What has COVID 19 done to your risk profile?

Gavin Dyche – Manager Risk and Safety
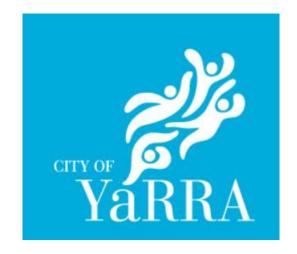**12th November 2020**

My Journey

My Journey

Allow me to be upfront with you

'When I grow up I want to work in Risk Management…….'

Allow me to be upfront with you

Key Messages

1. COVID 19 and Risk Profiles

2. COVID 19 and Controls

3. COVID 19 and Risk Appetite

4. COVID 19 and the Future

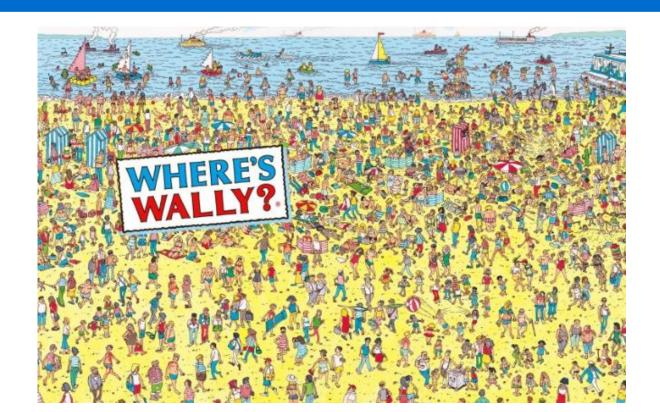5. COVID 19 and Internal Audit

COVID 19 Response in Challenging Times

COVID 19 – Rising to the Challenge

THE INQUISITOR NASHVILLE

INQUISITORNASHVILLE.COM
5-Second Rule shortened to 3 seconds amid growing health concerns

COVID 19 – Rising to the Challenge

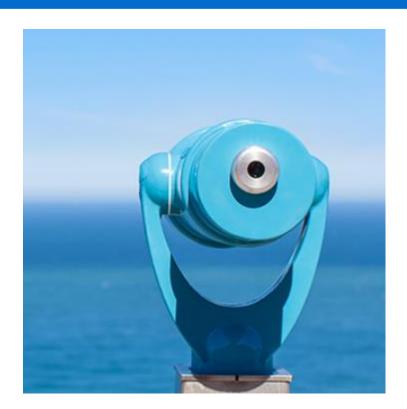# COVID 19 – Rising to the Challenge

COVID 19 – Taking a Moment to Reflect

How did we get here?

How did we get here?

Top 10 risks in terms of
Likelihood

1. Extreme weather
2. Climate action failure
3. Natural disasters
4. Biodiversity loss
5. Human-made environmental disasters
6. Data fraud or theft
7. Cyberattacks
8. Water crises
9. Global governance failure
10. Asset bubbles

Top 10 risks in terms of
Impact

1. Climate action failure
2. Weapons of mass destruction
3. Biodiversity loss
4. Extreme weather
5. Water crises
6. Information infrastructure breakdown
7. Natural disasters
8. Cyberattacks
9. Human-made environmental disasters
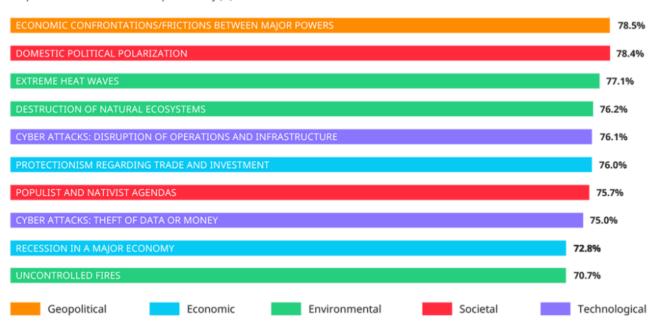10. Infectious diseases

How did we get here?

Top Risks Expected To Increase in 2020

Respondents to Global Risks Perception Survey (%)

Risk	%
ECONOMIC CONFRONTATIONS/FRICTIONS BETWEEN MAJOR POWERS	78.5%
DOMESTIC POLITICAL POLARIZATION	78.4%
EXTREME HEAT WAVES	77.1%
DESTRUCTION OF NATURAL ECOSYSTEMS	76.2%
CYBER ATTACKS: DISRUPTION OF OPERATIONS AND INFRASTRUCTURE	76.1%
PROTECTIONISM REGARDING TRADE AND INVESTMENT	76.0%
POPULIST AND NATIVIST AGENDAS	75.7%
CYBER ATTACKS: THEFT OF DATA OR MONEY	75.0%
RECESSION IN A MAJOR ECONOMY	72.8%
UNCONTROLLED FIRES	70.7%

Legend: Geopolitical | Economic | Environmental | Societal | Technological

Source: World Economic Forum, Global Risks Report 2020

How did we get here? – Risk Assessments

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	Medium	High	High	Extreme	Extreme
Likely	Medium	Medium	High	Extreme	Extreme
Possible	Medium	Medium	High	High	Extreme
Unlikely	Low	Medium	Medium	High	
Rare	Low	Low	Medium	High	

COVID 19 – The Broader Impact

The global impact of COVID 19 is still yet to be fully comprehended, but it can be confidently assumed that impacts include:

- ❑ Mental Health
- ❑ Economic Stress
- ❑ Business/Organisational Adaptation
- ❑ Property
- ❑ Insurance
- ❑ Social

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COVID 19 Impact on Risk Profiles

Strategic Risks

❖ Strategic Risks trending to requiring more detailed reviews and risk ratings being adjusted higher given uncertainty.

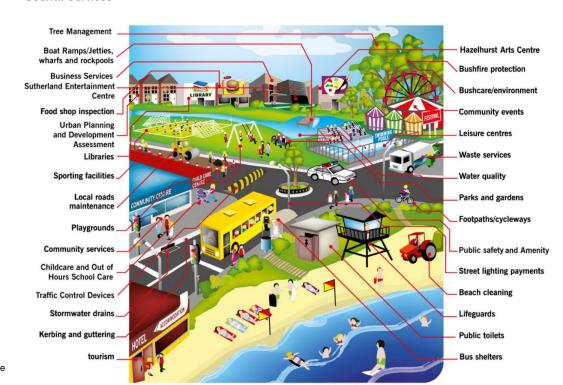❖ Inclusion of either new strategic risk or new causes for existing risks

Operational Risks

❖ Potentially a whole new suite of risks and major changes to existing

 Example: COVID 19 has substantially increased fraud and corruption risks.

Council Risk Profile – Does it get more diverse?

Council Services

Source: Sutherland Shire Council Website

Common Council Risk Observations

Risk Maturity – Lower end of the scale

Control Effectiveness – Little to none

Risk Assessments – Pockets of effectiveness

Risk Registers – Capture a moment in time and not linked to the broader picture

Risk Expertise and Positioning – Can be difficult to source expertise and role may positioned at the incorrect level or reporting line.

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Pre-COVID Control Environment

Weaker Controls

❑ Policy and Plans

❑ Training

❑ Tone from the top

❑ Manual delegations

❑ Prima facie controls (e.g. manual signatures)

❑ Perceived Integrity or loyalty of staff

Stronger Controls

❑ System-based Access Controls

❑ System- based segregation of duties and delegations

❑ System-based control enforcement (i.e. open document to check before approval)

❑ Automated Data Analytics

Pre-COVID Control Environment – Misconceptions

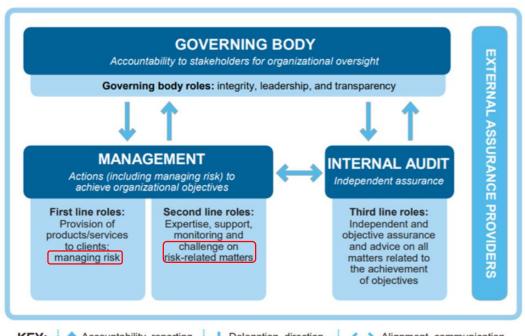'We have controls so they must be working'

'More controls = better risk mitigation'

'Internal Audit are there to check the controls'
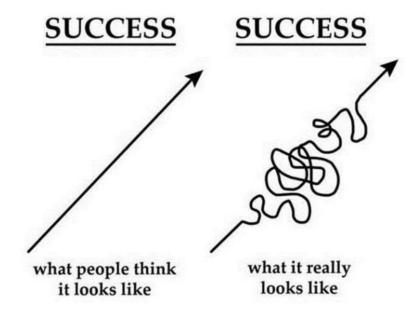
Pre-COVID Control Environment – Modelling Gaps

The IIA's **Three Lines Model**

GOVERNING BODY
Accountability to stakeholders for organizational oversight

Governing body roles: integrity, leadership, and transparency

MANAGEMENT
Actions (including managing risk) to achieve organizational objectives

INTERNAL AUDIT
Independent assurance

First line roles:
Provision of products/services to clients; managing risk

Second line roles:
Expertise, support, monitoring and challenge on risk-related matters

Third line roles:
Independent and objective assurance and advice on all matters related to the achievement of objectives

EXTERNAL ASSURANCE PROVIDERS

KEY: ↑ Accountability, reporting ↓ Delegation, direction, resources, oversight ↔ Alignment, communication coordination, collaboration

COVID Control Environment

Objective – Rapidly mobilise remote workforce

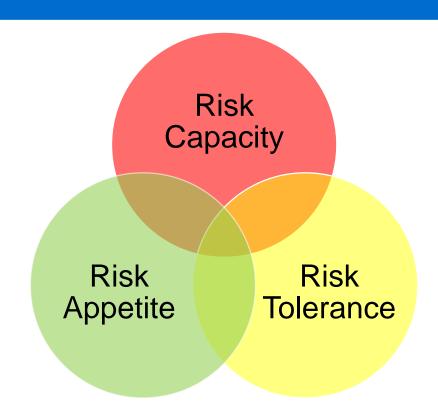# Key Messages

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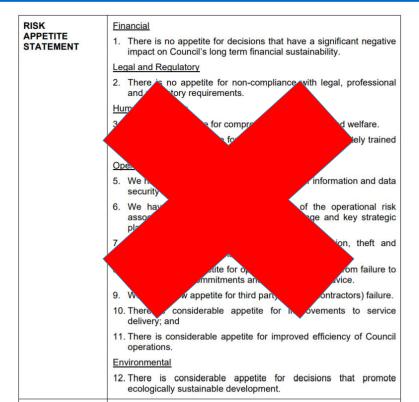
4. COVID 19 and the Future

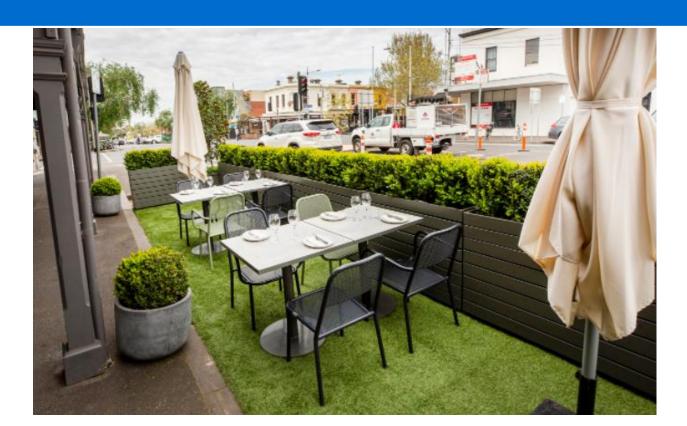5. COVID 19 and Internal Audit

COVID 19 and Risk Appetite

Risk Appetite – What next?

Risk Appetite – Example of my thinking

Risk Appetite – Example of my thinking

Risk Appetite – Example of my thinking

Risk Management Guidelines for Expanded Outdoor Dining

ONE YARRA

Background

This document and the guidance contained here within is provided based on the intention for City of Yarra to implement Victorian Government directives to quickly and simplistically rapidly increase outdoor dining areas for traders within our municipality.

This initiative is aligned with 'Step Three' of the Victorian Government 'Coronavirus (COVID 19) roadmap to reopening', currently scheduled to commence from 26th October and dependant on case numbers.

Scope

The risk management advice is provided as general guidance to inform a risk-based approach to outdoor dining implementation options and does not factor in individual risks which may be attributable to specific locations, premises, traders or the application protocol (i.e. food safety, insurances, liquor licensing, etc.)

The guidance is provided for consideration of the high-level risks and associated ratings of potential dining solutions currently proposed.

Assessment of Proposed Outdoor Dining Options

Tier One - Use of neighbouring footpath space

Inherent Overarching Risk Rating | Projected Overarching Residual Risk Rating

Key Risks

Key Risks	Likelihood	Consequence	Risk Rating
Failure to obtain appropriate documented permission for use of neighbouring space	Unlikely	Minor	Low
Failure to prevent detrimental impact to neighbouring businesses	Unlikely	Minor	Low

Risk Mitigation Recommendations

➤ Ensure a robust process exists for obtaining and recording of permissions from neighbouring premises.

Implications of non-implementation of recommendations

Minimal. Potential for complaints for the expansion of the footpath trading areas from non-permit holders or from conflict between permit holders and available space.

Comments

Tier Two - Use of parking spaces (parallel to roadway)

Overarching Inherent Risk Rating | Projected Overarching Residual Risk Rating

Key Risks

Key Risks	Likelihood	Consequence	Risk Rating
Failure to prevent impact with vehicles (erroneously or deliberately) and outdoor diners	Possible	Severe	High
Inadequate suitability of road surface for pedestrian and dining usage	Likely	Major	High
Failure to prevent damage or impairment of roadside drainage or utility infrastructure	Possible	Moderate	Medium

Risk Mitigation Recommendations

➤ **Mandatory** - Council should install physical barriers separating outdoor dining area from the roadway/parking spaces on three sides (kerbside section excepted). Barriers must be of suitable standard to withstand impact from a vehicle travelling at the speed limits (refer relevant Australian Standards or publications e.g. 'Crowded Places' guidelines). Potential examples are noted below.

➤ Reduction in roadway speed limits. This may reduce the consequence of erroneous vehicle impact but does not mitigate the risk of deliberate intent.

➤ Trip hazard mitigation. Trip hazards associated with stepping up and down a kerb from the footpath into the expanded dining area or from tripping on defects (i.e. potholes, undulations, broken sections) require mitigation through examples such as those noted below.

Key Messages

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COVID 19 and The Future - Challenges

COVID 19 and The Future - Opportunities

COVID 19 and The Future

❑ Addressing COVID challenges may work against some existing initiatives including:

  ➢ Sustainability/Environmental

  ➢ Asset Management

  ➢ Climate Change

❑ Critical Incident response/recovery frameworks must evolve to be tried and tested responses, particularly to address low likelihood/high impact events.

❑ Need for reflection on how the pandemic played out against risk profiles

❑ COVID 19 will have a knock-on effect on other risks

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COVID 19 and Internal Audit

❑ COVID 19 is going to demonstrate many examples of LG acting outside standard protocols. The challenge is going to be deciphering when COVID practices become the new BAU

❑ COVID 19 is going to be used as rationale for many findings or recommendations, some less genuine than others.

❑ Seek examples of good governance in how COVID 19 has been handled (i.e. established structures, chains of command, detailed minutes, etc.)

❑ Continue to call out ineffectiveness, repeat findings, lack of action. Culture and behaviour are crucial organisational indicators.

Risk Management & Internal Audit

In Closing

Thank you for your time!