



## COUNCIL POLICY Administration

1.2.2

<b>Title:</b>	<b>1.2.2 RISK MANAGEMENT</b>
<b>Adopted:</b>	20 February 2019
<b>Reviewed:</b>	16 December 2020
<b>Associated Legislation:</b>	Local Government Act 1995 Local Government (Audit) Regulations 1996 Risk Management Standard AS/NZS ISO 31000:2018
<b>Associated Documents:</b>	Risk Assessment and Acceptance Criteria Tables: Risk Management Framework
<b>Review Responsibility:</b>	Audit & Risk Committee; Chief Executive Officer & Governance Officer
<b>Delegation:</b>	Nil

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Previous Policy Number/s 2013, 1.2.2

### Objective:

To detail the Shire's level of commitment towards the concept and resourcing of risk management and define its risk appetite, risk acceptance and control evaluation criteria.

### Policy Statement:

It is the Shire's Policy to aim for best practice (aligned with AS/NZS ISO 31000:2018 Risk Management Guidelines), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.

Risk management functions will be resourced appropriately to meet the size and scale of the Shire's operations and will form part of the Strategic, Operational, and Project responsibilities and be incorporated within the Shire's Integrated Planning Framework.

The Shire is committed to:

- Utilising the principles and guidelines outlined in the standard AS/NZS ISO 31000:2018;
- Appointing and resourcing the Audit & Risk Committee.
- Provide adequate budgetary provision for the financing of risk management including approved risk mitigation activities.
- Promoting a culture within the Shire of awareness and active management of risks;
- Providing regular education to its staff in risk management practices;
- Implementation of these principles in the Shire's operations through the Risk Management Framework and Procedures;
- Providing transparent and formal oversight of the risk and control environment to enable effective decision making.
- Embedding appropriate and effective controls to mitigate risk.
- Providing for the continuity of critical operations.



- Doing all the above to the best of our ability within the constraints imposed by resource availability.

### **Risk Appetite**

As a public authority the Shire has a natural and, in some cases, statutory predisposition to a conservative appetite for risk. In particular, the Shire has little or no appetite for risk which will;

- a) Have a moderate (or higher) negative impact on the Shire's long-term financial sustainability;
- b) Result in moderate (or higher) breaches of legislative requirements and/or successful litigation against the Shire;
- c) Compromise the safety and welfare of staff, contractors and/or members of the community.
- d) Cause significant and irreparable damage to the environment;
- e) Result in moderate (or higher) disruption to the delivery of key Shire's services;
- f) Result in any negative impact on the Shire's reputation;
- g) Result in the loss of, or otherwise unauthorised or accidental access or disclosure of confidential information.

### **Quantified Risk Assessment and Acceptance Criteria**

The Shire's Risk Assessment and Acceptance criteria (fig1-5) has been developed to align with its conservative risk appetite. All organisational risks are to be assessed against these criteria to allow consistency and informed decision making.

For operational requirements such as projects, or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisations risk acceptance criteria and are to be noted within the individual risk assessment.

### **Monitoring and Reporting of Organisational Risk**

- a) The Shire will develop and maintain a Risk Profile (register), which will evaluate risk at an organisational level using the quantified Risk Assessment and Acceptance Criteria contained within this policy;
- b) The CEO will report to the Audit & Risk Committee on the status of the Risk Profile at least twice yearly, with the report to include:
  - I. A review of any risk escalation; and
  - II. Provide a summary of risk maturity;
- c) The Audit & Risk Committee, in consultation with the CEO, will set an annual Control Assurance Plan informed by the Organisational Risk Profile and its priority rankings;
- d) The CEO will report to the Audit & Risk Committee at least twice yearly on the progress and findings of the Control Assurance Plan;
- e) The Audit & Risk Committee is to review this policy on a Biennial Basis;
- f) The CEO will conduct a triennial review of financial management systems and submit to the Audit & Risk Committee as per Regulation 5 of the Local Government (Financial Management) Regulations 1996;
- g) The CEO will conduct a triennial review on risk management, legislative compliance, and internal control and submit to the Audit & Risk Committee as per Regulation 17 of the Local Government (Audit) Regulations 1996.



Figure 1- Risk Assessment Criteria- Measures of Consequence

Measures of Consequence							
Rating (Level)	Health	Financial Impact	Service Interruption	Legal & Compliance	Reputational	Property	Environment
Insignificant (1)	First aid injuries	Less than \$5,000	No material service interruption	<b>Compliance:</b> No noticeable regulatory or statutory impact <b>Legal:</b> Threat of litigation requiring small compensation <b>Contract:</b> No effect on contract performance	Unsubstantiated, low impact, low profile or 'no news' item <i>Example: gossip, online post seen by limited persons</i>	Inconsequential damage	Contained, reversible impact managed by on site response <i>Example: pick up bag of rubbish</i>
Minor (2)	Medical type injuries	\$5,001 - \$15,000	Short term temporary interruption – backlog cleared < 1 day	<b>Compliance:</b> Some temporary non compliances <b>Legal:</b> Single minor litigation <b>Contract:</b> Results in meeting between parties in which contractor expresses concern	Substantiated, low impact, low news item <i>Example: online post seen by the community</i>	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response <i>Example: pick up trailer of rubbish</i>
Moderate (3)	Lost time injury <30 Days	\$15,001 - \$50,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	<b>Compliance:</b> Short term non-compliance but with significant regulatory requirements imposed <b>Legal:</b> several minor litigations <b>Contract:</b> Receive verbal advice that if breaches continue, a default notice may be issued	Substantiated, public embarrassment, moderate impact, moderate news profile <i>Example: local paper article, online post taken up by people outside of Shire</i>	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies <i>Example: Contractor removal of asbestos sheets</i>
Major (4)	Lost time injury >30 Days	\$50,000 - \$150,000	Prolonged interruption of services – additional resources; performance affected < 1 month	<b>Compliance:</b> Non-compliance results in termination of services or imposed penalties <b>Legal:</b> Single moderate litigation <b>Contract:</b> Receive written notice from contractor threatening termination if not rectified	Substantiated, public embarrassment, high impact, high news profile, third party actions <i>Example: State wide paper, TV news story, significant online presence</i>	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies <i>Example: truck/train spill of diesel of oil on road reserve</i>
Catastrophic (5)	Fatality, permanent disability	More than \$150,000	Indeterminate prolonged interruption of services – non-performance > 1 month	<b>Compliance:</b> Non-compliance results in litigation, criminal charges or significant damages or penalties <b>Legal:</b> Single major litigation or numerous moderate litigations <b>Contract:</b> Termination of contract for default	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions <i>Example: Au wide paper, TV news,</i>	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

Figure 2- Evaluation of Controls Criteria

Existing Controls Ratings		
Rating	Detailed Description	Description and Action Required
<b>Effective</b>	No control gaps. The control is influencing the risk level and inly continues monitoring is needed	<b>Description:</b> Control addresses risk, is officially documented, in operation and has been tested to confirm effectiveness
<b>Moderately Effective</b>	Few control gaps. The control is influencing the risk level however improvement is needed	Control addresses risk but documentation and/or operation of control could be improved
<b>Partially Effective</b>	Some control gaps that result in the control having limited influence on risk level	<b>Description:</b> Control addresses risk at least partially, but is not documented and/or operation of control needs to be improved <b>Action Required:</b> Must have a treatment plan (action) to improve the control effectiveness to at least 'Moderately Effective'
<b>Inadequate</b>	Signifiant control gaps that result in the control not influencng the risk level.	<b>Description:</b> At best, control addresses risk, but is not documented or in operation, at worst, control does not address risk and is neither documented nor in operation. <b>Action Required:</b> Must have a treatment plan (action) to improve the control effectiveness to at least 'Moderately Effective'



Figure 3- Risk Assessment Criteria- Measures of Likelihood

Measures of Likelihood			
Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year
4	Likely	The event will probably occur in most circumstances	At least once per year
3	Possible	The event should occur at some time	At least once in 3 years
2	Unlikely	The event could occur at some time	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years

Figure 4- Risk Assessment Criteria- Risk Matrix

Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
		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)

Figure 5- Risk Acceptance Criteria

Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW (1-4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE (5-9)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH (10-16)	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	CEO
EXTREME (16-25)	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