

RM 1 – Risk Management

1 Objectives

The objectives of this policy are to:

- Promote a culture of risk awareness and active management of risks;
- Protect the Shire by systematically identifying risks and managing them appropriately;
- Ensure Council is provided with reliable information to support decision-making and planning;
- Reduce the potential costs of risk; and
- Assign responsibilities for managing risks.

2 Scope

This policy applies to all risk management activities undertaken by Councillors and Workers.

3 Definitions

3.1 Risk

AS 31000:2018 defines Risk as:

Effect of uncertainty on objectives.

Note 1: An effect is a deviation from the expected- positive or negative.

Note 2: Objectives can have different aspects {such as financial, health and safety and environmental goals) and can apply at different levels {such as strategic, organisation-wide, project, product or process).

Note 3: Risk is usually expressed in terms of risk sources, potential events, their consequences and their likelihood.

3.2 Risk Management

AS 31000:2018 defines Risk Management as:

Coordinated activities to direct and control an organisation with regard to risk.

3.3 Significant

A Measure of Consequence rating of Major or Catastrophic as defined in Appendix A of this policy.

3.4 Substantial

Means a strong possibility, as contrasted with a remote or even a significant possibility, that a particular result may occur or that a particular circumstance may exist.

3.5 Worker

A part-time or full-time employee, casual employee, contractor, subcontractor, self-employed person, outworker, apprentice or trainee, work experience student, employee of a labour hire company placed with a 'host employer' and volunteers.

4 Policy

The Shire is committed to developing and implementing a Risk Management Framework in accordance with the risk management standard AS ISO 31000:2018, which will include systems to identify, treat, monitor, review and report risks across all of its operations.

4.1 Roles and Responsibilities

4.1.1 Council

- (a) Council is responsible for reviewing and approving the Risk Management Policy, Framework, and risk tolerance levels;
- (b) Considering risk management issues in reports to Council; and
- (c) Considering recommendations from the Audit Committee in relation to the adequacy of the Shire's systems and processes for managing risk.

4.1.2 Audit committee

The Audit Committee is responsible for the oversight of the Shire's approach to risk management and assessing the adequacy of the Shire's systems and processes for managing risk.

4.1.3 Chief Executive Officer

The Chief Executive Officer is responsible for:

- (a) The implementation of Council's Risk Management Policy;
- (b) Ensuring the development, implementation and review of the Shire's Risk Management Framework;
- (c) Communicating to Workers the Shire's commitment to developing, implementing and managing an effective Risk Management Framework;
- (d) Ultimately determining if levels of residual risk are acceptable;
- (e) Ensuring reports prepared for Council include appropriate information in relation to risk to enable informed decision making; and
- (f) Undertaking reviews of the Shire's systems and processes for managing risk and reporting the outcome of those reviews to the Audit Committee.

4.1.4 Executive Leadership

Executive Leadership create an environment where managing risk is accepted as the personal responsibility of each member of the organisation and integrated with planning and operational processes.

4.1.5 Business Areas

Each Business Area is accountable for the management of risks within their area of responsibility in ways that are consistent with the Risk Management Framework and Procedures.

4.1.6 Workers

All workers are accountable for managing risk within their area of responsibility in accordance with the Risk Management Framework and Procedures.

4.2 Risk Appetite

The level of risk that is acceptable to the Shire will be assessed and determined on a case by case basis, however the Shire will maintain a conservative approach to risk.

In line with its conservative attitude to risk, the Shire will not accept risks that carry a major or catastrophic residual risk of any of the following events or circumstances occurring:

- (a) A significant negative affect on the Shire's financial sustainability;
- (b) An interruption to essential services that extends for more than one week;
- (c) Substantial public embarrassment;
- (d) Compromised health, safety or welfare of Workers, Councillors, or members of the community;
- (e) Damage to relationships with stakeholders;
- (f) A significant breach of legislative requirements and/or successful litigation against the Shire; and
- (g) Cause significant and irreparable damage to the environment.

4.3 Quantified Risk Assessment and Acceptance Criteria

The Shire's Risk Assessment and Acceptance criteria (Appendix A) 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.

4.4 Recording and Reporting

The Shire will ensure all risk management activities are accurately recorded and traceable. Results of the monitoring and review processes will be reported as appropriate through external and internal avenues including, but not limited to, quarterly reports to the Audit Committee. Reports will be used to assess and review the effectiveness of the risk management framework and identify specific areas of need.

5 Applicable Legislation and Documents

Statutory Power <i>(Acts, Regulations, Local Laws, TPS)</i>	<i>Local Government Act 1995</i> s.2.7(2)(b)-The council is to determine the local government's policies s.5.41- Functions of CEO <i>Work Health and Safety Act 2020</i> <i>Local Government (Audit) Regulations 1996</i> r.17 - CEO to review certain systems and procedures
Shire Policies	FM 4- Purchasing
Related Documents	ISO 31000:2018
Related Procedure	N/A

6 Administration

Original Adoption Date	17 December 2015
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Last Variation Date	28 March 2024
Last Reviewed	28 March 2024
Scheduled Reviewed Date	28 March 2027

Appendix A – Risk Assessment and Acceptance Criteria

Measures of Consequence								
Rating	Health	Financial Impact	Service Interruption	Compliance	Reputational		Property	Environment
					External	Internal		
Insignificant	Negligible injuries	Less than \$5,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item, no social media attention	Isolated incidents of short term decline in individual staff morale/confidence	Inconsequential or no damage.	Contained, reversible impact managed by on site response
Minor	First aid injuries	\$5,001 – \$20,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Substantiated, low impact, low news item, limited social media attention (e.g Limited to local news / limited social media impact)	Short term decline in staff confidence/morale	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate	Loss time injuries < 5 days	\$20,001 - \$50,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term noncompliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile, requires social media response and monitoring (e.g State News story)	Decline in staff confidence/morale, or unauthorised absences	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major	Loss time injuries >= 5 days	\$50,001 - \$500,000	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, requires immediate and ongoing social media response and monitoring (e.g National News – lead story single occurrence)	Long term decline in staff confidence or morale, occasional unauthorised staff absences or threat of strike	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic	Fatality, permanent disability	More than \$500,000	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, requires substantial social media resourcing for long term response and monitoring. (e.g International / National News – lead story, multiple days)	Sudden or unexpected loss of personnel due to strikes, excessive unauthorised staff absences	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

Measures of Likelihood			
Description	Detailed Description	Frequency	Probability
Almost Certain	The event is expected to occur in most circumstances	More than once per year	> 90% chance of occurring
Likely	The event will probably occur in most circumstances	At least once per year	60% - 90% chance of occurring
Possible	The event should occur at some time	At least once in 3 years	40% - 60% chance of occurring
Unlikely	The event could occur at some time	At least once in 10 years	10% - 40% chance of occurring
Rare	The event may only occur in exceptional circumstances	Less than once in 15 years	< 10% chance of occurring

Risk Matrix					
Consequence Likelihood	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
Almost Certain	Moderate	High	High	Extreme	Extreme
Likely	Low	Moderate	High	High	Extreme
Possible	Low	Moderate	Moderate	High	High
Unlikely	Low	Low	Moderate	Moderate	High
Rare	Low	Low	Low	Low	Moderate

Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	Shire Management Team/CEO
EXTREME	Unacceptable	Risk only acceptable with effective 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

Existing Controls Ratings		
Rating	Foreseeable	Description
Effective	There is <u>little</u> scope for improvement.	Processes (Controls) operating as intended and aligned to Policies/Procedures Subject to ongoing monitoring. Reviewed and tested regularly.
Adequate	There is <u>some</u> scope for improvement.	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.	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.