STRATFORD DISTRICT COUNCIL

POLICY: RISK MANAGEMENT	
DEPARTMENT: Corporate Services	**RESPONSIBILITY:** Director - Corporate Services
DOCUMENT NO: D21/24914	
REVIEW DATE: August 2021	**NEXT REVIEW:** August 2024
VERSION: 2	**FIRST APPROVAL DATE:** June 2018

Purpose

The purpose of this policy is to provide an overview of Council's risk management strategy and guidance to those involved in managing Council risk. It is expected that this policy will provide assurance to Stratford District Council stakeholders that appropriate systems are in place to identify and manage risks.

Scope

This policy must be adhered to by Council staff and elected members. Particular responsibilities are referred to later in this policy. However, there are other stakeholders that are affected by this policy, including contractors, the community, tangata whenua, and lenders.

Principles

The key Risk Management principles that will guide risk management processes are set out below.

- **Adds or protects value** by contributing to the achievement of the Council's objectives and improve or maintain performance.
- **Decision making** involves formal consideration of potential risks, and risk management.
- It is a **collective responsibility** in that all levels of the organisation must be involved in identifying and managing risks, to varying degrees.
- **Responsive to change** by ensuring regular reflection on the changing environment and emerging risks.
- **Pragmatic** by focusing on the most important risks and allowing informed risk taking based on Council's risk appetite.
- **Continuous improvement** in the processes used in identifying and managing risks and opportunities.

Managing and Reporting Risks

To ensure the above principles are embedded in Council risk management processes, Council leadership has a responsibility to:

- Promote a culture that encourages transparent identification and open discussion of risks, threats and opportunities.
- Apply a consistent approach, using an agreed and widely understood method and language.

- Facilitate an appropriate level of monitoring, reporting, and escalation to inform decision making.
- Balance cost and effectiveness, ensuring that improvements in controls are viable and cost effective given the expected benefits or outcomes, and focus on what matters most.
- Provide assurance that key risks are adequately managed and that the Stratford District Council is able to plan for, rather than react to risk.
- Are dynamic, iterative and responsive to change, and are tailored to Council's needs.
- Incorporate audit and compliance disciplines as part of sound risk management.

To achieve this, Council will implement the *Risk Management Framework* (Appendix 1), which sets out the processes and procedures of risk management for Stratford District Council.

Specific Responsibilities

Council

- Approves Stratford District Council's Risk Management Policy.
- Approve decisions that sit outside agreed risk appetite.
- Ultimate responsibility for the management of risk.

Audit and Risk Committee

- Reviews the effectiveness of the implementation of the Risk Management Policy.
- Confirms the key risks and the risk treatments are in accordance with the agreed risk appetite.
- Reviews and monitors key risks, and their treatment, to ensure they are managed within the agreed risk appetite.
- Approves the Internal Audit plan, based on Council's risk register.

Chief Executive

- Manage reporting to the Audit and Risk Committee and Council to confirm that the risk management policy and framework are operating effectively.
- Set the tone and influence the culture of risk management across the Stratford District Council.

Senior Leadership Team

- Participate in and contribute to weekly discussion of risk identification and reporting of risk events at formal SLT meetings.
- Lead risk management processes within Council and ensure all staff members feel empowered, and are expected, to identify and communicate risks.

Director – Corporate Services

- Preparation of relevant reports to the Audit and Risk Committee as outlined in the Risk Management Framework.
- Maintain the Risk Management Framework and Policy.
- Co-ordinate and provide oversight of the risk register and related activity.

All staff

- Actively identify, assess, and control risks, threats, events and opportunities.
- Report risk events and threats to direct manager.
- Ensure risk management is embedded into new and existing organisational processes.

Maintaining the Risk Management Policy

It is important that the policy (including appendices) remains relevant to the Stratford District Council's environment within which it operates in, and incorporates any changes to the risk management standard: AS/NZS ISO 31000 Risk Management - principles and guidelines. For this reason, the Risk Management Policy will be reviewed every two years.

Next review date: August 2023

Appendices

1. Risk Management Framework
2. Risk Appetite Statement

APPENDIX 1

STRATFORD DISTRICT COUNCIL

Risk Management Framework

Reviewed August 2021

Purpose

The purpose of this framework is to:

- Provide assurance to Council and the Audit and Risk Committee that the Stratford District Council has in place the necessary arrangements to ensure that effective risk management is implemented at all levels, and across all activities, of the organisation.
- Provide guidance and promote consistency in organisational risk management, and to describe the components of Stratford District Council's risk management system.
- Inform all Stratford District Council staff of the processes and expectations in regard to risk management.

The mandate and responsibilities for risk management comes from the Risk Management Policy. This Risk Management Framework supports compliance with the Policy and sets out the Council's arrangements for ensuring that robust, reliable risk management occurs throughout the organisation, and meets risk management governance obligations.

Background – Establishing Context

Risk management happens every day and everywhere at the Stratford District Council. It is a key business process and a key leadership competency. Business as usual, initiatives and opportunities all require us to take risks. It is important to understand what those risks are and Council's appetite for risk, so that staff can make informed decisions in areas of uncertainty.

Good practice risk management is embedded into an organisation's culture; its business planning, financial management, and performance management processes. It is not carried out as an isolated exercise. It links closely with internal and external auditing processes and business continuity arrangements.

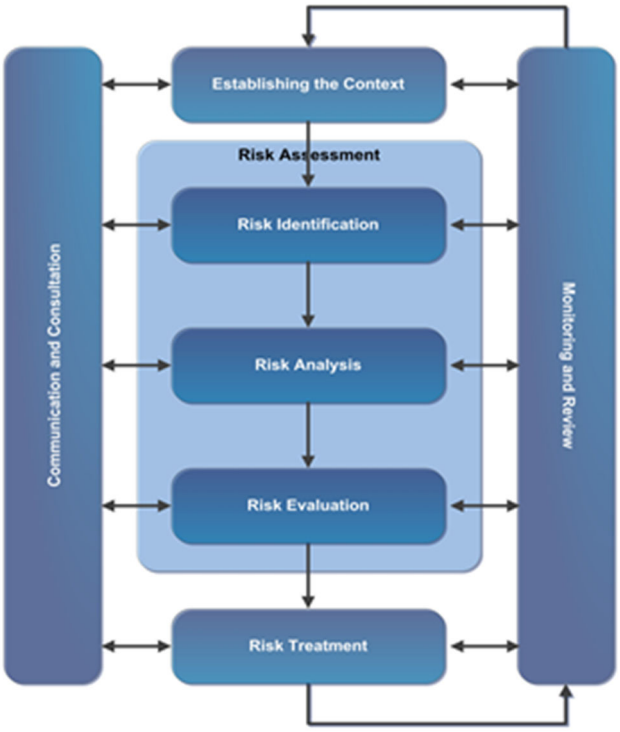
This framework contains the guidelines, processes & tools to enable a consistent approach for the identification, classification, treatment, and reporting of risks within the Stratford District Council. These must be applied across the Council to ensure consistency, coherence, and robustness.

Framework

Risk management activities at the Stratford District Council are based on the ISO31000 Risk Management Standard which directs governance and management responsibilities to:

- **FRAME** - Risk management practices are framed in the context of the Council's risk appetite; The Stratford District Council's strategic and business objectives; and the strategic, environmental and organisational context within which the Council operates and from which risks arise.
- **ASSESS** - what, why and how events may arise are identified, existing controls determined, and risks are analysed in terms of their likelihood and impact in the context of those controls.
- **RESPOND** – Stratford District Council develops and implements specific risk management plans - with controls and treatments in response to risks.
- **MONITOR** - Monitoring and review occurs throughout the risk management process, with oversight and review of Risk Registers and any changes that might affect them; this includes communication and reporting at all stages that enables the Council to minimise losses and capitalise on opportunities.

The following diagram gives an overview of the AS/NZS ISO 31000:2009 Risk Management process that Council will use.



Risk Assessment

The Council maintains a Risk Register to record and manage all identified risks. The Risk Register is stored and maintained in the Vault[1] system.

[1] Council's online risk management and health and safety software.

Risk Identification

All staff members should be empowered, and expected, to identify and communicate risks. Risks identified will be reported to the staff member's direct manager and their Director, who will report the identified risk to the weekly Senior Leadership Team meeting.

From there, the risk will be reviewed against the current Risk Register to determine if there is already a related risk, and if that risk needs to be amended, or if a new risk needs to be added to the risk register.

Questions that should be asked include:

- What are the potential risks? When and where could they occur?
- What would be the impacts?
- What could prevent us from achieving our objectives and outcomes?
- Who and what would be impacted by the risk?
- Have all potential risks been considered?

Council's risk description will be stated with the risk first, and then the consequence, i.e "IF xxx occurs, THEN xxx will happen". For example *"IF a Manager uses their unique position to override internal controls, THEN fraud may occur, resulting in theft of Council assets/funds and incorrect/misleading financial statements."*

All risks on the risk register will be allocated to one of the following risk categories (however, they may relate to more than one of the categories):

- Data and Information
- Reputational and Conduct
- Operational
- Financial
- Health, Safety, and Wellbeing
- Legislation and Compliance

Risk Analysis

All new risks identified need to be analysed to determine potential causes, the likelihood of occurrence, and the potential consequences if they do occur. This is known as the *Inherent Risk*, prior to controls being implemented – refer to the *Risk Definition Table* below.

The below Risk Matrix is used for this purpose.

	Minor	Important	Serious	Major	Catastrophic
Almost Certain	2-Moderate	5-High	7-High	20-Extreme	25-Extreme
Likely	2-Moderate	4-Moderate	6-High	16-Very High	20-Extreme
Possible	1-Low	3-Moderate	4-High	12-Very High	15-Very High
Unlikely	1-Low	2-Moderate	3-Moderate	8-High	10-Very High
Rare	0-Low	1-Low	1-Low	4-Moderate	5-High

Risk Matrix Table

Below is the guidance on using the risk matrix table:

Likelihood

Almost Certain	90% or greater chance of occurring in next 12 months It would be unusual if this didn't happen
Likely	60% to 90% chance of occurring in next 12 months Will occur more often than not
Possible	25% to 60% chance of occurring in next 12 months Not likely, but don't be surprised
Unlikely	2% to 5% chance of occurring in next 12 months Would be a surprise if this happened
Rare	Less than 2% chance of occurring in next 12 months Exceptional circumstances only

Consequence (may have one or some of these characteristics)

Minor	No impact on Community Outcomes and Wellbeing Less than $10,000 financial impact No reduction in service delivery No community interest or damage to reputation
Important	Little to no impact on Community Outcomes and Wellbeing Between $10,000 and $100,000 financial impact Some reduction in service delivery Some community interest or little damage to reputation
Serious	Some impact on Community Outcomes and Wellbeing Between $100,000 and $500,000 financial impact Some reduction in service delivery Significant community interest or damage to reputation
Major	Major impact on Community Outcomes and Wellbeing Between $500,000 and $10,000,000 financial impact

	Large reduction in service delivery affecting a number of people Significant and sustained community interest or damage to reputation
Catastrophic	Devastating impact on Community Outcomes and Wellbeing More than $10,000,000 financial impact Reduction in service delivery affecting a significant portion of district Significant loss of trust and confidence from the community

Risk Evaluation

Analysed risks will be evaluated to determine whether a risk is tolerable in its current state or whether further action is required. The evaluation process will also determine what level of reporting is required, as per the table below.

Overall Risk Rating	Actions for Risk Mitigation	Reporting of Risk Events
Extreme	• Urgent and active management required. • Risk treatment plan e.g. Business Continuity Plan, must be implemented immediately to reduce the risk exposure to an acceptable level. • Regular reporting required.	• Immediate notification to CEO, Mayor and Chair of Audit and Risk Committee. • Report to Audit and Risk Committee • Advise Director – Corporate Services to track risk.
Very High	• Director attention is required. • Risk treatment plan required.	• Immediate notification to CEO • Report to Audit and Risk Committee • Advise Director – Corporate Services to track risk.
High	• Management attention is required. • Check controls are in place at least annually.	• Immediate notification to CEO • Notification to Director. • Report to Audit and Risk Committee annually.
Moderate	• Management responsibility to monitor. • Focus on ensuring internal controls are effective and review the	• Senior Leadership Team to review risk register periodically.

	ongoing risk at least every three years.	
Low	• May be monitored using routine practices. • Focus on ensuring internal controls are effective.	• Senior Leadership Team to review risk register periodically.

Risk Response Table

The evaluation of risks will consider established risk tolerances for such risks, as well as any risk-specific factors. This will allow us to determine the *Target Risk*, or the risk level that Council is able to tolerate.

Risk Treatment

Council will identify opportunities to reduce the likelihood or consequence of the risk to achieve the *Target Risk* level – taking into account both the Council's risk appetite statement, and the potential costs of reducing the likelihood and consequence of the risk.

Risk treatment/controls will be developed to minimise the likelihood and consequence of a risk event occurring. The controls will be recorded in Vault, and will require a reconsideration against the risk matrix to determine the *Residual Risk*.

Risk	Definition	Purpose of Assessment
Inherent risk	The initial assessment of the consequence and likelihood of a risk prior to considering any existing controls, or if existing controls failed.	The inherent risk assessment enables management to determine the level of resources (people, systems and processes) required to manage the risk to an acceptable level.
Residual risk	The assessment of the consequence and likelihood of a risk taking into account the existing controls and an assessment of their effectiveness.	The residual risk assessment enables management to determine where remediation of existing controls and/or new risk treatments are required and appropriate.
Target Risk	Target risk is the assessed risk rating which Stratford District Council can accept for the risk, consistent with Stratford District Council's risk tolerance.	The target risk assessment enables management to understand the risk as if the proposed risk treatments /mitigations have been successfully implemented by comparing it to a relevant benchmark or best practice indicator.

Risk Definition Table

Monitoring and Reviewing Risks

To be effective, risk management must be embedded in Stratford District Council's systems and processes to ensure that it is part of 'the way we do business'.

Council Decision-Making

All Council decisions must be made with risk being one of the considerations. To this effect, the Council decision report template will require the following to be completed:

Refer to the Council Risk Register.

- *Does this report cover any issues that relate to any risks on the Council Risk Register, and if so which risks and what are the impacts and likelihood of eventuating?*
- *Does this report cover any issues that may lead to any new risks that are not on the Council Risk Register, and if so, provide some explanation of any new identified risks?*
- *Is there a legal opinion needed?*

Senior Leadership Team

Risk Management is a permanent agenda item on the Senior Leadership Team meetings agenda. This is an opportunity for directors to bring identified risks, threats, events and opportunities from their respective departments for discussion. This is where the process to update the risk register is initiated.

Audit and Risk Committee

The role of the Committee is *"to assist the Council in discharging its responsibilities relative to risk management, and regulatory, legal and contractual conformance and compliance and managing risk in an appropriate manner"* (taken from the Committee's Terms of Reference).

The Committee members are able to monitor risk through the following methods:

- Reviewing the risk review report, which is a standing item on the agenda.
- Request information, either to be replied to directly at a Committee meeting, or to be placed on Matters Outstanding.
- Request a deep dive into a particular risk area be added to the annual Programme of Works.

Definitions

The following definitions are consistent with international good practice as embodied in AS/NZS ISO 31000:2009 Risk management – Principles and guidelines:

Risk: The effect of uncertainty on achieving objectives.

Risk Event: An actual threat to Council or incident that has caused harm.

Consequence: Outcome of an event affecting objectives.

Likelihood: Chance of an event with consequences occurring.

Risk Management: Coordinated activities to direct and control an organisation with regard to risk.

Risk Management Process: The systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Risk Management Framework: Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation. The framework is made up of Risk Management policy, risk management processes, risk management practices and tools.

Risk Appetite: An organisations approach to assess and pursue, retain, take or turn away from risk.

Risk Owner: Person or entity with the accountability and authority to manage a risk.

Risk Assessment: Overall process of risk identification, risk analysis and risk evaluation.

Risk Source: An element which either alone or in combination has the potential to give rise to risk.

Risk Treatment Plan: A formal plan to record controls and mitigations to minimise the likelihood and consequence of a risk event, to be signed off by the CEO.

APPENDIX 2

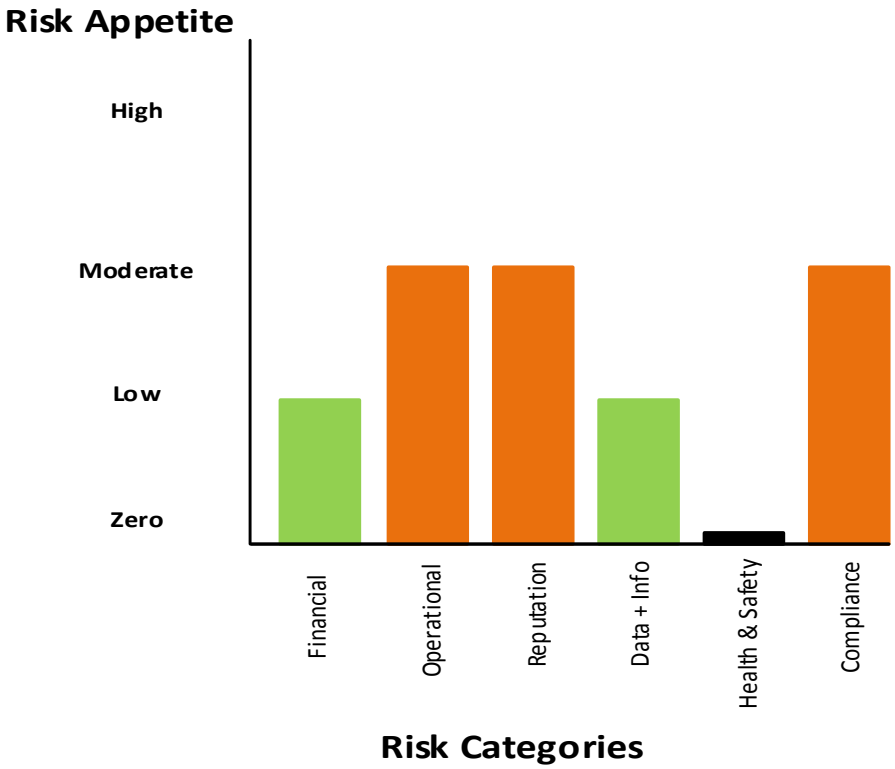
STRATFORD DISTRICT COUNCIL

Risk Appetite Statement

Reviewed August 2021

The risk appetite statement sets out the various risk zones in which Council is willing to operate in, with respect to Council's risk categories. It is accepted that the risk appetite may change from time to time, depending on the threats and opportunities at the time.

Zero Appetite	Council is **not willing** to accept any instance of this risk occurring.
Low Appetite	Council accepts a **low amount** of this risk occurring with active monitoring of risks in place.
Moderate	Council **accepts that there may be risks** from time to time, and that some controls are required.
High	**Taking risks is acceptable** if there is potential for beneficial outcomes for Council.



Potential risk events that are beyond Council's risk appetite should be escalated to the Senior Leadership Team where a risk treatment plan can be developed and threats and actions can be monitored closely. Where a risk has been identified as more than a high risk at the residual risk level, reporting to the Audit and Risk Committee is also required.

Where Council has a zero to low level of risk appetite, resources should be prioritised towards minimising and controlling the likelihood and consequences of these risks.

Where Council accepts a moderate to high risk appetite, it is important that controls are in place and are working effectively, however resource allocation towards this will not be prioritised, unless there are significant consequences as a result of a risk event occurring. In this case, the risk appetite may be recalibrated specific to the situation.