Introduction to Risk Management

Risk management creates value for a local government and its community and should contribute to the demonstrable achievement of objectives whether in strategic or project based initiatives or in normal operations.

These risk management resources provide an introductory description of risk management within the context of Integrated Planning and Reporting. More detailed information can be obtained from organisations such as Risk Cover WA and Local Government Insurance Services.

Risk management involves effectively managing business systems and processes to achieve an appropriate balance between realising opportunities for gain while minimising adverse impacts. It is an integral part of good management practice and an essential element of sound corporate governance.

Risk management processes should not encourage local governments to be 'risk averse'. Managing risk means balancing risk and reward. Risk management gives organisations the confidence to pursue opportunities with the knowledge that they have adequately managed and accepted the risks in a balanced way.

Risk management involves establishing an appropriate framework and culture, and applying a logical and systematic method to identify and manage risks by:

* implementing and communicating an organisational policy

* balancing risk and opportunity within organisational policies

* defining the organisation's risk appetite, tolerance and likelihood guidelines

* training elected members and officers to establish the context for assessing potential risks, and

* identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will maximise the potential to achieve goals and objectives and minimise potential for harm or loss.

Managing risk requires all elected members and officers to use an interactive process consisting of steps that, when undertaken in sequence, enable a sound basis for decision-making and facilitates continuous improvement in performance.

To be most effective, risk management should become part of an organisation's culture. It should be communicated across the organisation and embedded into the organisation's philosophy, business practices and processes rather than be viewed or practiced as a separate activity. When this is achieved, everyone in the organisation becomes involved in the management of risk.

Key Point

Risk management does not stand outside of the local government's normal activities. Sustainable risk management is **built into** and **not built on** everyday tasks and duties. To ensure the process is managed, it must always be demonstrated in strategic planning and mandated in all operational functions and services.

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The Department of Local Government wishes to acknowledge RiskID and RiskCover WA for the information included in this resource.