# THE UNITED REPUBLIC OF TANZANIA

PRESIDENT'S OFFICE,
REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT

# A RISK MANAGEMENT FRAMEWORK FOR FINANCIAL YEAR 2021/2022

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## PREFACE

Risk Management is a rapidly developing discipline and there are many and varied views and descriptions of what Risk Management involves, how it should be conducted and what it is for. Some form of standard is needed to ensure that there is an agreed:

• *terminology related to the words used*
• *process by which risk management can be carried out*
• *organisation structure for risk management*
• *objective for risk management*

Importantly, the standard recognises that risk has both an upside and a downside. Risk management is not just something for Corporations or Public organisations, but for any activity whether short or long term. The benefits and opportunities should be viewed not just in the context of the activity itself but in relation to the many and varied stakeholders who can be affected.

There are many ways of achieving the objectives of risk management and it would be impossible to try to set them all out in a single document. Therefore, it was never intended to produce a prescriptive standard which would have led to a box ticking approach nor to establish a certifiable process. By meeting the various component parts of this policy, albeit in different ways, organisations will be in a position to report that they are in compliance. The policy represents best practice against which council can measure itself.

The policy has wherever possible used the terminology for risk set out by the International Organization for Standardization (ISO) in its recent document ISO/IEC Guide 73 Risk Management - Vocabulary - Guidelines for use in policy. In view of the rapid developments in this area the Kahama Municipal Council would appreciate feedback from various stakeholders as they put the policy into use. It is intended that regular modifications will be made to the policy in the light of best practice.

……………………
YAHAYA R. BUNDALA
HONOURABLE MAYOR
KAHAMA MUNICIPAL COUNCIL.

EXECUTIVE SUMMARY:

Everything that we do as an Organisation involves a degree of Risk whether it is managing a Project, Purchasing new Systems and Equipment, determining priorities, or taking decisions about the future of our Kahama Municipal Council. It is therefore an essential part of Good Governance that we manage these risks effectively.

Effective Risk Management helps us to:

- Successfully achieve corporate priorities and objectives by capitalising on opportunities and minimizing threats;
- Strengthen our corporate governance and internal control framework;
- Improve our partnership arrangements;
- Embed risk management into corporate processes including the financial and strategic planning.

This is our Risk Management Policy; it explains how the Kahama Municipal Council will manage risk. Robust management of the Council's risks and opportunities must underpin the successful achievement of our objectives.

Risk management is seen as an integral part of the Council's corporate governance arrangements and is built into the management process as part of the overall framework to achieve its corporate and service objectives whilst delivering continuous improvement. Members and senior officers are committed to embedding the principles and practices of risk management in the culture, behaviours, processes and administration of the Council.

Risk management is an ongoing process that continues through the life of a Council. It includes processes for risk management planning, identification, analysis, monitoring and control. Many of these processes are updated throughout the project lifecycle as new risks can be identified at any time. It's the objective of risk management to decrease the probability and impact of events adverse to the project. On the other hand, any event that could have a positive impact should be exploited. The identification of risk normally starts before the Strategic plan is initiated, and the number of risks increases as the Strategic plan implementation proceeds through the lifecycle. When a risk is identified, it's first assessed to ascertain the probability of occurring, the degree of impact to the schedule, scope, cost, and quality, and then prioritized. Risk events may impact only one or while others may impact the Strategic plan in multiple impact categories. The probability of occurrence, number of categories impacted and the degree (high, medium, low) to which they impact the Strategic plan will be the basis for assigning the risk priority. All identifiable risks should be entered into a risk register, and documented as a risk statement. As part of documenting a risk, two other important items need to be addressed.

The first is mitigation steps that can be taken to lessen the probability of the event occurring. The second is a contingency plan, or a series of activities that should take place either prior to, or when the event occurs. Mitigation actions frequently have a cost.

Sometimes the cost of mitigating the risk can exceed the cost of assuming the risk and incurring the consequences. It is important to evaluate the probability and impact of each risk against the mitigation strategy cost before deciding to implement a contingency plan. Contingency plans implemented prior to the risk occurring are pre-emptive actions intended to reduce the impact or remove the risk in its entirety. Contingency plans implemented after a risk occurs can usually only lessen the impact.

Identifying and documenting events that pose a risk to the outcome of a Strategic plan is just the first step. It is equally important to monitor all risks on a scheduled basis by a risk management team, and reported on in the Strategic plan status report.

This policy documents the processes, tools and procedures that will be used to manage and control those events that could have a negative impact on the implementation of council is objective and service delivery. It's the controlling document for managing and controlling all strategic implementation risks. This policy will address:

- Establishment of the context
- Risk Identification
- Risk Assessment or analysis
- Risk evaluation
- Risk Mitigation or treatment
- Communication and consult
- Monitoring and Review-Risk Tracking and Reporting

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# RISK MANAGEMENT POLICY

## 1.0 Purpose

The purpose of this Policy is to provide guidelines that allow for the creation of a consistent and documented method of performing risk management within the Kahama Municipal Council.

## 2.0 Scope

The guidelines in this policy apply to risk management performed on any Kahama Municipal Council service delivery and Project implementations.

## 3.0 Definitions, Acronyms and explanation:

### 3.1 Consequence
A consequence is the quantitatively or qualitatively expressed outcome of a future occurrence, such as a loss, injury, disadvantage, or gain.

### 3.2 Consequence Category
A consequence category describes a functional area in which a risk can impact an objective or project. Consequence categories used in this policy are Political, Economic, Socio cultural, Technological, Legal, and Environmental, Capacity, performance, financial, procurement and Asset management.

### 3.3 Issue
An issue is a risk that has occurred and has become a problem. An issue is an undesirable event that has occurred and its occurrence cannot be stopped or directly controlled.

### 3.4 Likelihood
Likelihood is the probability of a specified outcome.

### 3.5 Policy
is broad course of action, guiding principles, or procedure, considered to be expedient, prudent or advantageous.

### 3.6 Priority Score
The Priority Score is numerically represented by a cross-reference of the likelihood and consequence scores of a risk plotted on a Risk Matrix.

### 3.7 Risk
A risk is a measure of the potential inability to achieve a goal or target within defined safety, cost, schedule, and technical constraints. A risk has two components: the likelihood of failing to achieve a particular outcome, and the consequence of failing to achieve that outcome. A risk is a future event and can often be managed proactively.

### 3.8 Risk Acceptance
A risk can be accepted when either the consequences are tolerable should the risk occur, or the risk cannot be reasonably mitigated with further action. Risks that are not fully mitigated without plans for further mitigation must be accepted.

### 3.9 Risk Analysis
Risk analysis examines risks in detail to determine the extent of the risks and the relationships among them. Risk analysis also classifies risks into sets of related risks and ranks them according to importance. Risk analysis evaluates all identified risks to estimate the likelihood of occurrence, consequence of occurrence, and time frame for necessary

mitigation actions.

### 3.10 Risk Assessment
Risk assessment is the qualitative and/or quantitative evaluation of the likelihood and consequence of a risk occurring.

### 3.11 Risk Classification
Risk classification includes the processes of:
• Grouping risks into high, moderate, and low categories based on the likelihood and consequence adjective ratings (high, moderate, and low risks are respectively represented by the colors red, yellow, and green)
• Grouping risks based on shared characteristics or relationships Risk classification helps to identify duplicate risks and supports simplifying the risk list. Affinity grouping is a form of risk classification.

### 3.12 Risk Closure
A closed risk is one that either no longer exists (i.e., the risk has evolved into a problem or the sunset date has passed), is no longer cost-effective to track, or has been mitigated.

### 3.13 Risk Identification
Risk identification examines each element of an objective or project to identify risks that may impact the council Program/Project, and then documents the risks found. Risk identification begins as early as possible in a successful project and continues throughout the life cycle of that project or strategic plan implementation.

### 3.14 Risk Management
Risk management is an overarching process that encompasses identification, analysis, mitigation planning, and tracking of root causes and their consequences.

Risk management is a central part of any council's strategic planning. It is the process whereby council methodically addresses the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

The focus of good risk management is the identification and treatment of these risks. Its objective is to add maximum sustainable value to all the activities of the council. It marshals the understanding of the potential upside and downside of all those factors which can affect the council. It increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the council's overall objectives.

### 3.15 Risk Management Planning
Risk management planning develops and documents an organized, comprehensive, and interactive strategy for identifying and tracking root causes, developing Risk Handling Plans, performing continuous risk assessments, and assigning adequate resources.

### 3.16 Risk Management Team
The Risk Management Team is the primary risk advisory body to the council. The Risk Management Team assesses risks and Risk Mitigation Plans. The Risk Management Team owns the risk management process and provides training on the implementation of that process. The Risk Management Team collects metrics to understand how well the risk

management process is working and to identify any potential improvements in the risk management process.

### 3.17 Risk Matrix
A Risk Matrix is a graphical representation of the likelihood and consequence scores of a risk. Sometimes called a “5x5 Matrix or 4x4 Matrix”, a Risk Matrix is a graph containing five/four rows and five/four columns. The rows of a Risk Matrix show likelihood scores, while the Risk Matrix columns show the consequence scores. Each cell in a Risk Matrix can be represented by a Priority Score.

### 3.18 Risk Mitigation
Risk mitigation reduces the severity of a risk by reducing the likelihood of its occurrence, and/or minimizing the consequences of occurrence.

### 3.19 Risk Mitigation Plan
A Risk Mitigation Plan is a document that captures the actions to be taken to reduce the likelihood of risk occurrence. This document is the output of risk mitigation planning.

### 3.20 Risk Mitigation Planning
Risk Mitigation Planning is the process of analyzing a risk to determine actions that may be taken to reduce the likelihood of risk occurrence.

### 3.21 Risk Owner
A Risk Owner is an individual to whom a risk is assigned. The Risk Owner is responsible and accountable for identifying, implementing, and tracking the risk mitigation approach and actions.

### 3.22 Risk Research
Risk research is the investigation of an identified risk. Risk research continues until there is enough information to determine if risk ownership is still properly assigned, and determine the risk handling strategy (i.e., accept, watch, or mitigate the risk).

### 3.23 Risk Stakeholder
A risk stakeholder is a person, group, or organization that is affected by a risk or a risk handling strategy.

## 4.0 Referenced documents
The following documents are referenced to in this Standard:

- ISO/IEC Guide 51 :Safety aspects—Guidelines for their inclusion in standards
- ISO/IEC Guide 73 Risk management—Vocabulary— Guidelines for use in standards
- ISO 3534-1 Statistics; Vocabulary and symbols; Part1: Probability and general statistical terms
- AS/NZS ISO 9000 Quality management systems—Fundamentals and vocabulary
- AS/NZS ISO 14004 Environmental management systems—General guidelines on principals, systems and supporting techniques
- AS ISO 14050 Environmental management—Vocabulary
- AS ISO 15489 Records management
- HB 18.2 Standardization and related activities— General vocabulary
- HB 436 Risk Management Guidelines— Companion to AS/NZS 4360:2004
- AS/NZS 4360:2004; Australia and Newzeland Risk management policy

## 5.0 GENERAL OBJECTIVES

The general objective of this policy is to provide an effective framework whereby, having identified and assessed its risks, the council can design and implement measures to reduce the impact of those risks only where it would be cost-effective to do so. The explicit and measured acceptance of the resulting residual risk represents the Council's risk appetite; the objective is not to eliminate risk from Kahama Municipal Council's service delivery and central support activities.

## 5.1 SPECIFIC OBJECTIVES OF THE POLICY

The objectives of the Risk Management Policy are to: -

a) Ensure the council 's risk management policy reflects linkages to council mission and objectives, and provides clear direction to staff on where to seek support and expertise in identifying, evaluating and managing risk.
b) Summarize the council's risk management policy into a risk statement. Obtain senior executive endorsement and circulate the risk statement within the agency via the Intranet or as a staff publication.
c) Ensure the risk appetite of the councils documented, communicated and reviewed regularly.
d) Develop risk tolerance guidelines and limits (including quantifiable limits where practicable) that support the agency's risk policy and appetite and are easily understood by all staff.
e) Undertake periodic reviews of your agency's risk appetite in conjunction with its strategic planning process
f) When publishing your agency's risk management policy to the public, provide a link to procedures that provide advice to staff on how to identify, evaluate and prioritize risk considering the council's risk tolerance or appetite for risk.
g) Embed a risk management framework into the culture of the Council.
h) Ensure that statutory obligations are complied with.
i) Preserve and enhance existing and future service delivery through a systematic approach to the management of risks so as to increase the likelihood of the Council's
j) Maintain and improve the effective control and accountability of use of public funds in order to avoid financial loss.

These objectives will be achieved by:

(a) Establishing clear roles, responsibilities and reporting lines within the council for risk management;

(b) The Council maintaining and reviewing a register of its corporate business risks linking them to strategic business objectives and assigning ownership of each risk

(c) Developing and maintaining a risk aware culture across the Council.

(d) The Council Director and the Finance Committee jointly championing and taking overall responsibility for embedding risk management throughout the Council

(e) Systematically and proactively identifying strategic and operational risks at the overall

Council-wide, service and activity levels

(f)Providing opportunities for shared learning on risk management across the council
(g) Offering a framework for allocating resources to identified priority risk areas;
(d)Reinforcing the importance of effective risk management as part of the everyday work of employees by offering training;
(h)Incorporating risk management considerations into Best Value Reviews of Services;
(i) Monitoring arrangements on an on-going basis

The policy of the Council is to adopt best practice in the systematic management of risk.

## 6.0 ROLES AND RESPONSIBILITIES

Everyone within their work area is responsible for their own safety and the safety of others. The identification of risks in specific work contexts, the consequences and the treatments of these is part of the process of implementing risk management systems – and this involves everyone within the organization.

The Council recognizes that it is the responsibility of all members and employees to have due regard for risk in performing their duties. Within this, in summary, the key roles within the risk management framework are: -

### 6.1 Full council

The Full Council has responsibility for determining the strategic direction of the council and for creating the environment and the structures for risk management to operate effectively. This may be through Finance Committee or an audit committee or such other function that suits the Council's way of operating.

The Full council should, as a minimum, consider, in evaluating its system of internal control:

- the nature and extent of downside risks acceptable for the company to bear within its particular business
- the likelihood of such risks becoming a reality
- how unacceptable risks should be managed
- the council's ability to minimise the probability and impact on the business
- the costs and benefits of the risk and control activity undertaken
- the effectiveness of the risk management process
- the risk implications of council decisions

### 6.2 The Finance and Administration Committee

**The Finance committee will:** ensure the policy is distributed and it is implemented at all levels of the council; approve and provide relevant resources for the implementation and maintenance / review of the risk management systems; ensure appropriate training is provided council wide; include risk management as an agenda item at Finance committee meetings; ensure decisions are made in light of this policy, take into account key principles of risk management; report annually at the Full Council on outcomes of risk management practices and signal future risks (real and potential) for the council.

The Finance and Administration Committee is responsible for overall oversight of risk management of the Kahama Municipal Council and reviews the risk register half yearly, or as required on escalation of high priority risks.

### 6.3 The Risk Management sub Committee

The Risk & Compliance Management Committee is a management committee chaired by the Council Director and comprises the:

- Council Treasurer
- Risk Management Coordinator, who serves as secretary and coordinator of the committee; and
- appointed risk management delegates of each department.

Additionally, the Committee may invite internal auditors and relevant to attend meetings. The Committee is responsible for:

a) monitoring the process of identification, analysis and evaluation of all risk and reanalyzing and reevaluating as is appropriate;
b) prioritizing both internal and external risks facing Council;
c) overseeing the management of risks with a view to improvement and minimisation;
d) ensuring sufficient resources are allocated to managing risks within each Departments;
e) implementing and ensuring the efficient and effective operation of the risk management policy, system and database across the businesses of the Council and
f) escalation and reporting of risks according to defined escalation rules and tolerance limits to the Finance and Administration Committee.

The Risk Management sub Committee meets quarterly and as required to address escalated risks from the Departments.

### 6.4 The Council Director

The Council Director will:

a) be responsible for the day to day risk management of the general operations of the business;
b) consult widely on the implementation of the risk management plan;
c) ensure all head of department are involved in the development and review of the risk management plan including the assessment of risks and identification of treatments;
d) encourage the reporting of risks (potential and real), and action treatments for these;
e) document accurately identified risks and treatments and ensure the register of these is kept up to date;
f) provide advice and support to Members on policy development, and the implementation of risk management systems and procedures;
g) support Staff in the development of policies and risk management plans;
g) provide induction training as required on risk management for all new councilors, and offer similar training support to council members;
h) inform the Full Council of any significant new risks or negative impacts as they arise – outside of the regular reporting processes.

### 6.5 Council Departments

This includes the following:

- the department have primary responsibility for managing risk on a day-to- day basis
- Department management is responsible for promoting risk awareness within their operations; they should introduce risk management objectives into their business
- risk management should be a regular management-meeting item to allow consideration of exposures and to reprioritize work in the light of effective risk analysis
- business unit management should ensure that risk management is incorporated at the conceptual stage of projects as well as *throughout the implementation of strategic plan and project*

Each Departments should appoint a risk management delegate who will report to the Risk Management sub Committee in relation to all aspects of its risk management. The delegate will perform the task of identifying, documenting, evaluating and recommending actions in relation to risks of the relevant Departments.
Additionally the delegate will cause the review and update of the Department's risk register on a quarterly basis. Additional work teams or business specialists may be requested to aid in this process.

The Council Director will ensure that the delegate has access to the required resources and information in order to complete this task.
Each Department is responsible for:

a) identifying potential and actual risks to both the Departments and Council;
b) monitoring all risk and reanalyzing and reevaluating quarterly or as appropriate;
c) educating employees and contractors at all levels of the business on the importance of risk management and assisting them with identifying such risks and bringing them to the attention of management as soon as possible;
d) documenting risks including causes, analysis and evaluation of such risk;
e) recommending and implementing actions for the treatment of risks;
f) implementation of the risk management database and processes, including training of required participants; and
g) Reporting risks to the Risk & Compliance Management Committee, including immediate escalation of risks according to defined escalation and tolerance rules.

### 6.6 Role of the Risk Management Function

The risk management function may range from a single risk champion, a part time risk manager, to a full scale risk management department. The role of the Risk Management function should include the following:

- setting policy and strategy for risk management
- primary champion of risk management at strategic and operational level
- building a risk aware culture within the council including appropriate education
- establishing internal risk policy and structures for business units
- designing and reviewing processes for risk management
- co-ordinating the various functional activities which advise on risk management issues within the council
- developing risk response processes, including contingency and business continuity programmes
- preparing reports on risk for the Full Council and the stakeholders

### 6.7 Risk coordinator

- Coordinate the implementation of the risk management framework, risk profiles and

action plans.
- Evaluate risk management planning to ensure consistency and accuracy of practice.
- Facilitate, challenge and drive risk management development within the agency.
- Report to the senior management group, executive management team and audit committee or Finance Committee at regular intervals.

### 6.8 Role of Internal Audit
The Internal Audit's role may include some or all of the following:
- Focusing the internal audit work on the significant risks, as identified by management, and auditing the risk management processes across the council.
- providing assurance on the management of risk
- providing active support and involvement in the risk management process
- facilitating risk identification/assessment and educating line staff in risk management and internal control
- co-coordinating risk reporting to the Finance Committee, audit committee, etc

In determining the most appropriate role for the council, Internal Audit should ensure that the professional requirements for independence and objectivity are not breached

### 6.9 Individual Staff
Recognize, communicate and respond to expected, emerging or changing risks.
a) Contribute to the process of developing risk profiles for their business unit or branch.
b) Implement risk plans within their area of responsibility.

### 6.10 Accountability and Responsibility
a) Accountability and responsibility for managing risk can be reflected in council's organizational chart and in individual duty statements and performance agreements.
b) Ensure that senior management understands the key strategic risks of the council and who has responsibility for managing them. Also ensure that middle managers and line managers understand their business risks and their responsibilities for managing these.
c) Recognize risk management as a key skill and responsibility of all staff.
d) Incorporate it into duty statements, performance agreements and discuss it as part of annual performance reviews

### 6.11 Resources and Implementation
The resources required to implement the council's risk management policy should be clearly established at each level of management and within each department.

In addition to other operational functions they may have, those involved in risk management should have their roles in coordinating risk management policy/strategy clearly defined. The same clear definition is also required for those involved in the audit and review of internal controls and facilitating the risk management process.

Risk management should be embedded within the council through the strategy planning and budget processes. It should be highlighted in induction and all other training and development as well as within operational processes e.g. service delivery/service development projects.

## 7. PROCEDURE

All risks and associated information shall be captured in one central Risk management register. In order to enhance the collection and analysis of risk metrics.

### 7.1 Develop Policy

The council shall develop an implementation plan for conducting risk management. Council shall identify when risk activities are performed and document the conduct of their own internal Risk according to department or area of responsibilities. The basic risk management policy is intended to identify both technical and non-technical critical areas and risk events, and take necessary actions to handle them before they can become problems and cause serious cost, schedule, or performance consequences. Risk management uses a structured assessment approach to identify and analyze those processes and products that are critical in meeting the Council/Project objectives. The Council will then develop risk handling options to mitigate the risks and monitor the effectiveness of the selected handling options. The identification of the resources required to implement the developed risk handling options is key to the success of the risk management effort. Risk information will be included in all objective/project risk reviews, and as new information becomes available, the council will conduct additional reviews to ascertain if new risks exist. The goal is to continuously look for future risks in areas that may severely impact the Council objectives/ Program/Project.

### 7.2 Risk management process

The details of the risk management process are shown in Figure 6.1.

#### 7.2.1 Communicate and consult

Communication and consultation are important considerations at each step of the risk management process. They should involve a dialogue with stakeholders with efforts focused on consultation rather than a one way flow of information from the decision maker to other stakeholders.

It is important to develop a communication plan for both internal and external stakeholders at the earliest stage of the process.

This plan should address issues relating to both the risk itself and the process to manage it. Effective internal and external communication is important to ensure that those responsible for implementing risk management, and those with a vested interest, understand the basis on which decisions are made and why particular actions are required.

Stakeholders are likely to make judgments about risk based on their perceptions. These can vary due to differences in values, needs, assumptions, concepts and concerns as they relate to the risks or the issues under discussion. Since the views of stakeholders can have a significant impact on the decisions made, it is important that their perceptions of risk be identified and recorded and integrated into the decision making process.

A consultative team approach is useful to help define the context appropriately, to help ensure risks are identified effectively, for bringing different areas of expertise together in analysing risks, for ensuring different views are appropriately considered in evaluating risks and for appropriate change management during risk treatment. Involvement also allows the ‘ownership’ of risk by managers and the engagement of stakeholders. It allows them to appreciate the benefits of particular controls and the need to endorse and support a treatment plan.

Records of communication and consultation will depend on factors such as the scale and the sensitivity of the activity

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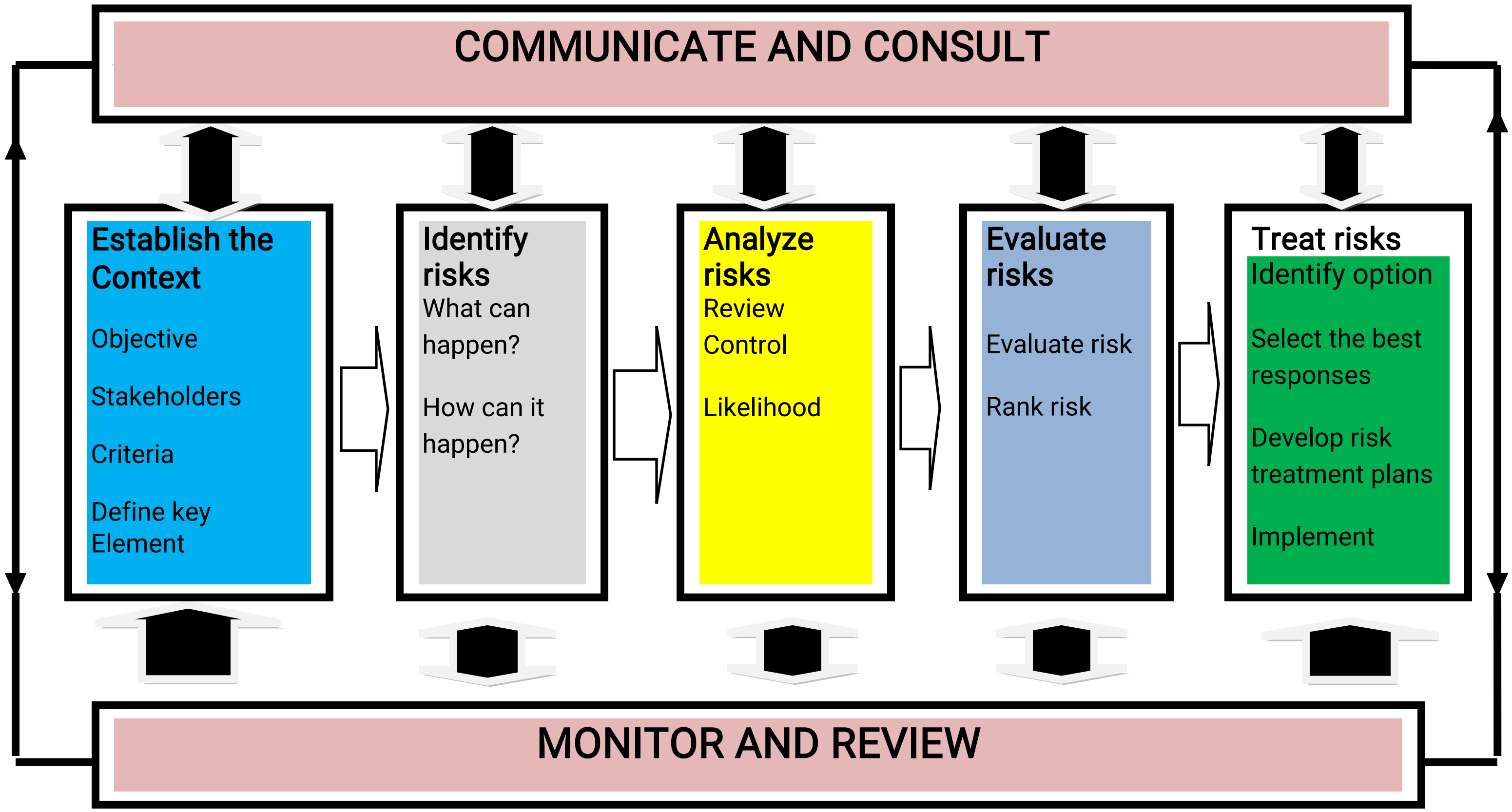
Figure 6.1 RISK MANAGEMENT METHODOLOGY



### 7.2.2 Establish the context

#### 7.2.2.1 General

Establishing the context defines the basic parameters within which risks must be managed and sets the scope for the rest of the risk management process. The context includes the organization's external and internal environment and the purpose of the risk management activity. This also includes consideration of the interface between the external and internal environments.
This is important to ensure that the objectives defined for the risk management process take into account the organizational and external environment.

#### 7.2.2.2 Establish the external context

This step defines the external environment in which the organization operates.
It also defines the relationship between the organization and its external environment. This may, for example, include:

- the service delivery, social, regulatory, cultural, competitive, financial and political environment etc;
- the organization's strengths, weaknesses, opportunities and threats;
- external stakeholders; and
- key results areas.

It is particularly important to take into account the perceptions and values of external stakeholders and establish policies for communication with these parties.

Establishing the external context is important to ensure that stakeholders and their objectives are considered when developing risk management criteria and that externally generated threats and opportunities are properly taken into account.

#### 7.2.2.3 Establish the internal context

Before a risk management activity, at any level, is commenced, it is necessary to understand the organization. Key areas include:

- culture;
- internal stakeholders;
- structure;
- capabilities in terms of resources such as people, systems,processes, capital; and
- goals and objectives and the strategies that are in place toachieve them.

Establishing the internal context is important because:

- risk management takes place in the context of the goals and objectives of the organization;
- the major risk for most organizations is that they fail to achieve their strategic, business or project objectives, or are perceived to have failed by stakeholders;
- the organizational policy and goals and interests help define the organization's risk policy; and
- specific objectives and criteria of a project or activity must be considered in the light of objectives of the organization as a whole

### 7.2.2.4 Establish the risk management context

The goals, objectives, strategies, scope and parameters of the activity, or part of the organization to which the risk management process is being applied, should be established. The process should be undertaken with full consideration of the need to balance costs, benefits and opportunities. The resources required and the records to be kept should also be specified.

Setting the scope and boundaries of an application of risk management involves—

- defining the organization, process, project or activity and establishing its goals and objectives;
- specifying the nature of the decisions that have to be made;
- defining the extent of the project activity or function in terms of time and location;
- identifying any scoping or framing studies needed and their scope, objectives and the resources required; and
- defining the depth and breadth of the risk management activities to be carried out, including specific inclusions and exclusions.

Specific issues that may also be discussed include the following:

- The roles and responsibilities of various parts of the organization participating in the risk management process.
- Relationships between the project or activity and other projects or parts of the organization.

### 7.2.2.5 Develop risk criteria

Decide the criteria against which risk is to be evaluated.
Decisions concerning whether risk treatment is required may be based on operational, technical, financial, legal, social, environmental, or other criteria. The criteria should reflect the context defined above. These often depend on council's internal policies, goals and objectives and the interests of stakeholders.

Criteria may be affected by the perceptions of stakeholders and by legal or regulatory requirements. It is important that appropriate criteria be determined at the outset.

Although the broad criteria for making decisions are initially developed as part of establishing the risk management context, they may be further developed and refined subsequently as particular risks are identified and risk analysis techniques are chosen. The risk criteria must correspond to the type of risks and the way in which risk levels are expressed.

### 7.2.2.6 Criteria

The requirement of the council and the key stakeholders are used to derive a set of criteria for the attainment of the objective or programme. These will be used to determine the specific scales against which the consequences of risks will be assessed in the stages of the risk analysis.

Table -Criteria for a medium scale programme (case example)

| Criterion | Notes |
|---|---|
| Availability | The availability of existing facilities must be maximized by reducing disruption to current business operations as far as possible. |
| Community relations | The highest standards of community consultation and liaison must be maintained. |
| Economic | The project must be clearly justifiable in economic terms, measured by profitability, rate of return and quality of service delivery. |
| Environment | The solutions to technical issues must be environmentally sound; an alternative solution should be available |
| Funding | Avoid expenditure outside allocated budgets |
| Safety | Project delivery process must ensure the highest standard of safety; contract conditions must contain appropriate clauses |
| Staff development | The project delivery method and outcomes should enhance the core skills of the council and the abilities of the staff involved |
| Timing | The project must be completed by the specified date to meet user obligation |
| Training | All staff must be trained on the new equipment |
| Schedule | Critical milestones are met and the capability is delivered on schedule |
| Political | The acquisition process is fully visible and accountable, and seen to provide best value for money |
| Image and reputation | Exceptional high performance<br>Stakeholders and public support and trust |

This list of criteria was a valuable guide for the project manager through the initial planning and design stages of the project.

### 7.2.3 Identify risks

#### 7.2.3.1 General

This step seeks to identify the risks to be managed. Comprehensive identification using a well-structured systematic process is critical, because a risk not identified at this stage may be excluded from further analysis. Identification should include risks whether or not they are under the control of the organization.

#### 7.2.3. 2 what can happen, where and when?

The aim is to generate a comprehensive list of sources of risks and events that might have an impact on the achievement of each of the objectives identified in the context. These events might prevent, degrade, delay or enhance the achievement of those objectives. These are then considered in more detail to identify what can happen.

#### 7.2.3.3 Why and how it can happen?

Having identified what might happen, it is necessary to consider possible causes and scenarios. There are many ways an event can occur. It is important that no significant causes are omitted.

#### 7.2.3.4 Tools and techniques

Approaches used to identify risks include checklists, judgments based on experience and records, flow charts, brainstorming, systems analysis, scenario analysis and systems engineering
techniques.
The approach used will depend on the nature of the activities under review, types of risk, the organizational context and the purpose of the risk management study.

The process of risk identification produces a council risk list. The risk management team then puts the risks into categories and assigns each risk to a team member or head of department.
This list is not meant to be all-inclusive; it is just a guide. Care should be taken to explore items that do not appear on this checklist. Team members add other risk areas from previous strategic plan results and as they arise during the implementation of strategic plan.

The following table show main council's those risks relating to the achievement of the council objectives and service delivery plan.

| CATEGORY OF RISK | Illustration/Issues to consider |
|---|---|
| **1.External(arising from the external environment, not wholly within the council's control, but where action can be taken to mitigate the risk(By PESTLE risk category)** | |
| 1.1 Political (Delivery of central/local policy or commitments) | a) Change of government,<br>b) cross cutting policy decisions (e.g. Establishment of East Africa Community); machinery of government changes;<br>c) Inappropriate strategic priorities; |

| | |
|---|---|
| | d) Lack of appropriate consultation<br>e) Engaging electorate Social policies<br>f) Community planning oversights/errors<br>g) Decision based on incomplete/incorrect information<br>h) Too slow to modernize /innovate |
| 1.2 Economic (Ability to meet Council's financial commitments) | a) Ability to attract and retain staff in the labor market,<br>b) effect of global economy on Tanzanian economy;<br>c) Unfulfilled promises to electorate<br>d) Tanzania/regional economic problem |
| 1.3 Socio cultural(Ability to deliver objectives due to social factors) | a) Demographic change affects demand for services;<br>b) stakeholder expectations change;<br>c) Meeting the needs of disadvantaged communities<br>d) Children<br>e) Crime and disorder |
| 1.4 Technological(Ability to optimize benefit from or capacity to cope with pace or scale of technology change) | a) Obsolescence of current systems;<br>b) cost of procuring best technology available, opportunity arising from technological development<br>c) Power failure<br>d) Inappropriate IT strategy<br>e) Inability to implement change<br>f) Major IT or project failure |
| 1.5 Legal/regulatory(Ability to manage current or potential changes in Tanzania and/or East Africa Community law/regulations) | a) laws which impose requirements (such as Health and Safety or employment legislation),<br>b) contract management,<br>c) Meeting statutory duties/deadlines<br>d) Breach of confidentiality;<br>e) Breach of law – judicial review/Human Rights Action<br>f) Penalties/Fines<br>g) Inadequate response to legislative changes |
| 1.6 Environmental(Risks relating to environmental consequences of pursuing strategic objectives) | a) Buildings need to comply with changing standards;<br>b) disposal of rubbish and surplus equipment needs to comply with changing standards<br>c) Noise, contamination, pollution<br>d) Impact of planning and transport policies |
| **2. Operational (relating to existing operations, the day to day operation – both current service delivery and building and maintaining capacity and capability)** | |
| 2.1Competitive on Service Delivery(Risks affecting cost, quality/or ability to deliver best value-Value for money) | |

| | |
|---|---|
| 2.1.1 Service failure | • Fail to deliver the service to the user within agreed / set terms<br>• Failed bids for government funds<br>• Failure to show best value |
| 2.1.2 Project delivery | Fail to deliver on time / budget / specification and poor management of grants. |
| **2.2 Capacity and capability** | |
| 2.2.1 Resources | a) Financial (insufficient funding, poor budget management, fraud)<br>b) Human Resource (staff capacity / skills / recruitment , succession, retention)<br>c) Information (adequacy for decision making; protection of privacy)<br>d) Physical assets (loss / damage / theft);Loss of staff &knowledge;<br>e) Recruitment &retention; Health & safety; Inadequate communication;<br>f) Training and development<br>g) Lack of formal records, giving details of each employee and his or her rate of pay, leave entitlements, retirement benefits and dates of starting and leaving employment.<br>h) The lack of time in and time out for employee<br>i) All voluntary deductions may not be authorized in writing by employee, and this written authorization may not be kept in the payroll file.<br>j) Lack of approval procedures for payment of invoices to the suppliers of non-current assets.<br>k) Missed business or service opportunities<br>l) |
| **2.2.2 Customer Relationships** (Ability to meet current/changing customer needs and expectations) | a) Delivery partners (threats to commitment to relationship / clarity of roles)<br>b) Customers / Service users (satisfaction with delivery)<br>c) Accountability (particularly to community and councilors)<br>d) Lack of consultation<br>e) Image |
| 2.2.3 Operations | Overall capacity and capability to deliver |
| 2.2.4 Reputation(Risks relating to the Council's reputation) | *a)* Confidence and trust which stakeholders have in the organization;<br>b) Adverse media coverage; |
| **2.3 Risk management performance and capability** | |
| 2.3.1 Governance | Regularity and propriety / compliance with relevant requirements / ethical considerations |
| 2.3.2 Scanning | Failure to identify threats and opportunities and challenges |

| | |
|---|---|
| 2.3.4 Security | Of physical assets and of information |
| **2.3 Financial risk** | a) Financial monitoring and control,<br>b) insurance management,<br>c) revenue growth,<br>d) fraud and misappropriation;<br>e) Failure to prioritize,<br>f) allocate appropriate budgets and monitor,<br>g) Inefficient/ineffective processing of documents,<br>h) Misuse of financial resources;<br>i) Occurrence of fraud;<br>j) Lack of segregation of duties<br>k) Breakdown of accounting system;<br>l) Unrecorded liabilities;<br>m) Unreliable accounting records;<br>n) Budgetary control( over/under-spending);<br>o) Fraud and theft; Loss of grants/funding;<br>p) Foreign exchange;<br>q) Conflict of interests;<br>r) poor value for money,<br>s) poor use of assets,<br>t) lack of financial expertise,<br>u) high turnover of staff,<br>v) inaccuracy,<br>w) lack of integrity,<br>x) unreliability of financial information,<br>y) Inadequate control systems.<br>z) Payroll procedures may not provide for the deduction of all appropriate deductions, using up -to date rates.<br>aa) There may be lack of control accounts for payroll, regular reconciliations between control totals and the payroll records of all individual employees<br>ab) There should be no formal procedures and formal time table for payment of deductions, and recording payments in the accounts<br>ac) Opening bank account without the authority in writing of the Accountant-General,<br>ad) Liabilities incurred but not recorded |
| **2.4 Liquidity risk** | |
| **2.5 Environmental and the Community** | *Environmental Health & Safety;* |
| **2.6 Procurement risk** | a) products and services may not be delivered when needed;<br>b) milestones may not consistently met<br>c) acquisition office do not a good job in |

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|---|---|
| | preventing problems which may lead to delays<br>d) Orders for goods or services are made without approval or authorization<br>e) Orders may be placed with suppliers who are not on the “approval list”<br>f) Suppliers may invoice for goods that have not actually been provided.<br>g) Goods may be accepted from a supplier without having been ordered<br>h) Purchase invoices will be recorded for goods or services that were not provided.<br>i) The contractor for the project is unable to deliver on time due to lack of resources and other commercial commitments. |
| **Asset Management Risk** | a) Failing to retain accurate knowledge of all assets and their value.<br>b) Buildings damaged or destroyed as a result of fire, flood, storm, vandalism and other accidents.<br>c) Failure to adequately maintain properties such that they lose value and/or are hard to let.<br>d) Failure to observe the requirements of any Trust Deeds under which properties are held.<br>e) Failure to monitor the council obligations under all legal agreements associated with the development of the property.<br>f) Failure to adequately coordinate and oversight asset management strategies. |
| Contractual/Partnership(Risks associated with failure of partner organization to meet contractual obligations) | a. Over-reliance on key suppliers<br>b. Quality issues |
| **2.7 Project risks** | |
| **2.7.1 Design** | a. Design incomplete<br>b. Unexpected geotechnical or groundwater issues<br>c. Inaccurate assumptions on technical issues in planning stage<br>d. Surveys incomplete<br>e. Changes to materials/geotechnical/foundation<br>f. Bridge site data incomplete<br>g. Hazardous waste site analysis incomplete<br>h. Unforeseen design exceptions required<br>i. Consultant design not up to Department standards<br>j. Unresolved constructability items<br>k. Complex hydraulic features<br>l. Unable to meet Tanzanians with Disabilities |

| | |
|---|---|
| | requirements<br>m. Project in a critical water shortage area and a water source agreement required<br>n. Incomplete quantity estimates<br>o. Unforeseen construction window and/or rainy season requirements<br>p. New or revised design standard<br>q. Construction staging more complex than anticipated |
| **2.7.2 External** | a. Landowners unwilling to sell<br>b. Local communities pose objections<br>c. Unreasonably high expectations from stakeholders<br>d. Political factors or support for project changes<br>e. Stakeholders request late changes<br>f. New stakeholders emerge and request changes<br>g. Threat of lawsuits<br>h. Increase in material cost due to market forces<br>i. Water quality regulations change<br>j. New permits or additional information required<br>k. Reviewing agency requires longer than expected review time<br>l. Changes to storm-water requirements<br>m. Permits or agency actions delayed or take longer than expected<br>n. New information required for permits<br>o. Environmental regulations change<br>p. Controversy on environmental grounds expected<br>q. Pressure to deliver project on an accelerated schedule<br>r. Labor shortage or strike<br>s. Construction or pile driving noise and vibration impacting adjacent businesses or residents |
| **2.7.3 Organizational** | a. Inexperienced staff assigned<br>b. Losing critical staff at crucial point of the project<br>c. Insufficient time to plan<br>d. Unanticipated project manager workload<br>e. Internal “red tape” causes delay getting approvals, decisions<br>f. Functional units not available, overloaded<br>g. Lack of understanding of complex internal funding procedures<br>h. Priorities change on existing program<br>i. Inconsistent cost, time, scope and quality objectives<br>j. Overlapping of one or more project limits, scope of work or schedule<br>k. Funding changes for fiscal year<br>l. Lack of specialized staff (biology, anthropology, |

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|---|---|
| | geotechnical, archeology, etc.)<br>m. Capital funding unavailable for right of way or construction |
| **2.7.3 Project management** | a. Lack of planning knowledge at lower level<br><br>b. Project purpose and need is not well-defined<br>c. Project scope, schedule, objectives, cost, and deliverables are not clearly defined or understood<br>d. Planning tools and not well understood by community and technical staff<br>e. Interraction of unplanned works and programmes<br>f. Lack of coordination/communication/power authority<br>g. Underestimated support resources or overly optimistic delivery schedule<br>h. Unanticipated escalation in right of way values or construction cost<br>i. Delay in earlier project phases jeopardizes ability to meet programmed delivery commitment<br>j. Local agency support not attained<br>k. Public awareness/campaign not planned<br>l. Unforeseen agreements requirements<br>m. Lack of accountability and responsibility especially beneficiary<br>n. Lack of project ownership<br>o. Lack of project management and supervision knowledge at lower level(grassroots level according to needs and time<br>p. Inflexibilities of technical staff to change according to needs and time ((Business as usually culture) |
| **2.7.4 Construction** | a. Inaccurate contract time estimates<br>b. Permit work window time is insufficient<br>c. Change requests due to differing site conditions<br>d. Temporary excavation and shoring system design is not adequate<br>e. False work design is not adequate<br>f. Unidentified utilities<br>g. Buried man-made objects/unidentified hazardous waste<br>h. Dewatering is required due to change in water table<br>i. Temporary construction easements expire<br>j. Electrical power lines not seen and in conflict with construction<br>k. Street or ramp closures not coordinated with local community<br>l. Insufficient or limited construction or staging areas<br>m. Changes during construction require additional |

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|---|---|
| | coordination with resource agencies<br>n. Late discovery of aerially deposited lead<br>o. Experimental or research features incorporated<br>p. Unexpected paleontology findings<br>q. Delay in demolition due to sensitive habitat requirements or other reasons |

## OTHER FINANCIAL RISK AREAS WHICH COUNCIL SHALL CONSIDER.

### A1 Budget

#### *1. Main Activities Involved*
This covers the key budget process – formulation, approval, execution and control.

#### *2. Control Objective*
To ensure that the Council's budget is prepared in accordance with the laid down regulations and instructions, that there is effective monitoring of expenditure and revenue against estimates and that there is effective budgetary control.

#### *3. Risks*
The key risk to the Council is that budget allocations may be over or under estimated, resulting in inadequate or inefficient budget execution and the inability of the Council to meet its policy objectives.

**The underlying risks are**:

- that inadequately supported budget estimates result in poor quality budget estimates
- that the incorrect recording of budget provisions/ estimates in the vote book results in poor quality of budget monitoring that the lack of, or inadequate, budget monitoring and reporting results in overspending and under-collections.
- government national priority programme areas are not adequately catered for

### A2 Vote Book
#### *1. Main Activities Involved*

This covers the entering transaction in council's vote books.

#### *2. Control Objective*
To ensure that all entries in the Vote Book reflect accurately the financial transactions of the Council .

#### *3. Risks*
The key risk to the Council of poorly kept vote books is that all accounting data will be tainted and unfit for use for financial management purposes.

**The underlying risks are:**

- Incorrect information is recorded in the vote book, including the vote, details of approved estimates, virement, re-allocation, supplementary provisions, imprests, departmental warrants etc.
- entries in the vote book are not complete or inaccurate, and as a result commitments and
- Payments may exceed the balance of available funds and overspending may occur.
- the vote book is not promptly and properly reconciled each month with the FinanceDepartment's records.

## B REVENUES, RECEIPTING & BANKING

### 1. Own source revenue

#### *1. Main Activities Involved*

The Local own source revenue is levied from various sources/ categories

#### *2. Control Objective*

To ensure that all own source revenue is assessed, collected and banked promptly

#### *3. Risks*

The key risk to the council of incomplete or inaccurate assessment, recording and collection of  is a shortfall or misappropriation of funds. This means that planned activities financed from these revenues cannot be completed, and service delivery is impaired

**The underlying risks are:**

- incorrect assessment of own source revenue
- failure to collect own source revenue
- incomplete receipt and recording of own source revenue .

### B.2 Property Rates

#### *1. Main Activities Involved*

This covers the collection of the Council's rates revenue.

#### *2. Control Objective*

To ensure that all rates income is assessed and collected promptly.

#### *3. Risks*

The key risk to the Council is that of omitted, incomplete or inaccurate assessment, recording and collection of rate revenues resulting in a shortfall of funds meaning that planned activity cannot be completed.

**The underlying risks are:**

- the incorrect calculation of rate assessments
- the failure to collect rate arrears
- the late and incorrect billing of rates
- the inadequate follow-up of arrears and late payments
- the incomplete receipt and recording of rate income.

### B.3 Service Levies

#### *1. Main Activities Involved*

This audit covers the Council's collection of service levy revenue.

#### *2. Control Objective*

To ensure that all service Levies income is assessed and collected promptly

#### *3. Risks*

The key risk to the Council is that of omitted or incomplete or inaccurate assessment, recording and collection of service levies resulting in a shortfall of funds meaning that planned activity cannot be completed.

**The underlying risks are:**

- incorrect assessment of business
- failure to collect business levy revenue
- Late and incorrect demands for business levies
- inadequate follow-up of arrears and late payments
- incomplete receipt and recording of business levy / income.

### B.4 Donor Funds

#### *1. Main Activities Involved*

This audit covers the receipt and expenditure of donor funds.

#### *2. Control Objective*

To ensure that the donor funds are spent with due regard to economy, efficiency and effectiveness and in accordance with any laid down requirements and with the same amount of care as the council's own funds and in accordance with any rules and conditions pertaining thereto.

#### *3. Risks*

The key risk to the council is that donors funds are not used in accordance with their intended objective, resulting in the waste of the funds received to the detriment of the inhabitants of the area and poor control over donor funds which may resulting in the loss of future donor support.

**The underlying risks are:**

- the failure to properly record and account for donor funds
- the failure to properly record or account for donor non-financial contributions
- the inadequate reporting of donor programme support.

- Failure to abide by donor conditions

## B.5 Central Government Grants

### *1. Main Activities Involved*

The audit covers the transfer by Central Government of funds to the Audit Council through
Unconditional, Conditional and Equalisation Grants.

Unconditional grants are paid to the council to run decentralised services.

Conditional grants consist of monies given to the Local Government to finance programmes
agreed upon between the Government and the Local Government s and shall be expended for the
purposes for which it is meant and in accordance with the conditions agreed upon.

Equalisation grants are monies to be paid to Local Governments on giving subsidies or making
special provisions for the least developed Districts and shall be based on the degree to which a
Local Government Unit is lagging behind the national average standard for a particular service.

### *2. Control Objective*

To ensure that the council accounts for all central government transfer and that it applies them in the correct manner.

### *3. Risks*

The key risk to the council of poor control over government transfer is that grants may not be received on time, or applied as anticipated or required to the appropriate programmes and that central government will ask for repayment.

**The underlying risks are:**

- the Inadequate recording and accounting for grants resulting in the failure to fullyidentify expected grants, expected
- the late receipt of grants affecting the implementation of planned programmes
- the incorrect use and application of grants to programmes.

## B.6 Capital Receipts

### *1. Main Activities Involved*

This audit covers capital receipts.

### *2. Control Objective*

To ensure that the sale of assets is based on a fair value and that receipts from the sale of
assets are properly received and accounted for.

### *3. Risks*

The key risk to the Council is that public assets are not disposed of in accordance with appropriate legislation, and as a result the corresponding capital receipt is not received by
the Council.

**The underlying risks are:**
- the failure to properly record and account for capital receipts
- capital receipts are understated in the accounts

## B.7 Contracted Revenue Collection

### *1. Main Activities Involved*
This covers the Council's collection of revenue from contracted sources. These primarily include Markets, Parking Fees [Street, Taxi, Lorry,], Public Convenience, Refuse Collection, Advertising, Bill Boards

### *2. Control Objective*
To ensure that all revenue from contracted sources is properly assessed and collected promptly.

### *3. Risks*
The risk to the Council of poor control over assessment and/or collection of revenue contracts is a shortfall, or misappropriation, of funds meaning that planned activities, funded by these revenues, cannot be completed.

## B.9 Revenue Collection, Receipting and Banking
### *1. Main Activities Involved*
This covers the general collection of revenues, and should be applied to all specific revenue collection and receipting locations.

### *2. Control Objective*
To ensure that all revenue due to the council is assessed and collected; that all revenue is
promptly and accurately recorded; and that all revenue is promptly banked or handed over.

### *3. Risks*
The key risk to the Council of poor revenue collection is that under-collection and/ or under banking of revenue will mean insufficient funds to provide the planned level of service delivery, and that inadequate safeguards exist to prevent fraud, embezzlement and losses.

The underlying risks are:
- that there is incorrect accounting and recording of revenues collected, resulting in the failure to record, or the under recording of revenue due to the Council.
- that there is the incorrect or incomplete application of cash receipting and

cashier procedures and controls as required by the Local Governments Financial and Accounting manual 1997.

- that cash collected, and therefore revenues of the Council are at risk due to poor physical controls over cash and the poor application of controls as required by the Financial and Accounting Regulations.

## B.10 Revenue/grant Sharing or contributions

### *1. Main Activities Involved*

This covers the Local Government compliance with the statutory grant revenue and contibution sharing arrangements.

### *2. Control Objective*

To ensure that all revenue income collected is shared between participating Local Governments in accordance with the Law.

### *3. Risks*

- Non disclosure of actual revenue collected
- Non compliance with the laws
- Not receiving grants in time

## C PAYMENTS

## C1 Salaries, Pensions and Gratuities

### *1. Main Activities Involved*

This covers all aspects of salaries and pensions including appointment, salary levels; gross pay; deductions; sickness; annual leave and training.

### *2. Control Objective*

To ensure that approved procedures are followed; that the payments made are correct and in accordance with agreed scales; that records maintained are adequate and accurate; and that proper security is exercised over collection, make-up, custody and payout of cash or cheques.

### *3. Risks*

The key risk to the Council of poor control over payroll is that “ghost employees” may exist resulting in the overpayment on the salaries or pensions accounts.

**The underlying risks are:**

- salary or pension payments may not have supporting documents and not be properly authorised.
- the Local Governments Financial and Accounting Regulations may have been flouted when recording, paying and reporting salary and pension details.
- the incorrect salary or pension may have been calculated and the wrong persons may have been paid.
- the payments may have been incorrectly posted in the cashbook and the ledgers

and that the wrong accounts coding may have been used.

## C2 Non-Wage Payments

### *1. Main Activities Involved*

This covers the entire payment process covering:
(a) Requisitions
(b) Authorisations
(c) Local Purchase orders
(d) Receipt of Goods
(e) Payment Vouchers
(f) Cheque and Cash Payments
(g) Recording and allocation of expenditure and
(h) Posting to books of accounts

### *2. Control Objective*

To ensure that all payments made in respect of Non-Wage Expenditure are within relevant budgets and that this expenditure has been properly incurred and approved in accordance with specified procedures.

### *3. Risks*

The key risk to the Council of poor expenditure controls is that goods or services could be paid for which were not ordered or received or of adequate quality, and that expenditure was incurred without due regard to economy, efficiency and effectiveness.

**The underlying risks are:**
payment vouchers may not have supporting documents and were not properly authorised.

- the Local Governments Financial and Accounting Regulations may have been flouted when
- ordering for goods and services
- budget allocations may not have existed for the payment made.
- the wrong persons may have been paid.
- the payments may have been incorrectly posted in the cashbook and the ledgers and that the wrong accounts coding may have been used.
- Paying a wrong amount

## C 3 Procurement for Goods, Works and Consultancy Services

### *1. Main Activities Involved*

This audit programme covers contracted procurement expenditure on council's Goods, Works and Consultancy Services.

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### *2. Control Objective*

To ensure that that all contracts (written or implied) are properly entered into and that they are correctly implemented.

### *3. Risks*

The risk to the Council of poor control over contracts is that goods will be paid for which were not ordered or received; that goods were not purchased with due regard to economy, efficiency and effectiveness and that contract execution did not deliver the quality, quantity, or benefits expected,

## C4 Advances and Allowances

### *1. Main Activities Involved*

This covers the audit of personal advances, and administrative advances
to the Council's staff to facilitate operations of the Council [ Workshops. Allowances etc]

### *2. Control Objective*

To ensure that all personal and administrative advance accounts are properly managed and accounted for, and all allowances paid are approved and in accordance with specified rates.

### *3. Risks*

The key risk to the Council is of poor control over advances and allowances resulting in advances not being properly recorded, retired and accounted for. This could lead to misappropriation and/or improper use of Council Funds.
The underlying risk is that money advanced will never be properly accounted for or fully recovered by the Council.

## C5 Imprests

### *1. Main Activities Involved*

This audit covers the issue and retirement of Imprest accounts.

### *2. Control Objective*

To ensure that all imprest accounts are properly managed and accounted for.

### *3. Risks*

The risk to the Council is that poor control over the issue and management of imprest accounts may result in their improper use, including misappropriation, and subsequent inaccurate or incomplete retirement.

## D ASSETS

## D1 Fixed and Non Produced Assets

### *1. Main Activities Involved*

This covers the Council's fixed assets including its
(a) Non Produced Assets [Land]
(b) Buildings,
(c) Roads & Bridges
(d) Transport Equipment

(e) Machinery & Equipment
(f) Furniture & Fixtures,
The programme incorporates, additions, disposals, the calculation of depreciation, title/ownership, physical inspection, as well as the operations and usage of assets

### *2. Control Objective*
To ensure that the Council operates adequate management over all categories of fixed assets , including their acquisition, day to day operation, maintenance and disposal.

### *3. Risks*
The key risk to the Council is that fixed assets acquired by the Council are not properly recorded in the Council's books of account, and that assets may be sold to or utilised by third parties without due and valid approval, and that the value received may be misappropriated.

**The underlying risks are:**
(a) failure to comply with procedures and regulation for the procurement, and disposal of land and building
(b) that there is poor control over the day to day costs of operating and maintaining assets,
(c) assets are not properly maintained so that they are fit for purpose
(d) that there is poor control over the use and allocation of assets
(e) that excessive costs are incurred and/ or revenue is lost by the Council.

## D 2 Investments
### *1. Main Activities Involved*
This covers the item of investments on the Council's balance sheet.

### *2. Control Objective*
To ensure that all investments have been recorded at the period end and that amounts in the balance sheet are stated on a consistent basis and are properly classified and described.

### *3. Risks*
The key risk to the Council is that the investments of the Council are not properly recorded in the Councils books of account and balance sheet, and that investments they may be sold to or utilised by third parties without due and valid approval, and the disposal value or interest received may be misappropriated.

**The underlying risks are:**
(a) failure to comply with procedures and regulations governing investments
(b) that there is poor control over monitoring the value of the investment, as well as its returns, and any "retain / or sell" decisions
(c) weak understanding of the risks involved in holding an investment [possibilities of losses]
(d) that excessive costs are incurred and/ or revenue is lost by the Council
(e) lack of proper custody of certificates and title

### D 3 Stores/inventory

#### *1. Main Activities Involved*

This covers the item of stores/ stocks on the Council's balance sheet.

#### *2. Control Objective*

To ensure that all stores have been recorded at the period end and that amounts in the balance sheet are stated on a consistent basis and are properly classified, described and costed.

#### *3. Risks*

The key risks to the Council is that the value of stores and stocks of the Council are overstated and not properly recorded in the council books of account and balance sheet, and that stores may be misappropriated . This will mean that the Council's expenses have been understated.

**The underlying risks are:**

- failure to comply with procedures and regulations governing stores
- that there is poor control over the use and allocation of stores
- that excessive costs are incurred and/ or revenue is lost by the Council

### D 4 Debtors, Prepayments and Advances

#### *1. Main Activities Involved*

This covers the item of debtors, prepayments and advances on the Council's balance sheet.

#### *2. Control Objective*

To ensure that all debtors, prepayments and advances have been recorded at the period end and that amounts in the balance sheet are stated on a consistent basis and are recoverable

#### *3. Risks*

The key risk to the Council is that debtors, prepayments and advances may be misstated or may not be recoverable. This would mean that the Council has recorded more income or revenue than it expects to collect, and that the financial position is misstated.

**The underlying risks are:**

- the recorded debtors may not accurately represent the amounts due from third parties at the period end, and may be fictitious
- debtors, prepayments and advances may not be accurately stated and not valued according to sound accounting principles
- The recorded debtors, prepayments and advances may not be attributable to the Council.

### D 5 Cash and Cash equivalent

#### *1. Main Activities Involved*

This audit programme covers the audit of the key aspects of Treasury Management: cash and bank balances. It covers both the operation of cash book[s] and bank accounts during the course of the year, as well as balances at the year end.

### *2. Control Objective*
To ensure that all bank accounts are properly authorised and that cash books are properly maintained and reconciled to the Bank Statement on a regular basis.

### *3. Risks*
The risks to the Council of poor control over cash and bank balances are that funds will not be properly controlled, and are therefore subject to misuse or loss,

## E LIABILITIES
## E1 Trade Creditors and Accruals

### *1. Main Activities Involved*
Creditors relate to invoices received by the Council that are still to be paid in respect of goods, works and services supplied and expenses applicable to the current year for which invoices are pending.

### *2. Control Objective*
To ensure that all creditors and accruals have been correctly recorded at the period end and that amounts in the balance sheet are stated on a consistent basis and are properly classified and described.

### *3. Risks*
The key risk to the Council is that creditors and accruals may be misstated. This would mean that the Council has not recorded all the expenditure it has incurred and that the financial position is misstated.

**The underlying risks are:**
- the recorded creditors may not represent all the amounts due to third parties at the period end
- Accruals and provisions may not be accurately stated and not valued according to sound
- accounting principles
- The recorded creditors and accruals may not be attributable to the Council.

## E2 Loans / Borrowings
### *1. Main Activities Involved*
Loans may be raised and received by the Council to fund capital and development works. The terms of loans will include repayment of interest and principle. These terms must be complied with and the use of the application of the loan confirmed to ensure it has been used for the purpose for which it was intended.

### *2. Control Objective*
To ensure that all loans have been recorded correctly in the balance sheet are have been raised in compliance with the relevant Laws.

### *3. Risks*

The key risk to the Council is that loans have not been recorded properly and the financial position is not misstated.
The underlying risks are:

- the loan balances do not represent all the loan amounts due to third parties at the period end
- that loan receipts have not been applied for the purpose(s) intended, and
- The Council may not have complied with all regulations regarding the raising and repayment of Loans

## F1 Reserves

### *1. Main Activities Involved*

This covers the movements and the closing balances on all Capital and Revenue Reserves

### *2. Control Objective*

To ensure that Capital and Revenue Reserves have been correctly reconciled and accounted for in accordance with stipulated accounting policies.

### *3. Risks*

The key risk to the Council is that the reserves are misstated, and that the financial statements therefore misrepresent the financial position of the Council as reflected on its balance sheet.

## G1 Review of Financial Statements

### *1. Main Activities Involved*

This covers the review of the operation and management of the accounting systems and the preparation of financial statements

### *2. Control Objective*

a. To confirm that the accounting systems, records and preparation of financial statements are in accordance with the Local Governments Financial Memorandum .

b. To confirm that the accounting system produces accurate, reliable, and complete reports and that the financial statements are prepared in accordance with Local Governments Financial and Accounting Regulations.

c. To confirm that the Accumulated Fund balance reconciles with the Revenue & Expenditure account.

### *3. Risks*

The key risk to the Council is non-compliance with accounting requirements, controls and
procedures resulting in the failure to meet legislative and reporting requirements.
The underlying risks are:

- the incorrect application, and inconsistency in applying accounting policies and principles

- the incorrect posting of accounting transactions
- the production of incorrect or incomplete Financial Statements
- The financial statements are not presented in an acceptable format.

**Identification Methods**
**Risk Identification Techniques – examples**

- Brainstorming
- Questionnaires
- Business studies which look at each business process and describe both the internal processes and external factors which can influence those processes
- Industry benchmarking
- Scenario analysis
- Risk assessment workshops
- Incident investigation
- Auditing and inspection
- HAZOP (Hazard & Operability Studies)

While a range of identification methods including systems analysis, personal reports, audit recommendations, experience and record review, two key resources will be utilised:-

- Risk Register
- Risk Data Sheets

**Risk Management Register**
The Council's Risk Management Register will be maintained. Both documents will be cross referenced and linked to the council Strategic and Operational Plans.

The Risk Management Registers contain the following information:-
• Reference Category to the Strategic/Operational Plans
• Risk description
• Net Risk Rating
• Action Plans
• Accountable/Responsible Officer
• Timescales for the implementation of action plans. The Risk Management Registers will be reviewed and updated throughout the year on a regular basis. In particular the process should help inform the annual Performance Reviews and Planning process.

The Risk Register documents the identified risks, the assessment of their root causes, areas of the council affected , the analysis of their likelihood of occurring and impact if they occur and the criteria used to make those assessments and the overall risk rating of each identified risk by objective (e.g. cost, time, scope and quality).
Using the sample risk list above, the assigned risk team members/head of department add their specific information to the risk register.
The following illustration shows a sample Excel spreadsheet that represents one possibility for what a risk register might include;

| RISK REGISTER | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Department name: | | | | | | | | | | | | | | |
| Risk ID | Threat ir Opportunity | Risk Category | Date Risk Identified | Risk Description | Root causes | Primary ObjectiveLikelihoods(probability) | Probability(P) or Likelihood | (Impact)consequence | Overall risk rating | Risk owner | Strategy | (Affected) | Status | Status date and Review comments |
| IMC 01 | Threat | Environment | | Increase in cost of Fuel | Council understaffed | Time | 1 | 2 | Low | Alois Mussa | Accept | | Active, dormant and review comments | |
| | | | | | | | | | | | | | | |
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*Explanatory Notes:*

(1**) Risk Description**-:A succinct (1-2 sentence), and to the extent practicable, exclusive description of each specific risk relevant to the department or services unit. Note that a risk may reflect the possibility of a particular event occurring, giving rise to consequences that are immediate or short term, or may reflect the possibility of a continuum or series of events or circumstances that have potential impact over the longer term. The risk should also be one for which specific management mitigation and /or control actions can be defined (whether qualitative or quantitative).

(2) **Root cause-:** Identification of any relevant external / risk context factors contributing to the risk (eg changes in government policy, significant demographic or social changes)

(3) **Probability or likelihood rating**-: Overall assessment of the risk likelihood, using as a guide the assessment matrix in s.2.4

(**4) Consequence/ Possible impact(s)** on the department or Unit's activities and/ or outcomes if the risk is left untreated ie if no mitigations or controls are applied. These may be expressed in quantitative and/or qualitative terms

**(5)Overall Risk rating:** Overall assessment of the potential consequences to the Department/Unit of leaving the risk untreated, using as a guide the matrix in s.2.4

(6) Likelihood – Consequence (LC) rating for the risk read from the assessment matrix in s.2.4 as a combination of likelihood and consequence assessments. An overall measure of the relative importance of the risk

(7) An assessment of the extent to which the management of the risk is under the control of the Unit, using the scale: *Internal* – risk occurs and is managed entirely within the Unit; *Shared* – risk is influenced by and management of the risk is shared with other groups within the University, or with external parties; *External* – risk, although impacting the Unit, is entirely outside the Unit's control

(8) Management actions in place or planned (A/P) that bear directly on the risk and are designed to mitigate or counter the impact of the risk on the Unit's activities. These are detailed in the Treatment Plan tables (*see* s.2.3)

Risk Treatment Template

| | Treatment Plans | Residu |
|---|---|---|

| Risk Description | Activity / Project(1) | Monitoring / Milestones(2) | Responsibility(3) | al |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

*Explanatory Notes:*
(1) A specific activity or initiative undertaken with the effect of providing either mitigation of the risk or a control mechanism to counter the risk
(2) The management process (es) by which the corresponding activity described in (1) is monitored and milestone events / statistics where applicable
(3) The individual(s) or group(s) with responsibility for the management and administration of this component of the Treatment Plan
(4) The overall assessment of the level of risk remaining given the existence of the treatment methods described.

### 7.2.4 ANALYZING (ASSESSMENT) RISKS

#### 7.2.4.1 General

Risk analysis is about developing an understanding of the risk. It provides an input to decisions on whether risks need to be treated and the most appropriate and cost-effective risk treatment strategies. Risk analysis involves consideration of the sources of risk, their positive and negative consequences and the likelihood that those consequences may occur. Factors that affect consequences and likelihood may be identified. Risk is analysed by combining consequences and their likelihood. In most circumstances existing controls are taken into account.

A preliminary analysis can be carried out so that similar risks are combined or low-impact risks are excluded from detailed study. Excluded risks should, where possible, be listed to demonstrate the completeness of the risk analysis.

In this step the level of risk is established by analyzing the likelihood (frequency or probability) and its consequence (impact or magnitude of the effect).
A preliminary screening of the identified risks can be done to exclude the extremely low-consequence risks from the review.This avoids wasting time on inconsequential risks. However, the rationale for excluding any such risks should be documented.

Therefore, in simple terms, risk assessment is concerned with the measurement of the identified risks. Risk is measured on two distinct scales: -

- The likelihood or frequency of the risk event occurring (on a 1 to 4 scale), and
- The severity or impact of that risk event occurring (on a 1 to 4 scale).

The scores for each are then multiplied together to give a composite risk rating or risk score (on a 1 to 16 scale). This numeric value provides a ranking of the identified risks, which will ultimately form the basis for allocating resources to implementing risk control and mitigation activity.
Likelihood or frequency should be determined on the following basis: -

| Likelihood | Score | Rationale |
|---|---|---|
| Very Likely | 4 | This risk will occur during the next 3 months |

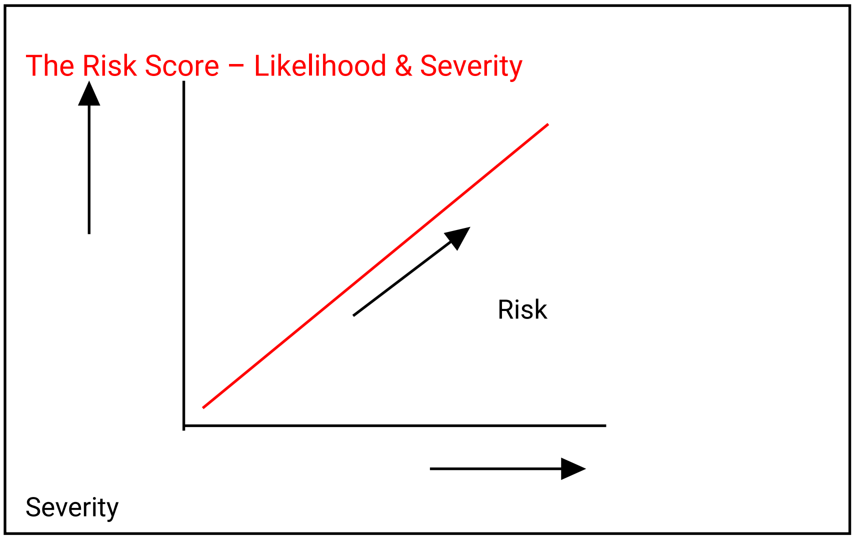
| | | |
|---|---|---|
| Likely | 3 | This risk will occur at least once during the next 4-12 months |
| Unlikely | 2 | This risk will occur at least once within the next 1 to 2 years |
| Remote | 1 | This risk may occur during the next 2 to 3 years |

Impact or severity should be assessed across a range of potential impacts as follows: -

| **Impact:** | **Minor** | **Significant** | **Serious** | **Major** |
|---|---|---|---|---|
| **Score:** | **1** | **2** | **3** | **4** |
| **Service Disruption** | Level of disruption within accepted service tolerance | Minor disruption manageable by small changes to operational routines | All significant operational areas compromised | Total system dysfunction or total shutdown of operation |
| **Financial** | < 5% of budget | 5-10 % of budget | 10-25% of budget | > 25% of budget |
| **Reputation** | Minor adverse local publicity | Significant adverse local publicity | Significant adverse national publicity | Step-in and removal of local management |
| **Human Resource** | Local dissatisfaction | Dissatisfaction impacts output | Significant disruption | Resignation or removal of local management |
| **Environmental or Social** | No lasting detrimental impact | Short-term detrimental impacts | Long-term detrimental impact | Extensive, long-term detrimental impact |
| **Security** | Very minor incidents | Localised incidents with no effect on service | Significant incident(s) with significant effect on | Extreme incident with major effect on service |

| | | | | |
|---|---|---|---|---|
| | | | service | continuity |

As the likelihood and impact increase so does the risk rating:-




Ideally, these assessments should be based on factual evidence and quantitative analysis (e.g. actual financial cost resulting from the last time a particular risk event occurred etc.). However, in reality, the completion of most risk assessments will involve using a mix of both quantitative and qualitative measures and relying solely on qualitative measures.

The assessment process should be taken further so as to identify: -

- **Gross Risk**
  The level of risk assuming that there is no controls (or other risk mitigation procedures) in place.

- **Residual Risk**
  The level of risk remaining with the current controls (or other risk mitigation procedures) in place

- **Target Risk**
  Where the current residual risk level is felt excessive, a target level of risk should be additionally identified. This will be the level of risk remaining when the risk action plan has been fully implemented.

If risk is measured only at the residual risk level, this implies an assumption that the current level of controls and other risk mitigation procedures will always be in place and remain effective in reducing risk.  This may not be the case as controls can (and often do) fail for whatever reason.

It is also important that risk is re-measured at regular intervals to allow the effective tracking of improvements or deterioration in the level of risk faced by the Council. Where a risk action plan is in place, it is important that the level of residual risk is reassessed periodically to measure the effectiveness of that action plan and the effectiveness of the risk mitigation and/or control improvements made.

#### 7.2.4.2 Evaluate existing controls

Identify the existing processes, devices or practices that act to minimize negative risks or enhance positive risks and assess their strengths and weaknesses. Controls may arise as outcomes of previous risk treatment activities.

#### 7.2.4.3 Consequences and likelihood

The magnitude of the consequences of an event, should it occur, and the likelihood of the event and its associated consequences, are assessed in the context of the effectiveness of the existing strategies and controls. An event may have multiple consequences and affect different objectives. Consequences and likelihood are combined to produce a level of risk.

Consequences and likelihood may be estimated using statistical analysis and calculations. Where no reliable or relevant past data is available, subjective estimates may be made which reflect an individual's or group's degree of belief that a particular event or outcome will occur.

The most pertinent information sources and techniques should be used when analysing consequences and likelihood. Sources of information may include the following:

- Past records.
- Practice and relevant experience.
- Relevant published literature.
- Market research.
- The results of public consultation.
- Experiments and prototypes.
- Economic, engineering or other models.
- Specialist and expert judgements.

Techniques include:

- structured interviews with experts in the area of interest;
- use of multi-disciplinary groups of experts;
- individual evaluations using questionnaires; and
- use of models and simulations.

Where appropriate, the confidence placed on estimates of levels of risk should be included.

Assumptions made in the analysis should be clearly stated.

### 7.2.4.4 Types of analysis

Risk analysis may be undertaken to varying degrees of detail depending upon the risk, the purpose of the analysis, and the information, data and resources available. Analysis may be qualitative, semi-quantitative or quantitative or a combination of these, depending on the circumstances. The order of complexity and costs of these analyses, in ascending order, is qualitative, semi-quantitative and quantitative. In practice, qualitative analysis is often used first to obtain a general indication of the level of risk and to reveal the major risk issues. Later it may be necessary to undertake more specific or quantitative analysis on the major risk issues.
The form of analysis should be consistent with the risk evaluation criteria developed as part of establishing the context

In detail, the types of analysis are:

**(a) Qualitative analysis**

Qualitative analysis uses words to describe the magnitude of potential consequences and the likelihood that those consequences will occur. These scales can be adapted or adjusted to suit the circumstances, and different descriptions may be used for different risks.
Qualitative analysis may be used:

- as an initial screening activity to identify risks which require more detailed analysis;
- where this kind of analysis is appropriate for decisions;

or

- where the numerical data or resources are inadequate for a quantitative analysis.

Qualitative analysis should be informed by factual information and data where available.

(b) Semi-quantitative analysis

In semi-quantitative analysis, qualitative scales such as those described above are given values. The objective is to produce a more expanded ranking scale than is usually achieved in qualitative analysis, not to suggest realistic values for risk such as is attempted in quantitative analysis.
However, since the value allocated to each description may not bear an accurate relationship to the actual magnitude of consequences or likelihood, the numbers should only be combined using a formula that recognizes the limitations of the kinds of scales used.

Care must be taken with the use of semi-quantitative analysis because the numbers chosen may not properly reflect relativities and this can lead to inconsistent, anomalous or inappropriate outcomes. Semi-quantitative analysis may not differentiate properly between risks, particularly when either consequences or likelihood are extreme.

### 7.2.4.5 Changes to Risk Ratings

Where risk ratings are amended as a result of a change in circumstances there should be evidence to support the amended risk rating and this should be scrutinized by the management team responsible.

Without evidence, which is subjected to detailed scrutiny, there may be no sound basis to support an amended risk rating

#### 7.2.4.6 Categories of methods used to determine the level of risk

a) Qualitative analysis is based on nominal or descriptive scale for describing the likelihood and consequences of risks. This is particularly useful for an initial review or screening or when quick assessment is required.

Qualitative methods include:

- qualitative mapping (refer to insert)
- brainstorming
- structured interviews/questionnaires
- evaluation using multi-disciplinary groups
- specialist and expert judgement, Delphi technique
- bench-marking
- peer discussion or review
- structured interviews with experts in the area of interest
- networking with industry and professional associations
- PESTLE (Political Economic Social Technical Legal Environmental)
- BPEST (Business, Political, Economic, Social, Technological) analysis
- SWOT analysis (Strengths, Weaknesses, Opportunities, Threats)

b) Semi-quantitative analysis extends the qualitative analysis process by allocating numerical values to the descriptive scales. The number should be used to derive quantitative risk factors;

Quantitative methods include:

- probability analysis
- consequence analysis
- simulation/computer modelling
- statistical/numerical analysis
- network analysis
- life cycle cost analysis
- decision trees
- fault tree and event tree analysis
- influence diagrams
- use of multi-disciplinary groups and experts; and

For definitions of the above refer to the Glossary.

c) quantitative analysis uses numerical ratio scales for likelihoods and consequences, rather than descriptive scales.

Qualitative analysis

The analysis stage assigns each risk a priority rating, taking into account existing activities, process or plans that operate to reduce or control the risk

**Table- Priority setting matrix**

| | Consequences | | | | |
|---|---|---|---|---|---|
| *Likelihood* | *Insignificant* | *Minor* | *Moderate* | *Major* | *Catastrophic* |
| Almost certain | Medium | Medium | High | High | High |
| Likely | low | Medium | Medium | High | High |
| Possible | low | Medium | Medium | Medium | High |
| Unlikely | low | Low | Medium | Medium | High |
| Rare | low | Low | low | Medium | Medium |

**Semi-quantitative risk assessment**

To calculate risk levels or factor, the descriptive likelihood and consequence assessments are converted to numerical measures.

Table- Typical numerical values for likelihood and impact ratings

| Likelihood scale(P) | Consequence scale(C) | Letter rating | Numerical value |
|---|---|---|---|
| Almost certain | Catastrophic | A | 0.9 |
| Likely | Major (Very high) | B | 0.7 |
| Possible | Moderate | C | 0.5 |
| Unlikely | Minor (low) | D | 0.3 |
| Rare | Insignificant | E | 0.1 |

### 7.2.4.7 Calculation of risk factors and priorities

The numerical measures are averaged, to give a risk likelihood measure P and to give average consequence measure C. A risk factor RF or combined risk measure is then calculated:

P= risk likelihood measure, on a scale 0 to 1
= average of likelihood factors

C= consequence/impact measure, on scale 0 to 1
= average consequence factors

RF= Risk factor
= P + C – (P*C)

The risk factor RF, from 0 (low) to 1 (high), reflects the likelihood of a risk arising and the severity of its impact. The risk factor will be high if the likelihood P is high, or the Consequence C is high or both.

Note that the formula only works if P and C are on scales from 0 to 1. Mathematically, it derives from the probability calculation for disjunctive events:

Prob(A or B)= pro(A) + prob(B) –prob(A) * prob(B)

However, the risk factor formula is not a mathematical relationship, merely a useful piece of arithmetic for setting priorities.

### 7.2.4.8 Another way of calculating risk factors

In some circumstances, risk factors may be calculated as the product of the likelihood and consequence measures

RF= P*C

This form of expected vale calculation is common in some forms of safety analysis. Here P and P are not restricted to the ranges 0 to 1. However, the recommended method of calculating risk factors uses the first form:

RF=P + C- (P*C)

### 7.2.5: EVALUATE (PROFILE) RISKS

The purpose of risk evaluation is to make decisions, based on the outcomes of risk analysis, about which risks need treatment and treatment priorities.
Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered.

The objectives of the organization and the extent of opportunity that could result should be considered. Where a choice is to be made between options, higher potential losses may be associated with higher potential gains and the appropriate choice will depend on an organization’s context.

Decisions should take account of the wider context of the risk and include consideration of the tolerability of the risks borne by parties other than the organization those benefits from it.
In some circumstances, the risk evaluation may lead to a decision to undertake further analysis.

Risk evaluation is about deciding whether risks are tolerable or not to the council or programe, taking into account:

i. The control already in place or included in the council plans;
ii. The likely effectiveness of those controls;
iii. The cost impact of managing the risks or leaving them untreated;
iv. Benefits and opportunities presented by the risks;
v. The risks borne by other stakeholders.

The evaluation step compares estimated levels of risk priorities against the pre-established criteria. This enables risks to be ranked so as to identify management priorities. If the levels of risk established are low, then risks may fall into an acceptable category and treatment may not be required (**Which risks are priorities for the council? Can they be treated**?)

Council should decide whether a risk is acceptable or unacceptable against the risk criteria established under Step One: Establish the Context. If a risk is viewed as acceptable it will not be treated under Step Five: Treat the Risks.

It is up to council, knowing their own risk criteria and organizational context, to define suitable mapping tables for their own circumstances.

The information resulting from this evaluation of the risk is recorded on the risk form and forms the basis of the Risk Register which is used for risk management, monitoring and reporting purposes.
Each appointed Departments risk management delegate is responsible for immediately escalating any risks which meet defined escalation rules to the Risk Management Coordinator or relevant committee.

Using the outputs from the risk assessment process, a profiling exercise should be undertaken to determine and demonstrate graphically the relative priority of the identified potential risk impacts. This is an important step as it identifies priorities for further action.

Having profiled the risk, a tolerance level should be established and agreed - i.e. the level of risk can be accepted ('risk appetite'). Risk appetite is effectively the level of risk the Council and/or a department is prepared to tolerate without putting further controls in place. Risk appetite may well vary from risk to risk. While risks will fall below this tolerance level, it is important that they should not be ignored but should be subject to regular monitoring in order to identify any significant change in the level of that risk and, hence, also in the overall risk profile.

The values for the individual risks are plotted onto a risk profile matrix, as below:

| | | **Impact** | | | |
|---|---|---|---|---|---|
| | | **1**<br>**Minor** | **2**<br>**Significant** | **3**<br>**Serious** | **4**<br>**Major** |
| **Likelihood** | **4 – Very Likely** | *L* | *M* | *H* | *H* |
| | **3 - Likely** | *L* | *M* | *M* | *H* |

| | | | | | |
|---|---|---|---|---|---|
| | **2 - Unlikely** | *L* | *L* | *M* | *M* |
| | **1 - Remote** | *L* | *L* | *L* | *L* |

The purpose of plotting the risk score onto the matrix is to describe the level of risk graphically and so enable clear and easy comparisons to be made with other business risks. Alternatively, depending on the preference of local management, risks can be listed in priority order by risk score.

This process enables head of department to develop frameworks for allocating resources to, and between, identified priority risk areas.

The residual risk score (which will be between 1 and 16) can be used to ascertain what action to be taken as follows: -

| **Score** | **Rating** | **Action/Priority** |
|---|---|---|
| | | |
| 11 - 16 | High | Immediate further action required |
| | | |
| 5 – 10 | Medium | Review previous controls/actions |
| | | |
| 1 – 4 | Low | No or very limited action (but continue to monitor) |
| | | |

These three broad risk levels may be defined as: -

**High Risk**

A level of risk that can have a catastrophic effect on the operation of the Council or the service. This may result in a very significant financial loss. It can also result in major service disruption and/or a significant impact on the public. These risk events usually occur quite infrequently and can be very difficult to predict. Examples might include a total systems failure lasting more than 5 days, a major civil emergency or a major fire at a key HQ office.

**Medium Risk**

Risks that have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision. They are more likely to happen infrequently and are generally difficult to predict. More than one medium loss a year can have substantial consequences for service provision. Examples might include a major fire, large-scale theft or fraud, system failures lasting more than 2 days etc.

Low Risk

Where the consequences are not severe and any associated losses will be relatively small. As individual consequences they will have little or no effect on continuity of service provision. However, if action is not taken then such risks may have a more significant cumulative effect. Examples include minor employee accidents, road defects, small project deadlines missed, minor incidents of vandalism top property etc.

Consideration shall be given to the following important criteria:-

- Risk Impact- to assess if the risk actually occurred, and the consequences, in particular, the impact on areas such as business continuity, human and financial resources, the community, the environment, image, reputational damage, legal and political implications etc.
- Risk Likelihood – to assess the likelihood of a particular risk occurring.
- Management Control Ratings – an assessment of the management controls in place which will have a bearing on the outcome of the residual risk ratings.
- Net Risk Ratings are the ratings allocated after the management controls have been applied. The outcome of these ratings will determine further actions and treatments required.

The following guide can be used to describe the level of risk.
**High risk :** Must be managed by senior management with a detailed plan and requires detailed research and management planning at a senior level
**Medium:** Requires senior management attention and requires specific allocation of management responsibility.
**Low risk:** Requires management through specific, monitoring or response procedures and can be managed by routine procedures.

**7.2.5 TREATING RISKS (RISK MITIGATION AND MANAGEMENT)**

**7.2.5.1 General**

Risk treatment involves identifying the range of options for treating risks, assessing these options and the preparation and implementation of treatment plans.

**7.2.5.2 Identifying options for the treatment of risks with positive outcomes**

Treatment options for risks having positive outcomes (opportunities) which are not necessarily mutually exclusive or appropriate in all circumstances, include:
Actively seeking an opportunity by deciding to start or continue with an activity likely to create or maintain it (where this is practicable).
Inappropriate pursuit of opportunities without consideration of potential negative outcomes may compromise other opportunities as well as resulting in unnecessary loss.
• Changing the likelihood of the opportunity, to enhance the likelihood of beneficial outcomes.
• Changing the consequences, to increase the extent of the gains.
• Sharing the opportunity.

his involves another party or parties bearing or sharing some part of the positive outcomes of the risk, usually by providing additional capabilities or resources that increase the likelihood of the opportunity arising or the extent of the gains if it does. Mechanisms include the use of contracts and organizational structures such as partnerships, joint ventures, royalty and farm-in arrangements. Sharing the positive outcomes usually involves sharing some of the costs involved in acquiring them.

Sharing arrangements often introduce new risks, in that the other party or parties may not deliver the desired capabilities or resources effectively.
• Retaining the residual opportunity.
After opportunities have been changed or shared, there may be residual opportunities that are retained without any specific immediate action being required.

**7.2.5. 3 Identifying options for treating risks with negative outcomes**
Treatment options for risks having negative outcomes are similar in concept to those for treating risks with positive outcomes, although the interpretation and implications are clearly different.

Options include:

A combination of options may be appropriate in treating risks. Such options include:
a) avoiding the risk;
b) reducing the level of risk;
c) transferring the risk;
d) insuring the risk; and
e) retaining the risk.

Avoiding the risk involves the decision not to proceed with the policy, project, function or activity that would incur the risk, or by choosing an alternative means of action that achieves the same outcome.

Reducing the level of risk involves the reduction of the likelihood or consequences of risk, or both.
The likelihood of risk events may be reduced through management controls, council arrangements or influence over external environment. Examples include revision of procedures, quality assurance, regular inspections and audits, more detailed planning,

the selection of alternative approaches, testing, training and skills enhancements, contingency planning, quality assurance, contract terms and conditions, crisis management and disaster recovery plans, supervision, review, documented policy and procedures, adequate resourcing , organisational structures, assignment of accountability and or responsibility, appropriate delegations in place ,clear lines of reporting, Contract conditions,Audit and compliance programs,Project management, research and development, Inspection and process controls and environmental monitoring.

**Generic risk reduction-**

- Adherence to all organizational procedures including documentation and authorization of transactions;
- Staff acknowledgement of policies, procedures, etc;
- Physical security over assets, restriction of access etc;
- Independent review and monitoring of tasks;
- Separation of duties so that one employee is not responsible for tasks from start to finish;
- Conflict of interest statements are enforced;
- Rotation of duties;
- Regular independent audits undertaken

<u>**Transferring the risk**</u> involves shifting responsibility for a risk to another party. Risks may be transferred by contract, legislation, administrative processes and insurance. Risks may be transferred in full or they may be shared with another party.
As a general principle, risks should be allocated to the party which can exercise the most effective control over these risks.
Where functions and responsibilities are transferred between agencies, the agency giving responsibility for the function, its outputs and outcomes should inform the recipient agency of the risks involved. Information should include relevant risk management documentation

<u>**Insuring the risk**</u> is common practice and is a form of risk transfer. Consideration should be given to alternatives including self-insurance at the level of the council, the project, the process or the activity, depending on which level has the capacity best to manage the risk.

<u>**Retaining the risk**</u> within the organisation should take place in those circumstances where it is either impossible or too costly to avoid, reduce or transfer the risk. Where risks – which would otherwise be considered unacceptable under Step Four – are retained, the decision and rationale should be carefully documented. Retained risks should be monitored, and contingency plans developed.

Every control action has an associated cost (either direct or opportunity) and it is important that the control action offers value for money in relation to the risk that it is controlling. This necessarily involves some form of cost-benefit analysis comparing the cost of the additional controls or the additional insurance premium against the potential cost if/when the risk event occurs. It is also important to review the resultant level of residual risk to ensure it remains within the Council's risk appetite.

The outputs from this part of the risk management process will be: -

1. The establishment of a review period and review date for each risk, and
2. The preparation and agreement of risk action plans wherever the decision has been made to take positive management action whether that is to avoid reduce or transfer the risk. These action plans should clearly indicate: -
   - Agreed actions
   - Estimated cost
   - Target completion date
   - Target risk level once measures are implemented
   - Responsibility for completion
   - Approval

#### 7.2.5.4 Evaluating Risk Treatment Options

Options should be evaluated on the basis of the extent of risk reduction, and the extent of benefits or opportunities created. A number of options may be considered and applied either individually or in combination.

#### 7.2.5.5 Preparing treatment plans

Treatment plans should document how the chosen options will be implemented. Each plan should document individual responsibilities, schedules, the expected outcome of treatments, budgeting and performance measures, and include a mechanism for evaluation.

#### 7.2.5.6 Implementing treatment plans

Responsibility for treatment of risk should be borne by those best able to control the risk. The successful implementation of the risk treatment plan requires an effective management system which specifies the methods chosen, assigns responsibilities and individual accountabilities for actions, and monitors them against specified criteria.

### 7.2.6 MONITORING RISKS

Monitoring and review are essential for managing risk. Council should continually monitor risks and the effectiveness of the plan, strategies and management systems that have been established to control implementation of the risk treatments.

Risks need to be monitored and reviewed periodically to ensure changing circumstances do not alter risk priorities. Few risks remain static over time. Functions and processes change, as can the political, social and legal environment and goals of an agency. Accordingly, council should re-examine the risk context to ensure the way in which risks are managed remain valid.

The process of monitoring and review ensure that risk management strategies continue to be a vital part of the organization's business processes. The presence of regular performance information can assist with identifying likely trends, trouble spots and other changes which have arisen.

Therefore, the risk management process needs to provide for both the: -

- Regular monitoring of the Council’s key risks and of the effectiveness of the measures put in place to mitigate those potentially material risk exposures, and
- Periodic broader review of the Council’s full risk profile to ensure that new and emerging risks have been identified.

The Council’s key risks – at both the strategic and operational levels – should be monitored regularly. For each such risk, one or more key risk indicators (KRI’s) should be identified, tracked and reported. KRIs are measures used to monitor movement in the key risks. This does not imply inventing a whole new set of measures; in most cases, they are likely to be performance indicators already maintained within the Council. These may well include such items as staff turnover and absence trends, IT downtime, project delays, complaint levels etc. It is recommended that this monitoring should be carried out on a monthly basis. The risk owner is responsible for ensuring their risks are monitored on a regular basis. This will ensure that: -

- Material changes in the risk profile - changes in the factors affecting the likelihood and impact of a risk event occurring - and emerging risks are identified as quickly as possible
- Risk management measures have achieved (or remain on target to achieve) their objective.

At least annually, <u>all</u> the risks listed in the risk register should be reviewed to ensure that: -

- The risk is still relevant,
- Whether anything has happened to alter its likelihood or impact
- Whether the action plan in place to mitigate the risk is still appropriate and on target
- Whether there are changes in the actual or planned service provision which change the existing risk exposures or create new exposures

Coordinating this process with the service planning/budgeting cycle can bring benefits to both processes.

**Possible Methods of Review**

a) internal checking
b) internal audit
c) external audit by a risk management consultant or evaluator
d) external scrutiny, eg. by Parliamentary committees e.g LAAC
e) physical inspections
f) program evaluation
g) inter-organizational evaluations
h) reviews of organizational policies, strategies and processes
i) peer review
j) analysis of claims data and history

k) meeting

Some risks, depending on the level of overall risk, may require very regular review. This will be determined in the development of the quality improvement plan.

As a general guide, a moderate risk may require quarterly or bi-monthly reviews, to ensure the likelihood or consequences have not altered. High risks will be reviewed monthly or bi-monthly depending on the likelihood rating, and an extreme risk may need to be reviewed weekly or more often, if the likelihood of occurrence is very high.

**Key questions in monitoring and review of risks**

a) Do the performance indicators address the key success elements?
b) Are the assumptions, including those made in relation to the environment, technology and resources, still valid?
c) Are the risk treatments effective in minimising the risks?
d) Are the risk treatments cost-effective and cost-efficient in minimising the risks?
e) Are the management and accounting controls adequate?
f) Do the risk treatments comply with legal requirements, government and organisational policies, including access, equity, ethics and accountability?
g) Are risks being borne unfairly by customers and/or external service providers?
h) How can improvements be made?

### 7.2.7 COMMUNICATING AND DOCUMENTING RISKS

The appointed Departments risk management delegate and the Risk Management Coordinator is responsible for ensuring effective communication across all internal and external stakeholders of the risk management process. They ensure that the Risk Management database is maintained and reported appropriately and in a timely fashion according to the procedures defined in this policy.

Any new or reanalyzed risks which meet defined escalation criteria must be immediately escalated to the relevant process stakeholder.

*Risk Reporting*

As a minimum, the following regular, routine reports on the management of the Council's risks will be provided: -

**Strategic Risk Register**

| Recipient | Frequency | Format |
|---|---|---|
| **Full council/Finance committee** | **Quarterly** | Report outlining the key strategic risks and review of strategies to mitigate emerging risk. |
| **Audit Committee** | **Quarterly** | Report on the operational performance of the risk management strategy. |

Department Risk Registers

| Recipient | Frequency | Format |
|---|---|---|
| **Council Management Team** | **Quarterly** | Copy of the Council risk register for update and review. |

## Embedding Risk Management

Whilst the preparation and approval of this Policy Statement is an important building block, before it can add real value risk management must become fully integrated into the management culture of the Council. The following things are key to integrated risk management.

### *Risk Registers*

The following registers should be created and maintained on an ongoing basis: -

- **Strategic Risk Register** – a single register including all the Council's strategic risks
- **Department Risk Registers –** Strategically focused risk registers for each department capturing
- **Operational Risk Registers** – a separate register for each service area

The strategic risk register reviewed formally by Full Council on quarterly basis. Council management teams review the department risk registers at monthly meetings. The operational risk registers are reviewed by departmental and project teams.

For each risk – whether at the strategic or operational level – the register should detail: -

1. Description of the risk (threat or opportunity) – cause and consequence
2. Risk type – financial, legal etc. per the risk model objective – i.e. the strategic and/or service objective which that risk impacts
3. Category – strategic/operational
4. Risk Assessment – Current: probability, impact and risk profile (RP=PxI) Inherent risk rating
5. Control Measures – detail, assigned to, status, and target date.
6. Risk Assessment – Controlled: probability, impact and risk profile (RP=PxI) Residual risk rating
7. Risk owner – i.e. the manager responsible for monitoring that risk over time Review frequency

Therefore, the registers should be capable of: -

- Evidencing the ongoing operation of the Council's risk management process,
- Providing an accessible repository of risk information for analysis, and
- Driving the preparation and delivery of the monthly and quarterly risk reports.

## APPENDIX ONE: GLOSSARY OF TERMS

**Consequence** the outcome of an event or situation expressed qualitatively or quantitatively, being a loss, injury, disadvantage or gain

**Decision tree** breaks down a series of events into smaller, simpler, more manageable, independent segments

**Delphi technique** a group of individuals independently and anonymously estimate the outcome of an uncertain event. The collective results are reported back to the group and the individuals then revise their estimate. This process continues until the collective estimates stabilises

**Event** an incident, outcome, issue or result that occurs in a certain place during a particular interval of time

**Event tree analysis** a method for illustrating the sequence of outcomes that may arise after the occurrence of a selected initial event

**Fault tree analysis** a systems engineering method for representing the logical combinations of various system states and possible causes that lead to a particular outcome, which can contribute to a specified event (called the top event)

**Frequency** a measure of likelihood expressed as the number of occurrences of an event in a given time (see also likelihood and probability)

**Hazard** a source of harm or a situation with a potential to cause loss

**HAZOP** a Hazard and Operability (HAZOP) study is a structured approach which systematically
analyses every part of a process to identify how hazards, operability problems and deviations
from design intent may arise

**Likelihood** used as a synonym for probability and frequency especially in a qualitative context

**Loss** any negative consequence, financial or otherwise

**Probability** the likelihood of a specific outcome, measured by the ratio of specific outcomes to the total number of possible outcomes. Probability is expressed as a number between 0 and 1, or between 0% and 100%

**Residual outcome** the remaining level of risk after all risk treatment measures have been taken
**Risk** the exposure to the possibility of such things as economic or financial loss or gain, physical
damage, injury or delay, as a consequence of pursuing a particular course of action. The concept of risk has two elements: the likelihood of something happening and the consequences if it happens

**Risk acceptance** an informed decision to accept the likelihood and consequences of a particular risk

**Risk analysis** a systematic use of available information to determine how often specified events may occur and their likely consequences. The purpose of risk analysis is to identify the causes, effects and magnitude of risk and provide a basis for risk assessment and treatment

**Risk assessment** the process used to determine risk management priorities by evaluating and comparing the level of risk against agency standards, predetermined target risk levels or other criteria

**Risk avoidance** not becoming involved in a risk situation either by cutting out a process or activity, or by not entering into a new activity

**Risk control** the provision of appropriate policies, procedures and standards of protection to avoid or minimise identified risks facing an agency

**Risk engineering** the application of engineering principles and methods to the risk management process

**Risk financing** the methods applied to fund risk management and the financial consequences of risk events

**Risk identification** the process of determining what can happen, why and how

**Risk level** the level of risk calculated as a function of likelihood and consequence

**Risk management** the systematic application of management policies, procedures and practices to the tasks of identifying, analysing, assessing, treating, monitoring and communicating risk

**Risk reduction** a selective application of appropriate techniques and management principles to reduce the likelihood of an occurrence or its consequences or both

**Risk retention** retaining the responsibility for loss, or financial burden of loss, within the organisation

**Risk transfer** shifting the responsibility for loss, or the financial burden of loss, to another party through insurance, contract or other means

**Risk treatment** selection and implementation of appropriate management options for dealing with identified risk

**Self-insurance** see “risk retention”
**Sensitivity analysis** examines how the results of a calculation or model vary as individual assumptions are changed

**SWOT analysis** provides an assessment of an organisation's strengths, weaknesses, opportunities and threats to provide a snapshot of the present and a view of what the future may hold

## APPENDIX TWO:
## EXAMPLES OF POSSIBLE RISK AREAS (ELEMENTS)

The examples given below are neither prescriptive no exhaustive.
They provide a framework for identifying and categorising a broad range of risks. The categories may overlap and cannot be considered in isolation.

**Delivery through Third Parties** - technical capacity constraints,failure to be sufficiently innovative,operational and financialinconsistencies, cumbersomedecision making process, lack ofsufficient knowledge of partner'sbusiness, wrong balance betweenautonomy and control, emphasis ontargets distorts outcomes.

**Financial -** insufficient investment, monetary loss, theft, fraud, over/under-spending, resource constraints (funding/time/ personnel), poor value for money, waste, poor use of assets, lack of financial expertise, high turnover of staff, inaccuracy, lack of integrity, unreliability of financial information, inadequate control systems.

**Governance**- possible failures of systems of internal control, not having adequate controls in place, controls not being followed by staff, lack of desk instructions, failure of management to review systems of control checks and balances.

**Human resources**– knowledge expertise, effectiveness, availability, retention, staff turnaround, capacity issues, over-reliance on key officers, employee motivation, failure to comply with employment law, succession planning, training. The risk of error.

**Legal -** failure to comply with laws and regulations, damages or compensation claims, judicial review, drafting of legislation allows or gives rise to unintended outcomes, inadequate response to new legislation.

**Management of Information and Data**- inaccuracy orincompleteness, insufficientlyfocused to inform policy oroperational decisions in ameaningful way, lack of expertisein interpretation, delays inobtaining for use, inappropriateuse by Department or others,inappropriate disclosure, hacking,corruption of data.

**Operational**- the risks associated with all the ongoing day-to-day management of the Finance Committee's business. This will also include risks around the business processes employed to meet the business objectives.

**Policy Development**- conflicts/ inconsistencies with other Government policies, conflicts/ inconsistencies with policies of other government departments or agencies, being overtaken by events, lack of appropriate consultation.

**Policy Implementation**– delays in implementation, inadequate resource to deliver effectively (funding/time/personnel), loss of experienced staff before completion, ineffective or unintended outcomes, poor definition of grant scheme terms and conditions, poor management of grants.

**Political & Societal – p**olicy development and/or delivery overtaken by changes in direction or shifts in emphasis arising from political considerations in Tanzania or impact of international/East African Community influences, policy redefined when implementation well advanced meaning implementation is no longer fit for purpose.

**Premises Operational Risk -** possible failures to comply withlegal requirements, organizationaland individual responsibilities not met, infrastructure and facilities, health and safety risks to staff, visitors or contractors, legal claims, IT– failure/ innovation, disaster recovery plans, business continuity, theft, fire, terrorism.

**Procurement** - financial, changing market, technological, environmental, contractual, legislative, design, planning, constructional or other delays, availability and performance of the asset, operational volume or demand for asset or services once operational, maintenance of asset, residual value, lack of suitably qualified or experienced staff, security, public relations.

**Project**- resource constraints (funding/time/personnel), overall delays, delays to stages on the critical path, changes to output requirements, being overtaken by events, IT obsolescence, difficulties in obtaining necessary information, facilities or equipment, personnel changes, lack of suitably qualified or experienced staff means incurring costs of consultants, differing priorities of different stakeholders.

**Reputational, Ethics and Responsibility**- the Government's reputationsuffers through adverse mediaattention, policies misunderstoodor misinterpreted, negativeimplications identified by otherswhich have not previously beenconsidered, failure to keep partnerson side, breach of confidentiality.

**APPENDIX THREE:**
**Risk scoring**
**Likelihood**

| Probability | Score | Likelihood | Numerical value | Notes |
|---|---|---|---|---|
| High | 5 | Almost certain | 0.9 | The risk will materialise in most circumstances |
| Medium/high | 4 | Likely | 0.7 | The risk will probably materialise at least once |
| Medium | 3 | Possible | 0.5 | The risk might materialise at some time |
| Low/medium | 2 | Unlikely | 0.3 | The risk will probably not materialise |
| Low | 1 | Rare | 0.1 | The risk will materialise only in exceptional circumstances |

The timeframe over which the risk should be assessed should usually be the one-year timeframe of the Operational Plan. However, there may be circumstances where a more appropriate timeframe would be the life of a specific project (which could be considerably longer).

**Impact/consequence**

| Probability | Score | Likelihood | Numerical value | Notes on likelihood |
|---|---|---|---|---|
| High | 5 | Critical impact | 0.9 | Critical impact on the achievement of objectives and overall performance. Huge impact on costs and or reputation. Very difficult and possibly long term to recover |
| Medium/high | 4 | Major impact | 0.7 | Major impact on costs and objectives. Serious impact on output and/or quality and reputation. Medium to long-term effect and expensive to recover |
| Medium | 3 | Moderate | 0.5 | Significant waste of time and resources. Impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover |
| Low/medium | 2 | Minor | 0.3 | Minor loss, delay, inconvenience or interruption. Short to medium term effect |
| Low | 1 | Insignificant | 0.1 | Minimal loss, delay, inconvenience or interruption. Can be easily and quickly remedied |

Assessment of Risk - Exemplars to support Impact Assessment

| | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| | **Critical Impact** | **Major Impact** | **Significant impact** | **Minor Impact** | **Minimal Impact** |
| **General environmental and social impacts** | Extensive detrimental long terms impacts on the environment and community e.g. catastrophic and/or extensive discharge of persistent hazardous pollutant | Long term detrimental or social impact e.g. chronic and/or significant discharge of pollutant | Serious, local discharge of pollutant or source of community annoyance within general neighbourhood that requires remedial action. | Short term, local detrimental effect on the environment or social impact e.g. significant discharge of pollutants within local neighborhood | No lasting detrimental effect on the environment i.e. noise, fumes, odour, dust emissions etc. of short-term duration. |
| **Council management** | Council Director's resignation/ removal | Council Director, Finance Committee and member dissatisfaction -legal action | Council Director dissatisfaction likelihood of legal action | Staff and management dissatisfaction broader basis | Staff and management dissatisfaction localised |
| **Operational Management** | Resignation/ removal of local management | Qualified Audit report to Full Council naming particular heads of departments | Significant disruption to operations | Dissatisfaction disrupts output | Staff & supervisor dissatisfaction with part of local unit |

| | | | | | |
|---|---|---|---|---|---|
| **Workplace health and safety** | Fatality (not natural causes) | Serious injury/ stress resulting in hospitalization | Injury - lost time. Compensatable injury. | Injury - no lost Time | Incident - no lost time |
| **Damage to Reputation** | CEO and/or Elected Member resignation/removal | Sustained adverse publicity in national media. Full Council and Member dissatisfaction | Significant adverse publicity in national media | Significant adverse publicity in local media | Minor adverse publicity in local media |

**Risk management matrix**

All risks identified can be mapped onto the risk management matrix from their risk
scorings for impact and likelihood in the range 1x1 (low x low) = 1 through to 5x5 (high x high)=25

| | | Likelihood | | | | |
|---|---|---|---|---|---|---|
| | | Low (1) | Low /Medium (2) | Medium (3) | Medium /High (4) | High (5) |
| Impact | High (5) | 5 | 10 | 15 | 20 | 25 |
| | Medium /High (4) | 4 | 8 | 12 | 16 | 20 |
| | Medium (3) | 3 | 6 | 9 | 12 | 15 |
| | Low/ Medium (2) | 2 | 4 | 6 | 8 | 10 |
| | Low(1) | 1 | 2 | 3 | 4 | 5 |

**Overall rating is 3 or less (1-3).**

Manageable Risks: The council is content to carry these risks. No need to consider the risk appetite nor to proceed any further with the assessment but merely record that the risk has been identified and that due to its low likelihood or impact not further action will be required.

**Overall rating is 4 - 14.**

Material Risks: The council is concerned about these risks.
The risks need to be managed by the department/division in which they have been identified.

**Overall rating is 15 or above.**

Significant Risks: The council is most concerned about these risks. These risks will be considered as significant and should be notified to the Head of Department who will decide whether they need to feature in the council's risk register.

Risk register

| | |
|---|---|
| Department : | |
| Completed by and date: | |

| Risk Identification ion and Assessment | | | | | | Proposed action to manage risk | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Ref | Risk Description(include cause and consequence ) | Current control in place | I | L | O | Response(terminate, treat, tolerate, transfer) | Owner | Action required | Time scale | Date of last review |
| | | | | | | | | | | |
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I= Impact (impact if the risk materialises, scored 1-5)
L = Likelihood (likelihood of the risk materialising, scored 1-5)
O = Overall rating (impact x likelihood, scored 1-25)

**Completing a risk register**

**Reference**

A sequential reference number within each departmental register should be used. Can be used to link risks in the risk register to divisional risk register.

**Risk/Opportunity Description**

This should be a full description of the risk and what its effect will be if it materialises, including reference to operational plan - with operational plan reference numbers where appropriate.
An assessment of the proximity of risk should be included, i.e. the timing of the threat of the risk. Is the risk greater at a particular time? Or does it disappear sometime in the future?
Or does the probability or impact change over time?

**Control s in place and active**
A description of controls that are currently in place. These controls should be borne in mind when considering the risk scores, i.e. the scores should be assessed with the existing controls in place. This is known as the "residual risk".

**Impact**
Impact and likelihood should be considered together in assessing the risk. The impact if the risk materializes should be given a score on a scale of 1 to 5.

**Likelihood**
The likelihood of the risk materializing should be given a score on a scale of 1 to 5 .

**Overall rating**
This is the total risk rating. It is calculated by multiplying the impact and likelihood scores. This figure can be in the range from 1x1=1 up to 5x5=25.

**Risk Owner**
Each risk will need to be allocated an owner who will be responsible for the management of that risk and taking forward any required action to minimise the risk. Normally only one risk owner will be identified as having lead responsibilities for managing each risk. Where risk owners are identified who are not based in the department, they need to be aware and in agreement with their ownership of the risk.

**Controls proposed**
A description of the actions to be taken to deal with material or significant risks. These actions should be SMART targets (i.e. specific, measurable, agreed, realistic and time-based).
Nebulous descriptions such as "close monitoring" and "ongoing discussion" should be avoided. These actions should be assigned to and agreed with specific members of staff.

**Response**
One of the 4 T's, terminate, tolerate, transfer or treat. Provide sufficient detail of the proposed activities to manage the risk down to acceptable levels, giving an outline of each control proposed and milestones where applicable.

**Timescale for act ion**
Significant date(s) by which proposed actions, or controls put in place, will be

undertaken.

**Date of last review**
This is the date when the risk owner last updated this element of the register. Ongoing is not an acceptable response. Usually this would be monthly, but not less than every three months.