

RISK MANAGEMENT CHARTER 2017/18

1. CONTEXT

Taupō District Council is a local authority which operates in a highly visible and accountable political and statutory environment and is committed to good corporate governance through risk management. Council's high level goals and objectives are established through Statute and consultation with the community and are principally documented in Council's Long Term Plan and Annual Plan. Council's performance relative to those goals and objectives is assessed and reported on through the preparation of an Annual Report.

The management of risk is integral to achieving Council's mission as outlined in its Long Term Plan:

- It enables the incorporation of contemporary risk management initiatives across all levels of the Council;
- It facilitates and initiates innovation, co-operation and sharing of resources; and
- It enhances Council's programs of economic development, environmental management, urban enhancement, community well-being, quality management and customer service.

Many of the Council's Key values have relevance to the Risk Management Charter:

- Concern for citizens;
- Respect for the rights of others; and
- Responsiveness to customer needs.

2. DEFINITIONS

2.1 *Risk*

AS/NZS ISO 3100:2009 defines risk as the effect of uncertainty on objectives. An effect is a positive or negative deviation from what is expected.

This definition of risk recognises that we all operate in an uncertain world. Whenever we try to achieve an objective, there's always the chance that things will not go according to plan. Every step has an element of risk that needs to be managed and every outcome is uncertain. Whenever we try to achieve an objective, we don't always get the results we expect. Sometimes we get positive results and sometimes we get negative results and occasionally we get both. Because of this, we need to reduce uncertainty as much as possible.

Uncertainty (or lack of certainty) is a state or condition that involves a deficiency of information and leads to inadequate or incomplete knowledge or understanding. In the context of risk management, uncertainty exists whenever the knowledge or understanding of an event, consequence, or likelihood is inadequate or incomplete.

2.2 *Risk Management*

Risk management is the adoption of a planned and systematic approach to the identification, evaluation and control of the risks facing the Council and is a means of minimising the costs and disruption to the Council caused by undesired events.

Risk management covers the whole spectrum of risks and not just those associated with finance, health and safety and insurance. It also includes risks associated with public image (reputation), the environment, technology, contracts/partnerships, projects etc.

2.3 *Gross, Inherent or Untreated Risk*

The risk that an activity or an event would pose if no treatments (controls or other mitigating factors) were in place.

2.4 *Risk Treatments or Controls*

Risk treatments or controls are actions that are taken to manage risks. There are generally 5 actions you can take to manage risks.

1. Avoidance
2. Reduction
3. Transfer
4. Acceptance or retention
5. Sharing

2.5 *Residual or Treated Risk*

Residual or treated risk is the threat that remains after all efforts to identify and treat the risk have been made. Since residual risk is unknown, many organisations choose to either accept residual risk or transfer it - for example, by purchasing insurance to transfer the risk to an insurance company

2.6 Risk Tolerance

Risk tolerance is an organisation's can be defined as 'the amount and type of risk that an organisation can take in order to meet their strategic objectives.

2.7 Risk Appetite

Risk appetite can be defined as 'the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives

3. RISK MANAGEMENT AIMS AND OBJECTIVES

3.1 The aim of risk management is to ensure that the Council has an effective process to support better decision making through good understanding of risks and their likely impact. It is Council policy to implement and maintain a Risk Management system that reflects best practice and ensure that sound risk management practices are incorporated into Council's planning and decision making processes.

3.2 The objectives of the Council's risk management strategy are to:-

- Raise awareness of the need for risk management;
- Minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources;
- Inform policy and decision making by identifying risks and their likely impact.

3.3 These objectives will be achieved by:-

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management;
- Effective communication with, and the active involvement of, Service Managers and Heads of Service;
- Maintaining a Risk Register of all known risks affecting Council, grouped as a minimum into Strategic and Operational. All risks will be analysed and classified into Extreme, High, Moderate and Low;
- Monitoring progress in delivering the strategy and reviewing the risk management arrangements on an on-going basis by reviewing strategic risks, which have broad organisational wide impact on a quarterly basis by the Executive Management Team and twice annually by the Audit Committee, including what actions Council is undertaking to moderate these risks

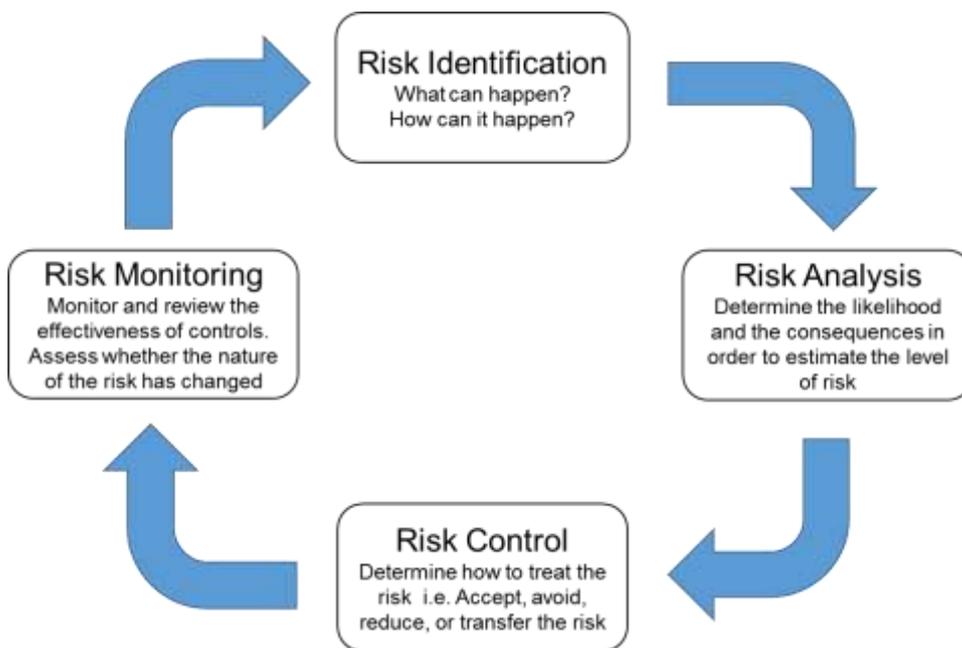
4. RISK MANAGEMENT METHODOLOGY

4.1 The Council recognises that to be effective, risk management must become part of the Council's culture, integrated into the Council's corporate and business plans and everyday activities, rather than being viewed or run as a separate program. Further, risk management must become the responsibility of every employee, contractor, volunteer and elected member of the Council.

4.2 Overarching strategies for managing risk within Council are:

- Council's Chief Executive will establish and implement a relevant Risk Management system that ensures a systematic method is used to identify, analyse, evaluate, treat, monitor and communicate key risks associated with Council responsibilities in order to minimize unexpected losses and maximise opportunities.
- Ensuring that the concept of risk management becomes fundamental to the organisational culture through the philosophy of risk minimisation for each and every activity undertaken by the Council.
- Ensuring the risk management system is consistent with recognised industry standards in particular AS/NZS ISO 3100:2009. This Standard for Risk Management provides a 'ready-made' strategy that enables a consistent and comprehensive approach to risk management across the Council, and we generally follow the approach in this standard.

4.3 The Taupo District Council will use a 4 stage risk management cycle as illustrated in the diagram below:-



The 4 stages of risk management are part of a cycle. Risk management is dynamic and so the identification stage needs to be carried out continuously

5. COUNCIL'S RISK APPETITE

5.1 The establishment of Council's statement on risk appetite is intended to guide employees in their actions and ability to accept and manage risks. Council is periodically updated on the effectiveness of the management of key Council potential risk exposures, through reports to the Audit Committee. The risk appetite of Council is reflected by the combination of the severity ratings within the Consequence table and the Likelihood table, which provides an inherent risk rating.

5.2 The key determinants of risk appetite include, but are not limited to:

- Council and community expectations;
- Legal and statutory obligations,
- The income potential from accepting risks relative to income from risk-free activities (the risk/reward trade off);
- Capital availability; and
- Adequacy of risk management systems.

5.3 To meet its objectives the Taupo District Council will generally operate within a low overall risk range. The Taupo District Council's lowest risk appetite will relate to financial, safety and compliance objectives, including employee health and safety, with a marginally higher risk appetite towards its strategic, reporting, and operations objectives. More specifically its appetite for risk is as follows:

No Appetite	<ul style="list-style-type: none"> • For actions or decisions that have a significant impact on Council's long term financial sustainability • For anything that unreasonably compromises peoples safety and welfare • For internal fraud, collusion, theft and associated reputational risk. • For non-compliance with Legal and Regulatory obligations. • For unauthorised release of confidential information
Low Appetite	<ul style="list-style-type: none"> • For system failures or information and data security breaches • For third party (contractors) failure. • For risks arising from failure to meet customer & ratepayer commitments. • For risks arising from breaches of internal policies and standing orders

Medium Appetite	<ul style="list-style-type: none"> • For risks associated with the implementation of change and key strategic plans. • For risks associated with implementing business improvements and the Council's vision.
High (considerable) Appetite	<ul style="list-style-type: none"> • For developing and implementing improvements to service delivery • For seeking improved efficiency of Council operations

6. ROLES AND RESPONSIBILITIES FOR RISK MANAGEMENT

Audit & Risk Committee	<ul style="list-style-type: none"> • Ensuring that the Council has an effective risk management process in place • Overseeing the risk management process across Council. The Audit and Risk Committee Charter sets out the details for levels of monitoring required by the Committee. • Receiving reports on the approved internal Audit Strategy/Plan.
Chief Executive and Senior Leadership Group	<ul style="list-style-type: none"> • Establishing and maintaining a climate of risk awareness and intelligence; • Developing and maintaining governance mechanisms that effectively monitor risks and their management; and • Set requirements for risk management based on AS/NZS ISO 31000:2009.
Group Managers	<ul style="list-style-type: none"> • Ensuring compliance of their groups with the Risk Management Strategy and the Risk Management Charter and the promotion of a positive risk and compliance culture • Identifying, evaluating, assessing, treating and monitoring the key risks that might potentially prevent them from achieving their objectives; • Integrating risk management into all aspects of their business; and • Ensuring that risk management practices and treatments are: <ul style="list-style-type: none"> - Consistent with Council requirements; - Monitored to ensure that management strategies remain effective; and - Commensurate with the level of risk exposure.
Managers/Supervisors & Team Leaders	<ul style="list-style-type: none"> • To support Group Managers in the identification and management of Key Risks • To manage operational risks effectively in their particular service areas • To monitor and review risks at appropriate intervals • Ensuring that any time a health or safety risk is identified, a risk assessment should be updated and if necessary, a mitigating risk treatment plan enacted.

All Staff	<ul style="list-style-type: none"> • Observing and informing Managers or Team Leaders of any specific public risk; • Maintaining an awareness of risks (current and potential) that relate to their area of responsibility; • Actively support and contribute to risk management initiatives; • Using a documented risk management process to eliminate or minimise health and safety risks where appropriate; • Complying with all health and safety instructions, policies and procedures; • Using and maintaining safety devices and personal protective equipment correctly; • Being familiar with emergency and evacuation procedures and complying with the instructions given by emergency response personnel such as fire wardens and first aiders; and • Report all accidents, incidents and near misses.
Staff who Engage or Manage Contractors	<ul style="list-style-type: none"> • The prequalification process is completed prior to awarding the contract; • The primary contractor completes the Council's contractor induction; • The primary contractor provides an Health and Safety plan for contracts over \$250,000; • A comprehensive Job Safety Analysis (JSA) is completed by contractors; • The equipment and materials used by contractors are safe and used in a manner that does not pose a risk to the contractors or to Council staff, volunteers and the public; • Contact is maintained with the contractor, providing job supervision and inspection of the quality of the work; and • Contractors have statutory compensation and liability insurance.
Contractors	<ul style="list-style-type: none"> • They are competent to do the job asked of them; • They have the qualifications, training, experience and certificates of competency that will be needed for the job; • They have the Health & Safety knowledge required for the job; • They have statutory compensation and liability insurance; • They maintain the premises/area in which they work in a safe and healthy manner for themselves and for the staff, volunteers and the public; • They employ safe tools and systems of work to do the work; • Electrical power tools are regularly inspected and tagged • Material Safety Data Sheets (MSDS) are provided for all chemicals; • Instructions and supervision from the contracting company are adequate; • Close supervision is required particularly in the case of young or inexperienced workers; and • They communicate regularly with their Council contract supervisor: <ul style="list-style-type: none"> - Methods of work are approved by the contract supervisor; and - They raise any issue that is or may become a health, safety or core business concern.
Risk Manager	<ul style="list-style-type: none"> • To develop and review the risk management strategy and processes in accordance with best practice • To provide advice and support to Leadership Team and Service Managers on the identification, analysis and prioritisation of risks • To report on the identification and progress of strategic risks to the Audit & Accounts Committee • To provide risk management training as required to Officers and Members

7. RESOURCING

Annual resourcing will be established through the annual estimates process.

8. MONITORING AND REVIEW

- 8.1 To ensure that informed decisions are made, it is essential to identify key strategic risks. These risks will be identified at Leadership Team level as part of the Corporate Planning process and will be documented in a Strategic Risk Register which will be maintained by the Risk Manager on behalf of the Leadership Team.
- 8.2 Progress in managing strategic risks will be monitored and reported on to ensure that intended actions are delivered and risks managed.
- 8.3 The Strategic Risk Register will form the basis of half yearly risk management reports to the Audit & Risk Committee.
- 8.4 Internal audits will be carried out periodically to review the Council's risk management arrangements to review their effectiveness.
- 8.5 Internal audits will also:
 - Identify and report weaknesses in the controls established by management to manage/monitor risks;
 - Provide advice on the design/operation of the controls established by management to manage/monitor risk.
- 8.6 The Risk Manager will review the strategic risk register on an annual basis and incorporate strategic risk areas into the internal audit planning process as appropriate.
- 8.7 Service Managers should maintain a record of key operational risks within their service area relating to service change, projects and significant procurement. Progress in managing these risks should be monitored on a regular basis.

9. AUTHORITY

All areas of the organisation will be open to Risk Management initiatives and in carrying out their functions all Risk Management and/or Internal Audit staff will have access to all other Council staff, information, records, documents, reports and property. Risk Management and/or Internal Audit staff have direct access to non-Executive appointees or co opted to any established Audit and Risk Committee or other appropriate Committee as determined by Council.

10. REVIEW OF RISK MANAGEMENT STRATEGY

This strategy will be reviewed on an annual basis by the Council's Audit and Risk Committee.