely, may occur in exceptional circumstances (never heard of within this environment)

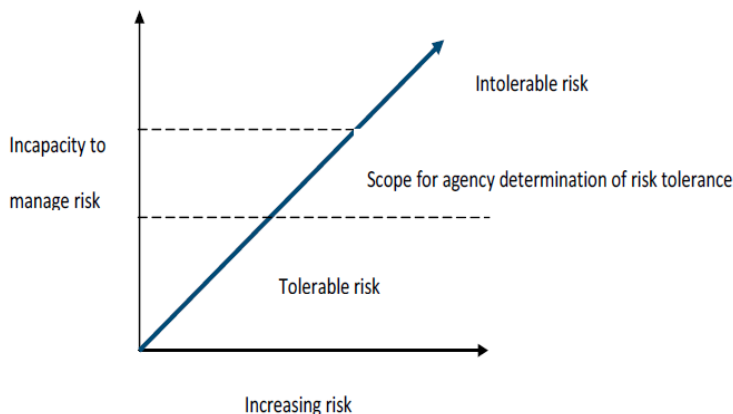
			Consequence				
			Negligible	Minor	Moderate	Major	Catastrophic
			1	2	3	4	5
Likelihood	Almost Certain	A	M	M	H	E	E
	Likely	B	L	M	H	H	E
	Possible	C	L	M	M	H	H
	Unlikely	D	L	L	M	M	M
	Remote	E	L	L	L	L	M

(E) Extreme Risk - No activity exposed to the hazard may commence / (H) High Risk - Immediate Action Required / (M) Moderate Risk - Management Attention Needed / (L) Low Risk - Managed by Standard Operating Procedures.

6.3 Risk Appetite

The appetite for risk is determined by Council.

Each new RGRC activity or undertaking requires Council approval before commencement. As part of the approval process, each proposed activity/undertaking is assessed for risk, and presented to Council for consideration. Council will consider the proposal and the associated risks, and may approve or reject the proposal. Council will also nominate what risks it is willing to accept.



Source: Australian Government – *Information Security Management Guidelines 2015*

Each current RGRC activity or undertaking is subject to internal review and audit which includes performance and risk management review by management and the SLT, which is overseen by the Audit Committee on behalf of Council.

One of the goals of risk management review is to provide information pertaining to the capacity to manage risk. The overall appetite for risk is determined by Council.

6.4 Risk Management Plan

The Risk Management Plan is the strategic plan for managing risks in accordance with RGRC's risk appetite. The Plan outlines RGRC's risk management strategies, processes and internal control mechanisms in relation to the achievement of strategic and operational goals. The Plan pertains to the implementation of risk management strategies, and directives from Council, or recommendations from the Audit Committee.

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6.5 Audit Committee

The Audit Committee is and Advisory Committee and does not have any executive powers or authority to implement actions in areas which management has responsibility. It does not have any management functions and is therefore independent from management. It plays a pivotal role in the governance framework.

Part of the Audit Committee's functions includes the review of RGRC's risk management of activities and undertakings, including the progress and effectiveness of existing internal control measures.

A strong relationship between the Audit Committee and internal audit enables the committee to meet its responsibilities to carry out its functions. The scope and frequency of internal audits are set out by the SLT. It is the responsibility of management to assist with audits, comment on their outcome, and implement remedial action to address and rectify any deficiencies or concern uncovered by the audit.

The Audit Committee reviews the proposed remedial action, and monitors its actual implementation and effect against that which is proposed by management. The Audit Committee may identify concerns for review by the SLT and/or management as they arise.

The Audit Committee is an independent control measure which due to its independent function, carries greater objectivity than those directly involved in the internal audit and review process. It is part of RGRC's assurance initiative.

6.6 Internal Audit Program

Risk management is an essential part of the Internal Audit Program. The Internal Audit Program's responsibilities, goals, scope, jurisdiction, schedule, conditions and checklists are set out in the Internal Audit Program's Terms of Reference (ToR).

The Internal Audit Program is an independent, objective assurance and consulting activity, designed to add value and improve and organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit Program's role is primarily one of providing independent assurance over the internal controls and risk management framework of RGRC.

Management has the primary, day-to-day responsibility for the design, implementation, and operation of internal controls, with oversight from the SLT.

The Internal Audit Program has no direct involvement in day-to-day operations, but has a direct functional relationship with the Chief Executive Officer (CEO) and Council. An effective Internal Audit Program should evaluate and monitor the adequacy and effectiveness of the internal control framework and legislative compliance as a minimum.

The SLT evaluates what risks RGRC's activities and undertakings may face against RGRC's set Risk Appetite, and identifies the best way to mitigate these risks to Council's indicated levels. Assessment and management of risk is central to determining Internal Audit activities. The Internal Audit Program's core competencies are in the area of internal control, risk and governance. Typically, the Internal Audit Program's scope will include some or all of the following areas:

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- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and resources usage.
- Safeguarding of assets.
- Compliance with law, regulations, policies, procedures, agreements and contracts.
- Adequacy and effectiveness of the risk management framework, internal controls and assessment processes.

The Internal Audit Program is overseen by the SLT who allocate auditing resources to activities and undertaking in direct proportion to their associated risk. This is based on the Register of Risk.

The frequency and direction of internal audits is directed by the SLT on behalf of Council. The Internal Audit Program has a schedule, and the capacity for 'empty schedule slots' which can be filled as directed by the SLT, recommended by the Audit Committee, or at random.

Depending on the scope or nature of the individual audit, RGRC may source external assistance through the procurement of advice and/or external auditors. This is done on a case by case basis, after being reviewed by the SLT.

Once an internal audit is carried out, the auditor compiles an audit report, which includes findings and recommendations. The report is presented to both the relevant manager and to the SLT. The relevant manager reviews the report and, depending on the findings, may initiate remedial actions to address and rectify any deficiencies or concerns revealed by the audit. This is reviewed by the Audit Committee at its Meetings (ACMs), and provides guidance as to whether or not the auditor's recommendations and management's remedial action are being successfully implemented.

As the Audit Committee has no executive or management function, all recommendations are authorised for implementation by Council, which may delegate this function to the CEO.

The Internal Audit Program is continuous risk control measure.

7. REFERENCES

Acknowledgements (original author/source documents)	<ul style="list-style-type: none"> • NSW Department of Premier and Cabinet, Division of Local Government – <i>Internal Audit Guidelines</i> (2010) • Attorney-General's Department (Cth), Emergency Management Australia – <i>Risk Management</i>
Related Policies	<ul style="list-style-type: none"> • ADM014 Good Governance Policy • ADM015 Legislative and Regulatory Compliance Policy • Audit Committee Terms of Reference
Related Publications	<ul style="list-style-type: none"> • <i>Local Government Act</i> • <i>Local Government (Administration) Regulations</i> • <i>Local Government (Accounting) Regulations</i> • ISO 31000:2009

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Related Supporting Documents	<ul style="list-style-type: none"> • Risk Management Plan • Register of Risk • Internal Audit Plan
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8. DOCUMENT CONTROL

Policy Number	ADM023
Policy Owner	Manager, Governance and Corporate Planning
InfoXpert ID	688961
Approved By	Council
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Amendments	Nil
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10. CONTACT PERSON

Position	Manager, Governance and Corporate Planning
Contact number	08 8972 9005