New Zealand Search and Rescue Council

24 August 2018

NZSAR COUNCIL RISK MANAGEMENT POLICY

NZSAR Purpose

1.   The purpose of the New Zealand Search and Rescue (NZSAR) Council is to provide strategic leadership and direction to the network of organisations that make up New Zealand's Search and Rescue (NZ SAR) sector.

NZSAR Risk Standard

2.   It is the policy of the NZSAR Council to adopt the ISO 31000:2018 Risk management - Guidelines standard. This policy is written to the structure of that standard.

3.   The purpose of risk management is the creation and protection of value. The NZSAR Council creates value by supporting and enabling effective search and rescue services for people in distress throughout the New Zealand Search and Rescue Region (NZ SRR).

NZSAR Risk Governance

4.   The NZSAR Council's role is to provide national strategic governance to the NZ SAR sector. The NZAR Council has a responsibility to maintain New Zealand's SAR strategy, which includes risk management.

5.   The NZSAR Secretariat's role is to support the NZSAR Council and provide strategic coordination for the NZSAR sector through support services, policy advice and implementation of NZSAR Council decisions.

6.   The NZSAR Secretariat acts as a bridge between the strategic and operational domains of the NZ SAR governance structure.

7.   The NZSAR Secretariat supports the NZSAR Council's risk management strategy by:

a.   Providing risk management information, support services and advice

b.   Maintaining key risk management documentation

c.   Reporting on NZ SAR sectors risk management activities

d.   Implementing the agreed risk treatments

8.   The NZSAR Consultative Committee provides the forum for the NZ SAR sector stakeholders. Its risk management responsibility includes:
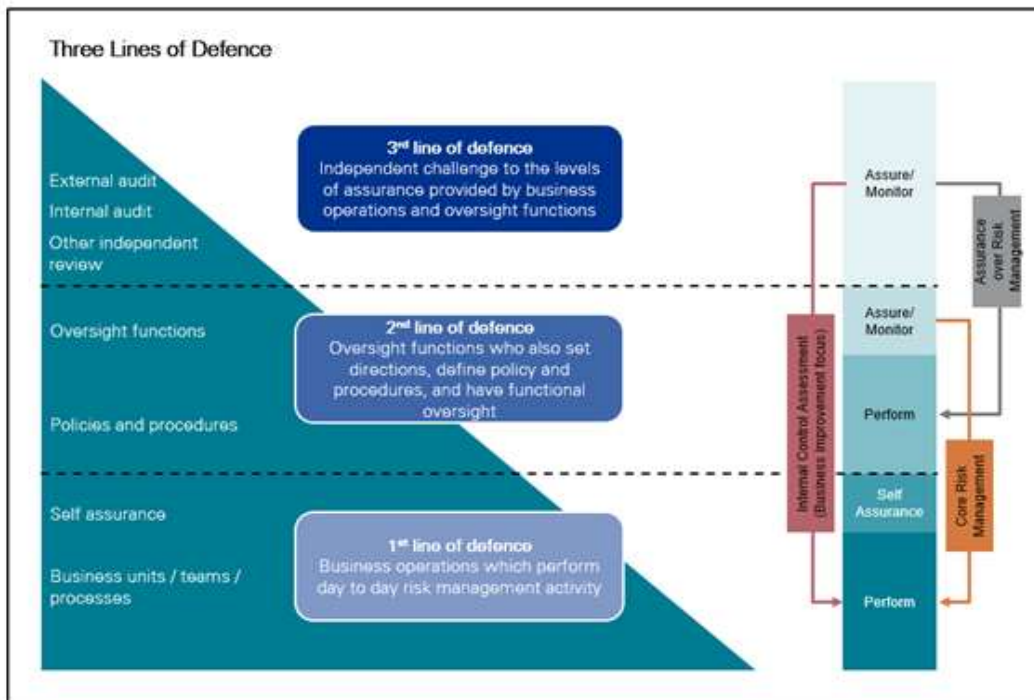
a.   Informing the risk management policy

b.   Providing advice on the risk register

c.   Assisting in the implementation of the agreed risk treatments

d.   Incorporating relevant risks into their organisational risk management practices

NZSAR and the 'Three Lines of Defence' model

9.   The Office of the Auditor General New Zealand has a useful model1 for broadly separating risk management activities for networked organisations like NZ SAR:

10.   "In the Three Lines of Defence model, management control is the first line of defence in risk management, the various risk control and compliance oversight functions established by management are the second line of defence, and independent assurance is the third."2

11.   The diagram below identifies the main elements of the Three Lines of Defence:

12.   The NZSAR Council and Secretariat works at the second line of defence. The specific activities associated with the second line of defence are:

a.   Setting policies, defining roles, setting goals

b.   Providing risk management frameworks

c.   Identifying known and emergent issues

d.   Identifying shifts in risk appetite and tolerance

e.   Developing processes and controls

f.   Providing guidance

g.   Facilitating effective risk management practices

h.   Alerting NZ SAR operational agencies to changing risk scenarios

These activities complement the guidance provided by *ISO 31000:2018 Risk management - Guidelines.*

Application of ISO 31000/2018 to NZ SAR

13.   **The ISO 31000/2018 risk management principles.** The Eight principles provide the foundation for the NZSAR Council's risk management activities.

14.   These aren't prescriptive 'tick box' items. The NZSAR Council should consider any proposed risk management activity in the light of these principles and use the principles to improve its risk management outcomes.

15.   The principles are described by the following model and explained in more detail in the accompanying sections.
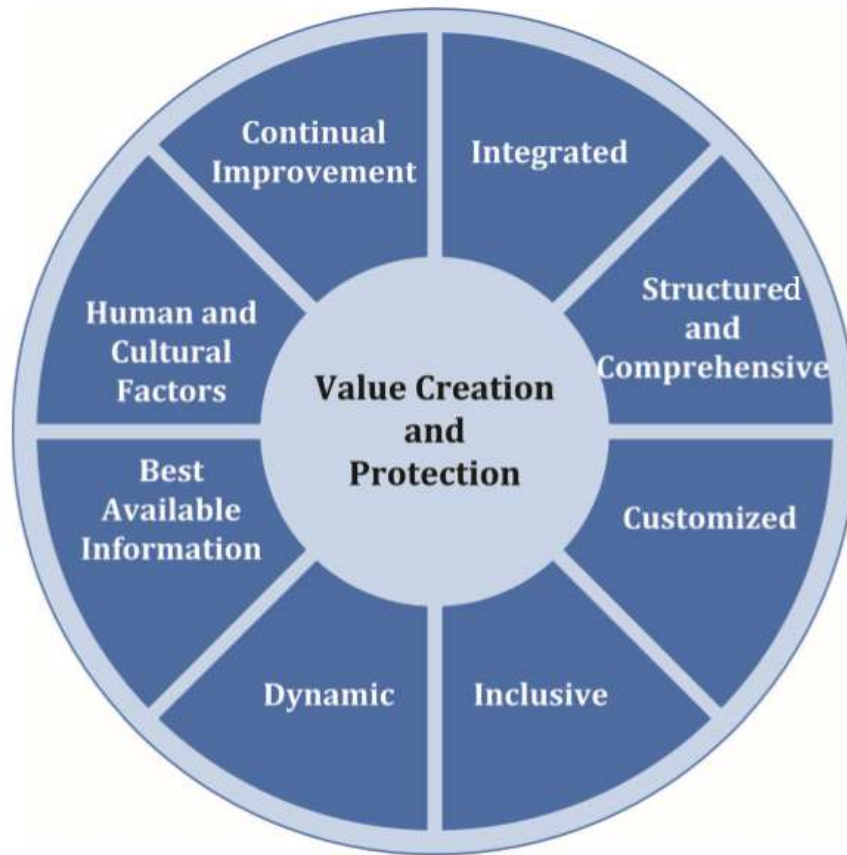
Figure One. Risk management principles. ISO 31000:2018

16.   **Integrated.** Risk management should be an integral part of all NZ SAR organizational activities. This means risk management helps NZSAR Council and Secretariat function as a connecting and unifying force for the NZ SAR region.

17.   It also means the NZSAR Council brings together different risk management disciplines from across the NZ SAR network that contribute to NZ SAR objectives.

18.   **Structure and comprehensive.** NZSAR Council risk management should contribute to consistent and comparable results. This means risk management is systematic and organized to produce measurable results. It also means the NZSAR Council works to bring as much of its risk management activities into a closely related whole, rather than having different elements of the risk management structure loosely connected.

19.   **Customized.** The NZSAR Council's risk management framework and processes aims to fit the unique requirements of serving the NZ SRR and are proportionate to meeting the demands of its strategic objectives. This means risk management should not require excessive attention relative to its contribution to overall governance and management activities.

20.   **Inclusive.** The NZSAR Council's risk management involves stakeholders in an appropriate and timely manner so that their knowledge, views and perceptions are considered and acted upon where necessary.

21.   This means the NZSAR Council adapts the input of stakeholders to strengthen the overall performance of risk management in the NZ SRR. In particular this means regular meetings with the NZSAR Consultative Committee.

22.   **Dynamic.** The NZSAR Council's risk management recognises that risks can emerge, change or disappear as the NZ SRR external and internal context changes. This means that the NZSAR Council puts time into anticipating, detecting, acknowledging and responding to these changes and events in an appropriate and timely manner.

23.   **Best available information.** The NZSAR Council's risk management emphasises the importance of having information that is timely, clear and available to relevant stakeholders. It recognises that information will often be incomplete, limited and inaccurate.

24.   **Human and cultural factors.** The NZ SAR sector consists of multiple groups which bring a wide variety of behavioural and cultural influences into all phases of risk management. Understanding this and using it to an advantage is an important element for effective NZSAR Council risk management.

25.   **Continuous improvement.** The NZSAR Council has the advantage of having multiple opportunities to practise effective risk management through learning and experience. This means the NZSAR Council has an important role in communicating these lessons across the many organisations that comprise the NZ SAR sector.

The ISO 31000/2018 risk management framework

26.   The purpose of the risk management framework is to assist the NZSAR Council in integrating risk management into significant activities and functions. This specifically applies to how the NZSAR Council builds second line of defence risk management activities into its decision making.

Figure Two. Risk management framework. ISO 31000:2018

27.   The NZSAR Council conducts regular assessment of its risks against the six elements of the risk management framework.

Leadership and commitment

28.   The NZSAR Council is responsible for guiding the course of the NZ SAR sector, its external and internal relationships and the rules, processes and practices needed to achieve its purpose.

29.   The NZSAR Council has five main risk management commitments under the risk management framework:

a.   Ensuring that risks are adequately considered when setting NZ SAR sector objectives

b.   Understanding the risks facing the NZ SAR sector as it pursues its objectives

c.   Ensuring that systems to manage these risks are implemented and operating effectively

d.   Ensuring that the risks are appropriate in the context of NZ SAR sector objectives

e.   Ensuring that information about the risks and their management is properly communicated.

30.   The NZSAR Secretariat is responsible for translating the Council's direction into the strategy and associated objectives required to achieve desired levels of sustainable performance and long-term viability.

31.   The NZSAR Secretariat has five main risk management commitments to make under the risk management framework:

a.   Customising the ISO 31000:2018 risk management framework to the operational structure of the NZ SAR sector over the five-year period of this risk management policy

b.   Maintaining an up to date risk management policy that establishes the NZSAR Council's approach to managing risk

c.   Maintaining an up to date risk register that follows the risk policy and records the primary risks faced by the NZ SAR sector

d.   Submitting regular risk reports to the NZSAR Council

e.   Ensuring that necessary resources are allocated to risk management

32.   The NZSAR Consultative Committee has three main risk management commitments to make under the risk management framework:

a.   Regularly review NZSAR Council risks and provide NZ SAR sector contexts on how risks are articulated and treated

b.   Provide advice whether risks are current and whether new risks should be adopted

c.   Implement the NZSAR Council risk management practices into their own organisations

Integration

33.   Risk is managed in every part of NZ SAR sector structure and all agencies in NZ SAR sector has some responsibility in managing risk. For a distributed and networked organisation like NZ SAR, integrating risk management practices is one of the primary requirements for an effective risk management framework.

34.   Much of the NZ SAR sector consists of first line of defence risk management. Integrating the risk management activities for the various first line of defence elements is important for the resilience of the NZSAR Council's risk management framework. These first line of defence risk management practices then need to be connected up to the second line.

Design

35.   When designing the overall risk management framework, the NZSAR Council needs to take into account the context it operates in. Practically this means making specific and definite references to known elements in maintaining an effective NZ SAR sector.

36.   These elements can be found in NZSAR Council documents such as the Strategic Plan, Operational Framework and Environmental Scan.

37.   The NZSAR Secretariat is responsible for ensuring regular risk communication and consultation is built into the NZ SAR sector practices and processes. Communication involves sending and receiving risk information across the NZ SAR sector and consultation involves participants contributing to and shaping risk management decisions and activities.

Implementation

38.   The NZSAR Secretariat should implement the risk management framework by:

a.   Developing an appropriate implementation plan that details specific actions, time frames and resource allocation

b.   Identifying where the key risk management decisions are made across the NZ SAR sector and by whom

c.   Communicating NZSAR Council's risk management arrangements so that risks are clearly understood, and controls are applied

Evaluation

39.   The NZSAR Secretariat will need to regularly evaluate the effectiveness of the risk management framework. This involves measuring the performance of the framework against its purpose, implementation plans, key risk indicators and expected behaviour.

40.   An important outcome of this evaluation is an understanding whether the risk management framework is effective in achieving NZ SAR objectives.

Improvement

41.   Over time and as a result of operational and strategic developments, the NZSAR Council and Secretariat will identify gaps and improvement opportunities for the risk management framework.

42.   As these gaps and opportunities are identified, they should be added to a work plan, allocated across the NZ SAR sector and reported on. Once in place they should be assessed for overall contribution to the risk management framework.

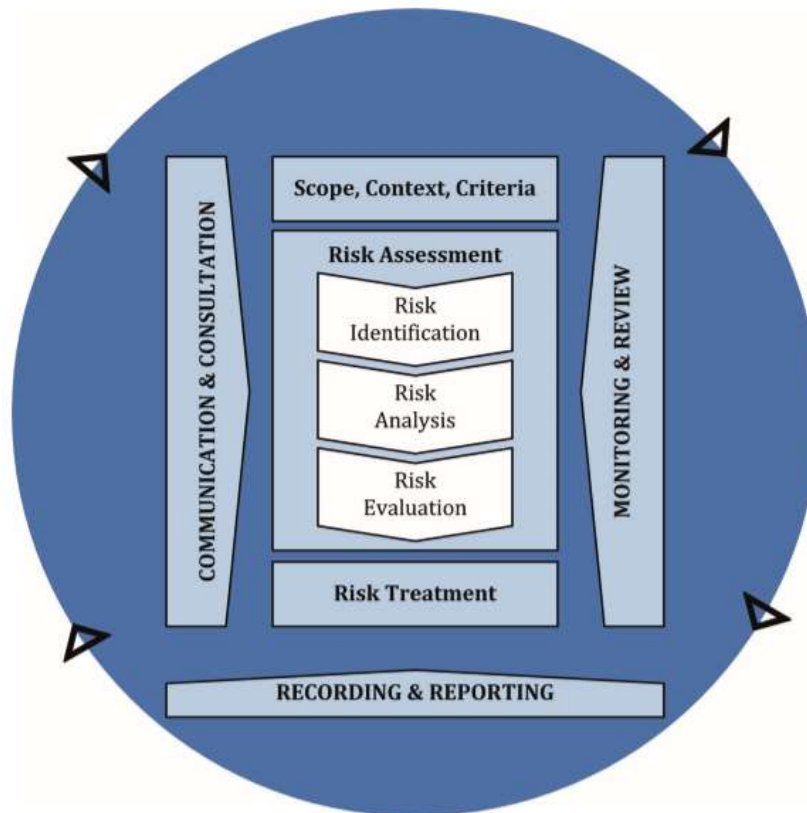**The ISO 31000/2018 risk management processes**

Figure Three. Risk management process. ISO 31000:2018

43.   The risk management process is much the same as ISO 31000:2009. The systematic application of risk management policies, procedures and practices is already built into the NZSAR Council and Secretariat work plan.

44.   This process should be the same across the NZ SAR sector in order to enable effective communication of risk across the first line of defence and up to the second line.

Communication and consultation

45.   The NZSAR Council places heavy emphasis on assisting relevant stakeholders in understanding risk, the basis on which risk management decisions are made and the reasons why particular actions are required.

46.   Communication seeks to promote awareness and understanding of risk. Consultation involves obtaining feedback and information to support decision making.

The two activities should facilitate factual, timely, relevant, accurate and understandable exchange of information.

Scope, context and criteria

47.   The purpose here is to ensure that the risk management process is customised to the NZ SAR sector environment such that risk assessment and treatment is appropriate and effective.

48.   The risk management process can be applied at different levels (e.g. the strategic, operational, programme or project levels), so being clear about scope is important for accuracy and fitness to purpose.

49.   The following considerations are important when planning the approach of risk management;

a.   The objectives and decisions that need to be made

b.   The outcomes expected from each step in the risk management process

c.   The appropriate risk assessment tools and techniques

d.   The necessary resources, responsibilities and record keeping

e.   The relationships with other project, processes and activities

50.   Because the NZSAR Council has responsibility for the national objective of achieving public safety, it is important that the NZSAR Council make explicit the amount and type of risk that it may not take, relative to NZ SAR objectives.

51.   The concept of risk tolerance is useful for the NZSAR Council when working out which risks it should not take. Risk tolerance in the NZ SAR sector context is about which risks are 'survivable', if they become active issues.

52.   'Survivable' means the NZ SAR sector remains able to deliver on the national objective of achieving public safety. Risk tolerance helps determine risk priority outside of the risk register.

53.   The NZSAR Council should define risk criteria to help evaluate the significance of risk and support decision making processes. The criteria should align with the risk management framework and reflect the NZ SAR sector's purpose and scope of activity. These criteria should be clearly visible in the risk register.

54.   To set effective risk criteria, the NZSAR Council should consider the following:

a.   The nature and type of uncertainties that can affect outcomes and objectives

b.   How consequences and likelihood will be defined and measured

c.   Time related factors

d.   Consistency in the use of measurements

e.   How the level of risk is determined

f.   How combinations and sequences of multiple risks will be taken into account

g.   The NZSAR Council's risk tolerance

Risk assessment

55.   Risk assessment is the overall process of risk identification, risk analysis and risk evaluation.

Risk identification

56.   The purpose of risk identification is to find, recognize and describe risks that might help or prevent the NZSAR Council achieving its objectives.

57.   When identifying risk, consider the following:

a.   Tangible and intangible sources of risk

b.   Causes and events

c.   Threats and opportunities

d.   Vulnerabilities and capabilities

e.   Changes in the external and internal context

f.   Indicators of emerging risks

g.   The nature and value of assets and resources

h.   Consequences and their impact on objectives

i.   Limitations of knowledge and reliability of information

j.   Time related factors

k.   Biases, assumptions and beliefs of those involved

Risk analysis

58.   The purpose of risk analysis is to comprehend the nature of risk and its characteristics. It involves a detailed consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness.

59.   When analysing risk, consider the following:

a.   The likelihood of events and consequences

b.   The nature and magnitude of consequences

c.   Complexity and connectivity

d.   Time related factors and volatility

e.   The effectiveness of existing controls

f.   Sensitivity and confidence levels

Risk evaluation

60.   The purpose of risk evaluation is to support decisions. Risk evaluation involves comparing the results of the risk analysis with the risk criteria to determine where additional action is required.

61.   Risk evaluation can lead to decisions such as:

a.   Take no further action

b.   Consider risk treatment options

c.   Undertake further analysis

d.   Maintain existing controls

e.   Reconsider objectives

Risk treatment

62.   The purpose of risk treatment is to select and implement options for addressing risk.

63.   Risk treatment involves an iterative process of:

a.   Formulating and selecting risk treatment options

b.   Planning and implementing risk treatment

c.   Assessing the effectiveness of that treatment

d.   Deciding whether the remaining risk is acceptable

e.   If not acceptable, taking further treatment

64.   Selecting the most appropriate risk treatment options involves balancing the potential benefits of achieving objectives against cost, effort or disadvantages of implementation.

65.   If there are no treatment options available or if they don't sufficiently modify the risk, this should be recorded, and the risk kept under review.

66.   Risk treatments should be recorded in risk treatment plans that specify how the chosen options will be implemented.

67.   Treatment plans should include:

f.   The rationale for selecting the treatment options, including the expected benefits

g.   Who is accountable and responsible for approving and implementing the plan

h.   The proposed actions

i.   The required resources

j.   The performance measures

k.   The constraints

l.   The required reporting and monitoring

m.   When actions are expected to be undertaken and completed