

Risk Management Policy

CEO



11 May 2022

This policy was adopted by Council to set governing principles in place that align with the Strategic Community Plan 2040: Focus Area Performance: Outcome PF.1: Responsible planning and ownership of outcomes.

Objectives

The Shire's approach to risk management which, as further defined in the Shire's Risk Management Framework will:

- Ensure a structured, consistent and comprehensive approach to risk management
- Create a culture that embraces accountability for risk management across the organisation
- Incorporate risk management into planning, decision making and operations
- Assist with the achievement of the Shire's vision, goals and outcomes
- Equip the organisation with the skills to identify and treat risks effectively
- Improve corporate governance in the organisation
- Provide a transparent and formal oversight of risk, and compliance with legislative requirements
- Identify and provide for continuity of critical operations.

Application

The successful integration of risk management requires a consistent and systemic approach throughout the Shire and as such applies to all Councillors, employees, volunteers and contractors.

Definitions

Risk	The effect of uncertainty on objectives.
Risk appetite	The amount and type of risk an organisation is willing to accept in pursuit of its business objectives.
Risk management	The application of coordinated activities to direct and control an organisation with regards to risk.
Risk Management Framework	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing

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and continually improving risk management throughout the organisation.

Definitions: AS ISO 31000:2018 Risk Management Guidelines

Policy

1. Risk management

Effective risk management supports informed decision making and enhances the delivery of services to the community. The Shire is committed to ensuring that risk management is an integral process in all aspects of its operations and practices, to ensure efficient and effective service delivery.

The Shire manages risks continuously using a Risk Management Framework that requires the identification, analysis, evaluation, treatment, monitoring and review of risks. The Risk Management Framework reflects best practice and good governance principles consistent with *AS ISO 31000:2018 Risk Management Guidelines*.

2. Risk assessment and acceptance criteria

The Shire has quantified its broad risk appetite through the Shire's risk assessment and acceptance criteria included in Attachment 1 of this policy.

All organisational risks are to be assessed according to the Shire's risk assessment and acceptance criteria to allow consistency and informed decision-making. For certain project or strategic risk, or to satisfy external stakeholder risk assessment requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation's appetite and are to be noted within the individual risk assessment.

Relevant legislation

Regulation 17 *LG (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance.

Related documents

Risk Management Framework

Occupational Safety and Health Policy

Document and version control table

Responsible Directorate	Office of the CEO
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Contact officer	Governance (Legal, Risk) Officer		
Adopted / approved by:	Council		
Date of adoption / approval:	11 May 2022	Decision Ref: OM2022/74	
Date of next review	2026		
Document No.	N228681	File No.	GOV/38; COR/17
Versio n	Date	Decision Ref.	Brief description
1.0	23/6/2014	[TBD]	Initial Issue
2.0	14/6/2017	OM2017/139	Review, update to new corporate template and endorsed by Council OM2017/139
3.0	13/10/2021	OM2021/203	Review, updated to align with AS ISO:2018 Risk Management Guidelines. Inclusion of risk assessment and acceptance criteria for use across the whole organisation.
4.0	11/05/2022	OM2022/74	Full review

Attachment 1: Risk Assessment and Acceptance Criteria

Table 1 - Measures of consequence									
Rating(Level)	Health/Safety	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment	Project TIME	Project COST
Insignificant (1)	Negligible injuries – no medical treatment	Less than \$10,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential damage.	Contained, reversible impact managed by on site response	Exceeds deadline by 10% of project timeline	Exceeds project budget by 10%
Minor (2)	First aid injuries	\$10,001 - \$100,000	Short term temporary interruption - backlog cleared < 1 day	Some temporary non-compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	Exceeds deadline by 15% of project timeline	Exceeds project budget by 15%
Moderate(3)	Medical treatment injuries Lost time injury <10 days	\$100,001 - \$500,000	Medium term temporary interruption - backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	Exceeds deadline by 20% of project timeline	Exceeds project budget by 20%
Major (4)	Significant / extensive injury or illness. Lost time injury >10 days.	\$500,001 - \$1,000,000	Prolonged interruption of services - additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	Exceeds deadline by 25% of project timeline	Exceeds project budget by 25%

Catastrophic (5)	Fatality, permanent disability	More than \$1,000,000	Indeterminate prolonged interruption of services - non- performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damagerequiring prolongedperiod of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact	Exceeds deadline by 30% of project timeline	Exceeds project budget by 30%
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Table 2: Measures of Likelihood			
Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances (>90% chance)	More than once per year
4	Likely	The event will probably occur in most circumstances (>50% chance)	At least once per year
3	Possible	The event should occur at some time (20% chance)	At least once in 3 years
2	Unlikely	The event could occur at some time (less than 10% chance)	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances (less than 5% chance)	Less than once in 15 years

Table 3: Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Table 4: Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Manager
HIGH	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
EXTREME	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

Table 5: Controls Ratings		
Rating	Foreseeable	Description
Effective	There is <u>little</u> scope for improvement.	<ol style="list-style-type: none"> 1. Processes (Controls) operating as intended and aligned to Policies / Procedures. 2. Subject to ongoing monitoring. 3. Reviewed and tested regularly.
Adequate	There is <u>some</u> scope for improvement.	<ol style="list-style-type: none"> 1. Processes (Controls) generally operating as intended, however inadequacies exist. 2. Nil or limited monitoring. 3. Reviewed and tested, but not regularly.
Inadequate	There is a <u>need</u> for improvement or action.	<ol style="list-style-type: none"> 1. Processes (Controls) not operating as intended. 2. Processes (Controls) do not exist, or are not being complied with. 3. Have not been reviewed or tested for some time.