



Tiwi Islands Regional Council

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1	Resolution 10 of 27-05-2015	27 May 2015	Original document

1. Objective

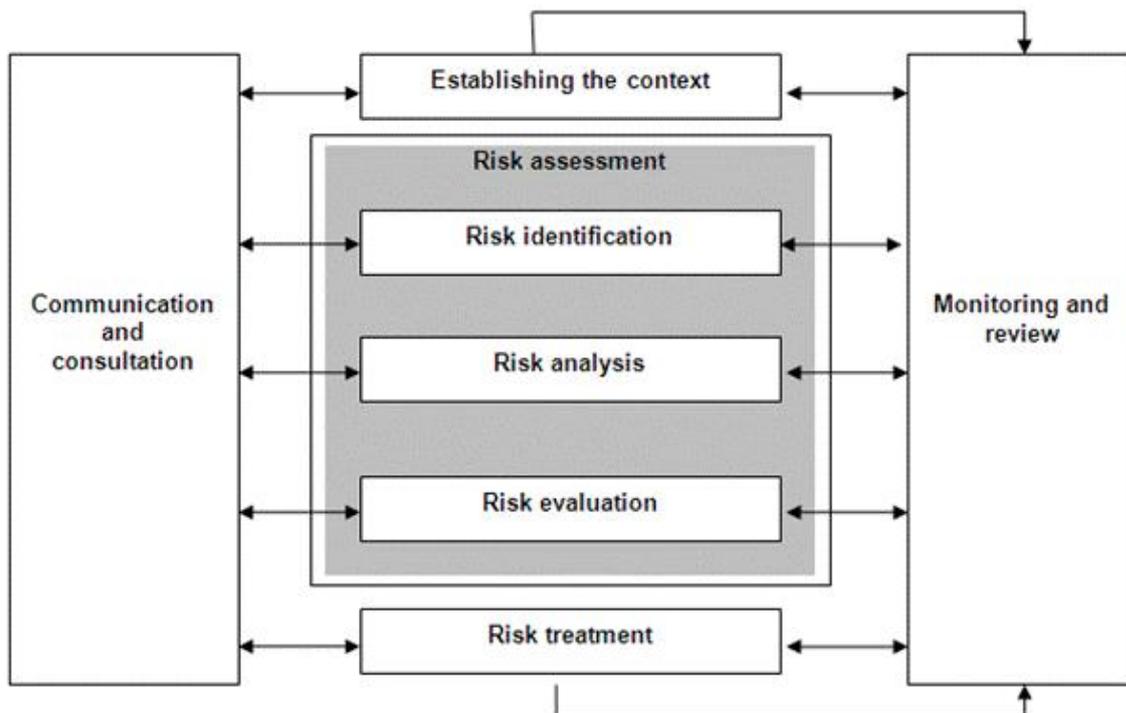
To set out why, how and who will manage Tiwi Islands Regional Council's (TIRC) risks and require that risk management will be imbedded in Council policies, procedures and its decisions making.

2. Key Terms

Risk Management ('RM')	The coordinated activities to direct and control Council with regard to risk. Activities are directed towards the effective management of culture; processes and structures in order to optimise potential opportunities and either eliminate, minimise or reduce adverse effects within acceptable legal and policy settings.
RM Framework	A set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout Council.
RM Plan	A scheme within the RM framework specifying the approach, management components and resources to be applied to the management of risk. It should include agreement on matters such as risk appetite, risk tolerance, benchmarks and planned activities to development RM over the immediate and medium term. It can be incorporated into a wider change or transition plan.
RM Standard'	The current RM standard, AS/NZ ISO 31000 (2009)
Hazard	A source or a situation with potential harm in terms of injury or illness, damage to property or the environment, or a combination of these.
Risk	The chance of something happening (effect of uncertainty) that could impact on objectives or expectations – whether negative or positive. Risk is often characterised by reference to potential events and consequences, or a combination of these and the associated likelihood of an occurrence.
Incident	Unplanned event resulting in, or having the potential for injury, ill health, damage or other loss.
Secondary Risk	The risk associated with risk treatment. Similar to 'side effects', it needs to be considered as part of risk treatment options before treatment is decided.

RM Process	The systematic application of management policies, procedures and practices, to the activities of establishing context, identifying, analysing, evaluating, treating, monitoring and communicating risk.
Risk Assessment (RA)	That part of the RM process which identifies, analyses and evaluates risk.
Risk Register (RR)	A collection of information with regard to risk. It may or may not include all information required in the full RM process. Best used as a consolidated summary of RM information and for classifying risks according to type, level and actions. A useful tool for review by management.
SMT	Senior Management Team
MFL	Maximum Foreseeable Losses

The overall linkages in assessing and managing risk are shown in the diagram below.



3. The rationale for managing our risks

Council operates in an uncertain environment. In order to reduce uncertainty we will develop and review our Risk Management Framework to improve performance and realisation of objectives and compliance.

This will be done by identifying key risks then determine whether it is reasonably practicable to eliminate these risks, or otherwise reduce, share or accept them at acceptable levels.

The TIRC RM Framework will consist of the elements that support the RM process across Council. Ultimately it will also support our mission and values, improve our ability to meet strategic, operational and financial objectives, seek opportunities as they arise and make Council more resilient to sudden and unforeseen threats.

Council acknowledges that it needs risks to operate, but in doing so it also must assess which are positive, tolerable and unacceptable. Council also recognises the supporting and interrelationships between good governance, compliance and risk management. Most key objectives are set under governance processes and governance has its own risks. Managing these is consistent with achieving our broadly defined role, functions and objectives described in sections 11, 12 and 13 of the *NT Local Government Act*.

4. Links between Council objectives, policies and procedures and this policy

Council will manage risks associated with policies, plans, executive decisions and laws.

Risk levels will be determined by establishing criteria to define risk and then assessing the potential consequences and likelihood of the inability to meet our objectives. Descriptions of risk will refer to formal (written) and / or implied (assumed) objectives.

Council and the SMT will review these objectives and the policies and procedures designed to achieve them. Policies and procedures will be a major part of risk 'controls' or treatments to moderate risk. Others are the appropriateness of organisational structures and our culture.

As policies, functions and laws are added or changed; risks associated with them will be reviewed and altered as required.

5. Accountabilities, Approach and Responsibilities for Risk

Every person is a 'risk owner' to the extent that they direct or are held responsible for the planning, designing and delivery of operations or has some authorised and material influence over council matters (such as a contractor).

Risk and hazard assessments are required continuously prior to activities or commitments, including contractual commitments, and any other time if material changes in circumstances occur. Assessments may not be required for routine activities where controls are fully understood, practiced and effective. Assessments could range from 'Take -5' and 'tool box' discussions to formal and complex reports.

Approach

The approach to be used by all risk owners is to:

- i. Contribute to RM development.

Participate in RM processes, undertake review and compliance with Council policies and procedures.

- ii. Communicate and Consult (also see section 9).

The best way to engage stakeholders and obtain information about matters important to them is to do this with a wide range of relevant internal and external stakeholders. Consultation requires the active seeking of views from relevant parties and in the case of workplace safety, it is a statutory requirement.

- iii. Compliance.

Capture key legislative and industry codes of practice, manufacturer's instructions and recognised best practice and the like.

Eliminate or reduce risk to 'As Low As Reasonably Practicable' (ALARP).

If we cannot eliminate risk, then efforts to manage risks are to be in accordance with the concept of reducing risk to ALARP and is tolerated according to Council risk criteria. The exception to ALARP is where strict regulatory or Council policy conformance requires a more expensive or difficult treatment.

Secondary and aggregated risk will form part of Risk Assessment's before ALARP and treatment decisions are made.

- iv. Safety first.

Apply a 'safety first' approach to workplace and public safety risks by eliminating them, or if that is not possible, to reduce them to ALARP and meeting any legal requirements after undertaking a risk assessment.

- v. Risk Management principles.

Management and supervisors will be taught to understand and apply the eleven RM principles in the Standard. The first and key principle is that RM should be designed to add value to Council. Considering and seeking reasonably available information prior to analysing and deciding on risk treatments is another. In all, the principles will be used as guidance to address risk issues and to review RM performance.

- vi. Determining causation.

We will examine potential and actual causes in order to choose the most appropriate controls to eliminate, minimise, detect and respond to adverse situations. Causation will

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be examined according to a range of risk factors, including immediate and root causes in controls and management failures. More complex causation may need to consider 'chain of event' control points and human factors.

'Individual failures', if any, will only be considered after all other factors are considered.

- vii. Ability to change or moderate risk.

Council will seek agreement or consensus on what can be changed, changed over time, may be influenced and where it has little or no ability or capability to change. For the later, we will either stop the activity or formally tolerate the risk.

- viii. Additional consideration is to be given to risks that are considered:

- high consequence (catastrophic), even if an apparently low likelihood
- high frequency (chronic), even if considered of low consequence;
- major or extreme and dependent upon a single or few critical controls; and
- risk 'groups' with controls that are inter- dependent or exist cross-functionally between managerial and operating departments.

- ix. Council will develop and maintain a RM Framework / Guide and Plan.

- x. Financial risk

General

Consideration will be given to all risks of potential unplanned financial losses or gains. This includes risk areas not normally categorised as 'financial risk' (such as safety), but which still may involve a financial impact (such as fines and business interruption). Financial loss or benefits will extend to unnecessary waste, increased costs, inefficiency and lost opportunities.

Potential material variations to planned financial outcomes will have controls in place to limit losses and enhance opportunities. Otherwise, consideration will be given to changing or stopping the activity.

Risk Adjusted Delegated Authorities

If risk assessments indicate that maximum foreseeable losses (MFL) could exceed delegated limits for the defined activity or contract sum, then approval for the obligation or service will be escalated to the appropriate higher level based on the net maximum foreseeable losses. In determining risk adjusted delegated authorities, the net MFL exposure will take into account any strong security in Council's favour and its own insurances.

Typically, risk adjusted delegated authorities will arise when there are significant contractual indemnities, guarantees or damages in favour of other parties, or Council financial exposures found in legislation and civil liabilities.

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Fraud

In accordance with the Local Government Act, Council will have a Fraud Management Plan. An effective Plan will include strategies to reasonably prevent, detect and respond to key areas of potential fraud. The plan will extend to non-financial fraud (such as false identity or qualifications), although they too may also lead to adverse financial consequences.

Financing Losses

All risks with the potential for large or chronic (ongoing) losses will require acceptance of controls needed to finance all or the greater part of those losses. Typically this includes insurance, but may also involve security, guarantees and other loss sharing arrangements. Otherwise, formal internal acceptance is required to self-fund losses.

Key Roles:

- Council: Elected members serving the interests of the region according to a Council Plan approved by them, defining core and non - core service, oversight of strategic and major risks and priorities and how they will be delivered.
- Local Authorities: Obligations from delegated authority, obtaining information and providing advice to Council from the community level.
- Senior Management Team: Operational and financial planning and report requirements, implementation, human resource selection, defining roles, division budgetary controls and management decision making processes. Development of strategic and major risk management, the RM Framework, priorities and how RM will be delivered.
- Managers: The way work is planned and performed on a day to day basis with respect to achieving objectives and managing risk.
- Specialists: Supervisors and senior managers who have certain skills and experience in training, work methods, compliance and delivery of safe and effective services for which others are reliant. They may have additional internal and legal responsibilities;
- Employees (generally): According to position descriptions, delegated authorities, training and experience and adequacy of resources provided to them from management.
- Contractors: Delivery of special skills, their staff and sub - contractors and to do so safely for all persons potentially impacted by their activities.

6. How conflicting and cross functional objectives and risks will be dealt with

Council recognises that from time to time working towards targets with agreed processes may create conflict between objectives and may arise across service functions. As a result priorities may need review, 'trade-offs' considered and sometimes even objectives require revision.

Examples include:

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- Target completion time versus non – compliance or unacceptable health and safety risk;
- Using lower cost and quality service / materials versus long-term performance and life-cycle cost;
- Undertaking services that are unfunded / not fully funded versus opportunity cost – i.e. what value was sacrificed by not apply the same resources elsewhere;
- Current budget period cost versus long – term cost financial impact and value;
- Accepting a tolerable risk in one function or location but aggregation of the same risk 'Council – wide' across all functions or locations may not be acceptable or requires a different treatment strategy.
- Meeting a service level performance requirement which will, or is likely to lead, to greater loss, damage or failure of another objective or creates adverse reputation to Council.

The SMT will identify common or linked risks and where interdependencies exist, aggregate them in order to determine the full impact on Council. Risk strategies will include consideration of Council-wide treatments and efficiencies.

Employees will make reasonable efforts to inform their supervisor / managers of actual or potential conflicts in objectives in which they are reasonably aware. This may apply within their work area or across functions - between their work area and other work areas.

Managers will identify or confirm potential conflicting objectives and cross functional risks. then consider what is in the best interests of Council. If uncertain or other priorities apply, managers will escalate the matter to their own manager.

Managers of services will not be disadvantaged if they consciously forgo or delay their own service / function objectives in circumstance where wider consultation requires meeting a greater 'Council – wide' imperative to manage other or higher risk issues and priorities.

7. Commitment to make the necessary resources available

The SMT is ultimately responsible for ensuring that resources to provide capacity and expertise to develop RM and control / risk treatment initiatives will be fit for purpose, compliant and properly applied and maintained.

This includes equipment, technology, services, time, training, education etc. The commitment to make resources available applies at two levels. This is to develop, support, implement and review:

- The RM framework, and
- Specific risk contexts, assessments, treatments, reporting and consultation.

Recommendations to the SMT for the amount and nature of resources, including advice, will come from the *joint consideration* by specialist managers and supervisors (e.g. procurement, technical and safety officers). This will assist in determining appropriate design and control options and include consideration of compliance, availability, quantity, quality, safety, impact on the public and cost.

8. The way in which RM performance will be measured and reported

RM performance and reporting will be key and transparent features of effective RM for Council.

Performance Measures may include:

- i. The proportion of service areas that have risk profiles of key risks and / or hazards established, and kept up to date,
- ii. The proportion of each service area profile's that have approved decisions (i.e. accept or treat) and for those requiring treatment, have action plans.
- iii. The status of risks undergoing treatment against plans according to schedule, cost and quality.
- iv. The proportion and number of completed treatment plans since the last reporting period.
- v. The number of significant incidents in which the hazard / risk has not been formally identified.
- vi. The number and nature of significant opportunities lost, or near lost.
- vii. Qualitative or quantitative benefits / costs arising from current and past treatments: e.g. Lessons learned and changes in effectiveness, value, incidents / accidents, community response etc.
- viii. The progress of the current RM plan for the development, implementation, improvement and review of Council's RM Framework
- ix. Assurance.

RM assurance will be derived from a number of internal and external processes. Approved recommendations will be added to the action / treatment plans to improve risks and the supporting RM framework. Written reasons will be given by management for RM recommendations that are not accepted, modified or replaced by other strategies.

Assurance will involve providing findings, evidence, conclusions and recommendations in relation to:

- The achievement or otherwise of meeting compliance and performance requirements, and whether risk was adequately considered in the efforts to meet them;

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- Identification of major non – conformances and the implications for risk;
- Whether treatments and required improvements were:
 - implemented in the scheduled time, and
 - meet expected outcomes including eliminating or reducing risk to a tolerable level
- Services / departments considered and took advantage of reasonable opportunities when they arose;
- Whether lessons are learned from losses, incidents or even exceeding objectives, and as a consequence, were appropriate responses or treatments considered and implemented.

Assurance of the RM framework will include a ‘three lines of defence’ (‘two lines’ if no IA) model:

1. External Audit- financial and other as required (e.g. accreditation, investigations)
 2. Internal Audit: *Risk based IA* program (only if Internal Audit exists).
 3. Management Reviews. Internal or outsourced review of compliance, performance and risks for internal or external functions and services.(Must have evidence of this if IA does not exist)
- x. Customer / community feedback from compliments, complaints, surveys, discussions etc.

Reporting Requirements

- i. Immediate (to next level of management unless other procedures say otherwise):
 - a. ‘New’ material risks, including:
 - i. new risks
 - ii. existing but until recently not identified or recorded risks, or
 - iii. increase in the risk level to major or extreme.
 - b. Hazards, risk ‘alerts’ from external authorities or manufacturers, control failures,
 - c. Accidents, incidents and investigations (including matters that have the potential to cause significant harm or damage),
 - d. Where it is known a significant objective / expectation can no longer be achieved,
 - e. Outcomes of latest tests / assurance reports,
 - f. Any crisis and key service interruption to service continuity or potential for interruption.

- ii. Monthly – Operating units to SMT

Summary of:

- a. Matters arising from current month’s activities (including i. above)
- b. Progress of significant ongoing risk assessments and treatments
- c. Compliance: advise any material non- compliance and new or expected changes in compliance requirements impacting services or Council.

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- iii. Quarterly - SMT
 - a. Progress towards achievement of strategic objectives and major risk treatments
 - b. Progress of other major risks treatment and emerging risks (i.e. not fully understood)
- iv. Yearly
 - a. To Council:
 - i. The SMT will provide a progress report against the past year's RM plan, and table the Risk Register..
 - ii. Internal Audit (if IA exists): Issue an assurance statement on the status of RM and its development according to the RM Plan.
 - iii. Financial Exposures. Confirmation of:
 - Insurance program / scheme renewals.
 - Fraud management status,
 - Exposures above \$XX (defined as aggregated and triggered by a single event)
 - Required financial security / guarantees in Council's favour
 - Guarantees / contingent liabilities by Council provided to others.
 - New / increased exposures against maximum foreseeable losses,
 - Implications of asset valuations obtained / required.
 - b. Annual Report

Will include a section on Council's RM development, major RM issues (past year and expected for the next 3 years) and achievements against RM Plan over the past year.
- v. Other Reports – as required to by external regulators and authorities.

9. Consultation and Communication

Council recognises and the Standard requires effective communication and active consultation as essential for good RM. It is a continual and iterative processes conducted to provide, share or obtain, and to engage in dialogue with stakeholders regarding the management of risk. It is important as an influence to decision-making.

The SMT will, as part of the RM Plan, develop / review the Consultation and Communication plan with internal and external stakeholders.

The plan will be formulated following discussions and negotiations concerning the views and expectations of persons and entities impacted by Council activities, and also how other persons and entities could impact Council. This is will ensure that the views of stakeholders are taken into account, ensure all parties are better informed of material needs and issues, and have realistic expectations given limited resources, other priorities and associated risks.

The resulting plan will provide an opportunity and evidence how objectives are set and risks associated with them can be better managed.



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10. Review and improvement of this policy and the RM Framework

The SMT will review the effectiveness, value creation, protection and resilience afforded to Council arising out of the RM Framework. This will be done no less than every three (3) years and earlier if circumstances determine a need for an earlier review.

11. Key Related Policies and Procedures

Most other policies and procedures create objectives (and therefore risk) and controls to manage them. Many need to have statements that describe individual risk tolerance criteria and risk 'appetite' covering Council – wide exposures. Some key policies and procedures related to Council RM are: **(add or delete as required):**

- Corporate Plan
- Delegations
- Governance – meetings, conflicts of interest etc.
- Communications and Consultation
- Human Resources
- Procurement & Contract management
- Compliance: legislative, contracts (funding and others), negligence
- Fraud Management Plan (required in NT for Councils)
- Infrastructure and Capital Development
- Workplace Health & Safety and Injury Management
- ICT Disaster Recovery
- Disaster Management and / or Business Continuity
- Emergency evacuation plans
- Insurance program
- Asset Management
- Operational Induction programs
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Review as needed or in 3 years whichever occurs first.