



Enterprise Risk Management

How it will Help you Achieve your
Objectives

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Overview of Presentation

- 1) The Components of a sound Risk Management program
- 2) How to integrate Risk Management into your business

Components – A Policy Foundation

- Policy, Guideline, Framework, Handbook etc
- Policy - Organisational Commitment to Risk Management
- Framework – The components that make up Risk Management at your organisation
 - Roles and responsibilities
 - Risk attitude statements
 - Integration with other governance elements
 - Training, education and awareness

Components – Risk Registers (Strategic)

Strategic Risks

- Things that would seriously derail the organisation
 - Loss of Revenue Streams (water, infrastructure charges)
 - Environmental Impacts (climate change, disasters, growth)
 - Erosion of Corporate Governance (fraud, non-compliance)
 - Social Marginalisation (island communities, aged, youth)

➤ Often not much can be done to mitigate

➤ There should only be about 6-8 at the most

Councillors must take ownership of these

Components – Risk Registers (Operational)

Operational Risks

- Day to day things that would significantly hinder
 - Substandard Developer Contributed Assets
 - Inability to Attract and Retain Quality Staff
 - IT Security Breaches
 - Failure to Broaden the City/Shire Economic Base
- Can be mitigated
- You might have 20 or 30
- Owned at management and audit committee level

Components - Elements of the Risk Register

- Risk and material consequences
- Current treatments
- Likelihood (1, 5, 10 years?)
- Consequence (Severe, Major, Medium, Low)
- Risk Rating (Extreme, High, Medium, Low)
- Future treatments
- Residual risk rating

Integration

- The key to success
- Small corporate risk area → large corporate outcomes
- Driven from the CEO
- Aligned to other corporate governance instruments;
 - Community and Corporate Plans
 - Performance Management Framework

Integration – Defining Risk Attitude

- Risk averse, risk neutral or risk takers?
- Does attitude vary across areas?
- Where will we take measured risks and what is taboo?
- Incorporate Risk Attitude Statements in the Framework;
 - **Financial** viability over the short, medium and long term must be highly certain
 - There will be no acceptance of the failure to conduct business honestly and **ethically**
 - There is considerable acceptance for decisions that promote **ecologically sustainable** development

Integration – Other Systems & Processes

- Risk Registers reviewed against Corporate Plan
- Risk Registers used to support budget bids
- Project related risks captured and managed
- Council reports and briefing notes link to risks
- Capital prioritisation process incorporates risk
- Risk embedded into our Performance Management Framework

Integration – Who is Accountable?

- Councillors responsible for strategic risks
- PD's to include a statement on risk management
- Ownership of individual risks clearly defined
- Progress on risks discussed in performance reviews
- Success of overall risk program measured
- Risk registers crossed checked against performance management framework

Integration – Training & Education

- Review the training and education program
- Target training to suit audience;
 - Induction
 - Management training
 - Staff in key roles across the organisation
- Update promotional materials such as signs and posters
- Promote templates and processes
- Make better use of the Intranet
- Hands on assistance and mentoring (e.g. Audit program)

Integration – Monitoring & Review

Operational Risk Committee quarterly – executive and selected key staff

- Systematically review risks and treatments
- Discussion between executive and middle management
- Review risk assessments and significant project risks
- Sign-off on risk register reviews

Audit Committee bi-annual update from Operational Risk Committee

- Explain RM performance including changing risk profiles
- Closer ties between audit plan and risk management

Final Thoughts

- Consider alignment with ISO 31000
- Don't know where to start? \$20k consultancy
- Risk now mentioned several times in LG Act 2009;
 - Section 97 (FPR Reg) – written record of financial risks
 - Section 123 (FPR Reg) – Op Plan to show how you will manage your operational risks
 - Section 132 (FPR Reg) – Risk philosophy of investments
 - Section 155 and 156 (FPR Reg) – Audit plan must evaluate operational risks



Thanks and Good Luck!