RISK MANAGEMENT WORKSHOP
-SUPPORTING DOCUMENTS

RISK & ASSURANCE COMMITTEE

23 AUGUST 2023

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RISK MANAGEMENT PROCESS

Framework designed to allow logical work through process.

Output results in construction of Council wide risk registers

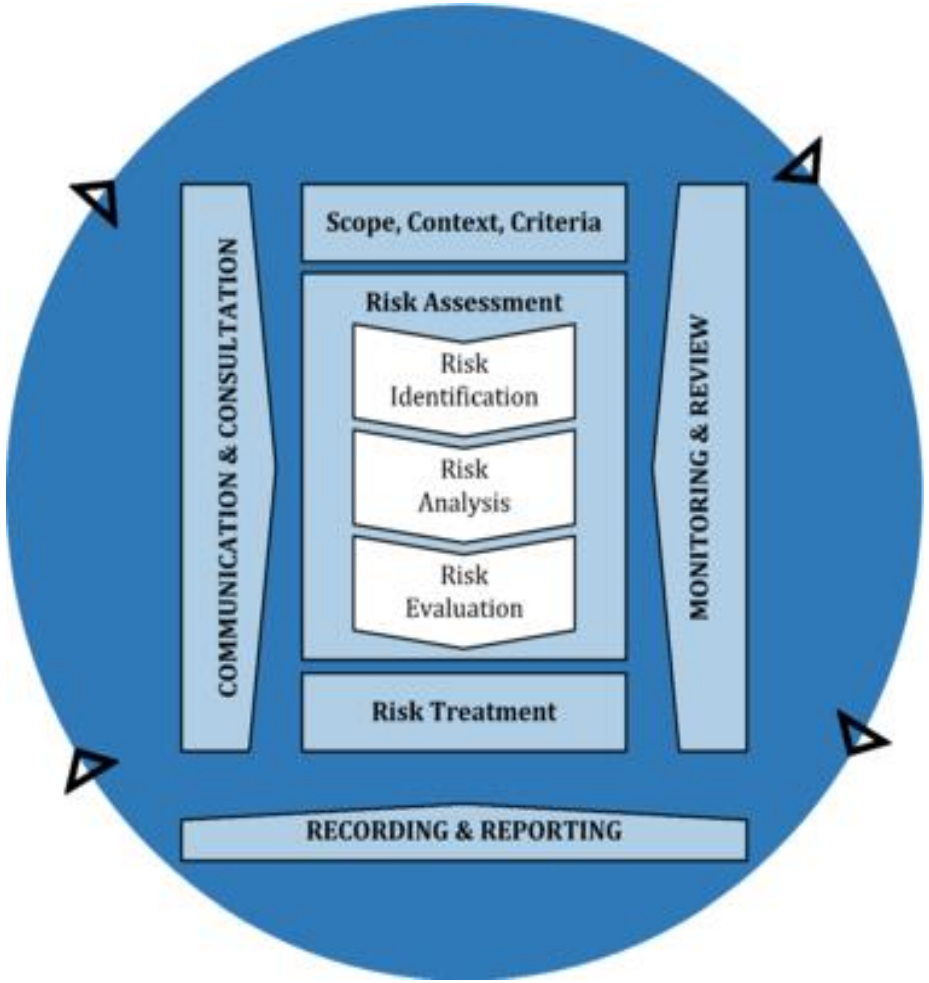
Lens view from big picture to dive in to detailed risk issues

Iterative process

Tools for acceptance of risks

Tools for corrective actions and its tracking

As laid down under ISO31000



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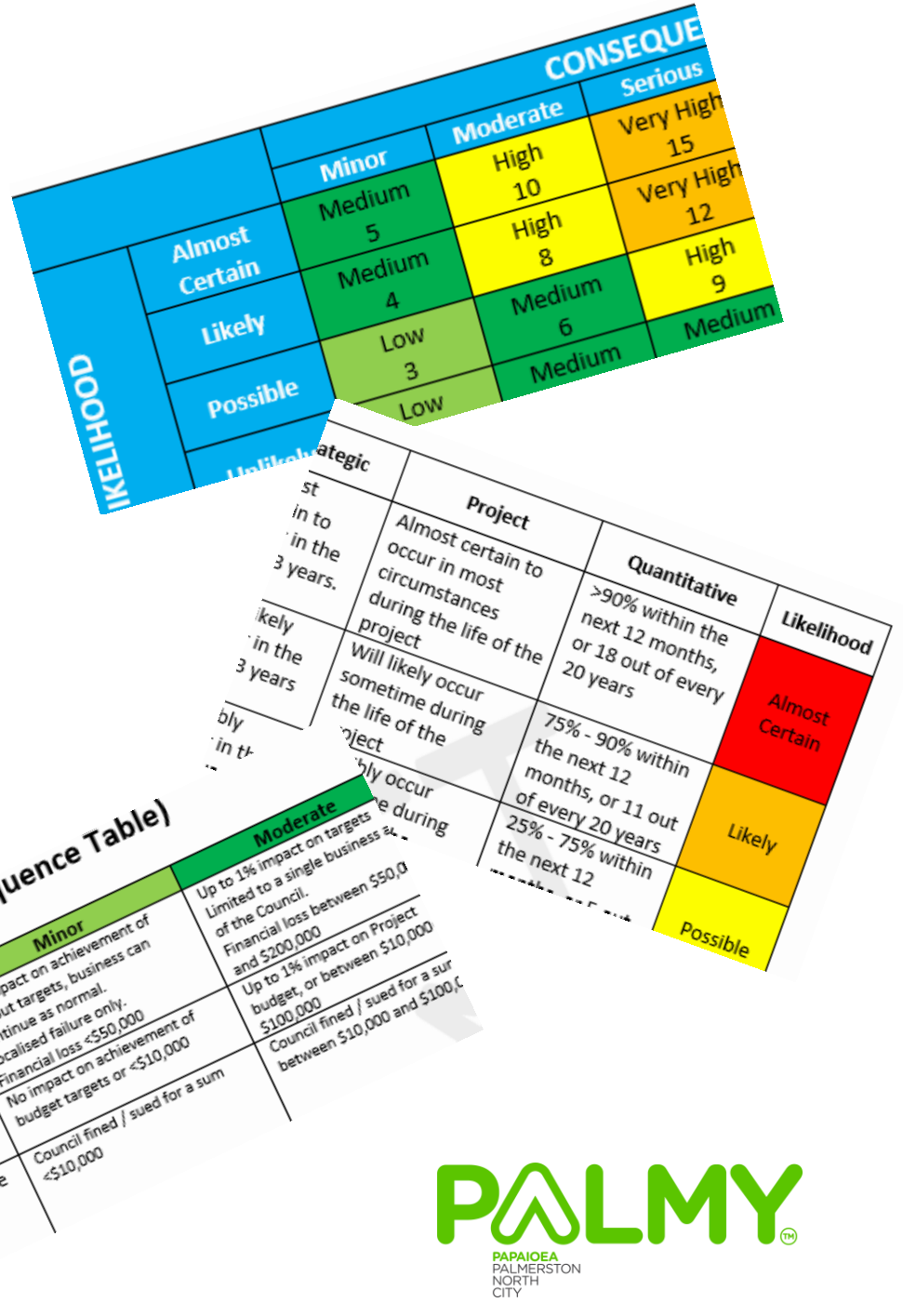
RISK CRITERIA

- Defined by a number of components:
  - Risk Type (9 categories)
  - Likelihood of event occurring (5)
  - Consequence of an event occurring (5)
  - Risk Rating (5 alpha)
    - Raw Risk
    - Residual Risk
    - Target Risk



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RISK CRITERIA - RISK TYPE

Risk Type	Description
Financial:	Generally related to risks to money and assets.
Legal/Compliance:	The risk that the Council is deemed to have violated a law or regulation or risk or loss due to regulatory or legal actions.
Environmental:	Adverse effects on living organisms and/or the environment.
Health, Safety & Wellbeing:	The potential for harm to come to people. Includes physical security.
Reputational:	Potential for a major negative event that threatens the Council's reputation. It is typically related to financial mismanagement, governance, information security, violation of laws or environmental practices.
Service Delivery:	Failure of a process, such as a human error, that can give rise to the non-delivery of a service, activity or project.
Performance and Capability:	Lack of people capital or inappropriately trained people. Also refers to higher than normal staff turnover.
Strategic:	Risks that arise from the fundamental decisions concerning the Council's objectives and goals. Essentially, strategic risks are the risks of failing to achieve these objectives and goals.
Cultural (Including spiritual matters)	The risks that arise due to monocultural local government systems not responding to the diverse communities they serve. The failure to uphold obligations relating to Treaty partnership and relationship with tangata whenua.

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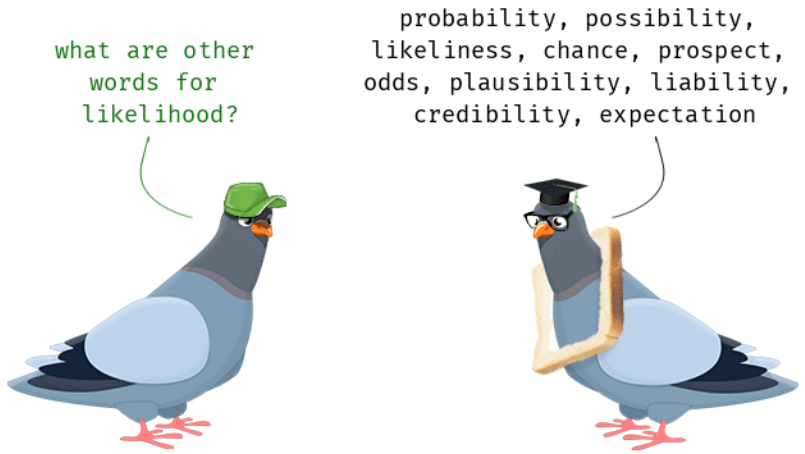
RISK CRITERIA - LIKELIHOOD



Defined by five levels of frequency

Almost Certain
Likely
Possible
Unlikely
Rare

With definitions per frequency - For example

General Description	Strategic	Project	Quantitative	Likelihood
Risk is expected to occur in most circumstances	Almost certain to occur in the next 3 years.	Almost certain to occur in most circumstances during the life of the project	>90% within the next 12 months, or 18 out of every 20 years	Almost Certain

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RISK CRITERIA - CONSEQUENCE

Defined by five levels of seriousness

Severe
Major
Serious
Moderate
Minor

With definitions against each risk type and against each level of seriousness - For example

Risk Category	Minor	Moderate	Serious	Major	Severe
Financial	No impact on achievement of output targets, business can continue as normal. Localised failure only. Financial loss <$50,000	Up to 1% impact on targets Limited to a single business area of the Council. Financial loss between $50,000 and $200,000	Up to 5% impact on targets Financial loss or between $200,000 and $500,000	Up to 10% impact on targets. Financial loss between $500,000 and $1 million. Impact to multiple and diverse areas of the Council	Greater than 10% impact on targets Financial loss <$1 million.

Financial is broken down in to an additional sub-category for "Project"

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RISK RATING
DERIVED FROM LIKELIHOOD AND CONSEQUENCE

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Severe
LIKELIHOOD	Almost Certain	Medium 5	High 10	Very High 15	Extreme 20	Extreme 25
	Likely	Medium 4	High 8	Very High 12	Very High 16	Extreme 20
	Possible	Low 3	Medium 6	High 9	Very High 12	Very High 15
	Unlikely	Low 2	Medium 4	Medium 6	High 8	High 10
	Rare	Low 1	Low 2	Low 3	Medium 4	Medium 5

Typically expressed in the vernacular,
although numeric expression is also used

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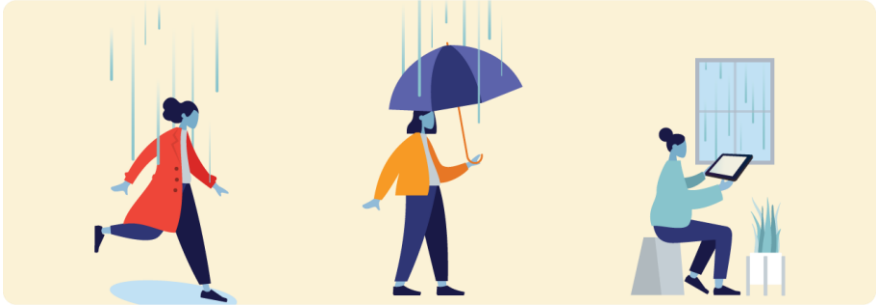
RISK MANAGEMENT PROCESS
RAW RISK vs RESIDUAL RISK vs TARGET RISK



Raw Risk Rating: The risk rating with no controls or mitigation in place

Residual Risk Rating: The risk rating with controls or mitigation in place. Controls only change the rating if they are "Effective". Discussed later

Target Risk Rating: The risk rating with additional controls/ mitigation in place (Process Control Design Improvement / Risk Treatment Options)

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RISK MANAGEMENT PROCESS
CONTROLS

A **CONTROL** includes a process, policy, devise, practice, or other actions that modify risk

We also categorise controls by their Effectiveness Rating (Effective, Partially Effective, Ineffective & Non-existent)

We categorise controls by **Reliance Rating**:

- Very High
- High
- Medium
- Low

Very high is where operation of this control is critical to the management of risk. Without this control this risk would revert to its raw state.

A **control** is typically pre risk event while a **mitigation** is post risk event. The former usually reduces the likelihood while the latter reduces the consequences

- **Effectiveness** will largely drive Residual Risk Rating
- **Reliance** will largely drive Control Sample Testing

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RISK MANAGEMENT
RISK ACCEPTANCE

Where Residual Risk Rating is above risk tolerance, Risk owner obtains approval from Acceptance Authority

Risk Rating	Reviewed By	Acceptance Authority
Low	RMA	None Required
Medium	RMA	Division Manager
High	RMA, HRR	Unit Chief
Very High	RMA, HRR, UC	Chief Executive
Extreme	RMA, HRR, UC	Chief Executive

RMA: Risk Management Advisor
HRR: Head of Risk & Resilience
UC: Unit Chief
CE: Chief Executive

Request should include:

*Risk Description
*Current Controls
*Proposed Controls/Mitigation
*Proposed Target Risk Rating
*Recommendation

"Request for Approval
Residual Risk Acceptance Greater than Risk Appetite" Template

Request for Approval **Residual Risk Acceptance Greater than Risk Appetite**			Date: Xx/xx/20xx
Division:		Unit: Choose an item.	
Risk ID:	Risk Description:	Risk Category:	
Raw Risk: Choose an item.	Residual Risk: Choose an item.	Risk Tolerance: Choose an item.	
Approval Authority:			
Description of Risk:			
Current Controls/Mitigation:			
Proposed/New Controls/Mitigation (If Any):			Proposed Residual Risk if implemented:
Recommendation:			
Recommended by:			
Approved by:			

Template may be found in Oasis ID [.....] or obtained from Risk Management Advisor

Request should be reasonable, actionable, affordable, balanced, practical & sensible

Continued over

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RISK MANAGEMENT
RISK ACCEPTANCE – CONT.

Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances.

Options for treating risk may involve one or more of the following:

- **avoiding** the risk by deciding not to start or continue with the activity that gives rise to the risk;
- taking or increasing the risk in order to pursue an opportunity;
- **removing** the risk source;
- changing the **likelihood**;
- changing the **consequences**;
- **sharing** the risk (e.g. through contracts, buying insurance);
- **retaining** the risk by informed decision and through delegated authorities.

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MONITORING AND REVIEW
CONTROL SAMPLE TESTING ("CST")

- **Controls** should be monitored to assure their effectiveness
- Dependant on the **reliance** on the controls and their periodicity, attesting plan should be constructed. This plan is called the CST.
- The CSTs must be in a form that makes them auditable

The script for the CST should include:

- *Description of Control/Mitigation*
- *Description of risk over which it addresses.*
- *Description of how sample test is to be conducted*
- *Description of sample size*
- *Frequency of testing (e.g. monthly, quarterly or yearly)*

There MUST be retained evidence that the testing has been undertaken.

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