Council Policy 1.4.2 – Risk Management

Objectives: Progressive

Outcome: 4.1 - A resilient, efficient and effective organisation.

Strategy: 4.1.1 - Provide efficient, effective, innovative, professional management of Shire operations to deliver the best outcome for the community within allocated resources.

Purpose

As a local government, the Shire of Serpentine Jarrahdale has exposure to a range of risks that if unmanaged, may have an adverse impact on the achievement of organisational objectives.

The Shire shall implement an enterprise-wide risk management framework and systems to identify and manage potential risk to minimise adverse outcomes. The policy intent is to build a risk mature environment where Council, management and employees take responsibility for risk management through systemic practices to:

- Safeguard the Shire people, assets, property, reputation and information;

- Promote an environment where risk management principles and practices are the tools to the achievement of organisational goals; and

- Provide the resources required to minimise adverse reaction to risks.

Definitions

risk means the effect of uncertainty on objectives. An "effect" is a deviation from the expected (either positive or negative). Objectives can have different aspects (such as financial, health and safety and environment) and can be strategic, organisation-wide, project based or procedural. Risk is often characterised by reference to potential events and consequences or a combination of these. Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.

risk management means the coordinated activities to direct and control an organisation with regard to risk, which may include a policy (outlining the overall intentions and direction of an organisation related to risk management), and a framework – a set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation. (Refer to ISO Guide 73: 2009 – AS/NZS 31000:2009 – Risk Management Standard).

Background

A Standard designated as AS/NZS ISO 31000:2009 has been prepared on Risk Management. This Standard defines risk assessment as the overall process of risk identification, risk analysis and risk evaluation.

All organisations should identify sources of risk, areas of impact, events and their causes and their potential consequences. The aim of this step is to generate a comprehensive list of risks, known as a Risk Register, based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives.

Identification should include risks whether or not their source is under the control of the organisation, even though the risk source or cause may not be evident. Risk identification should include examination of the knock-on effects of particular consequences, including cascade and cumulative effects. As well as identifying what might happen, it is necessary to consider possible causes and scenarios that show what consequences can occur. All significant causes and consequences should be considered.

Organisations should apply risk identification tools and techniques that are suited to its objectives and capabilities, and to the risks faced. People with appropriate knowledge should also be involved in identifying risks. The management of risk should therefore be undertaken with full consideration of the need to justify the resources used in carrying out risk management.

Principles

Best practice risk management is a set of coordinated activities to direct and control the organisation. The Enterprise Risk Management Framework that underpins this policy sets out the:

- Risk management process;

- Application of risk management principles;

- Requirement that risk assessments will be conducted on strategic projects and major initiatives;

- Allocation of responsibilities for managing risk;

- Annual risk management plan;

- Available resources;

- Terminology; and

- Shire of Serpentine Jarrahdale Risk matrix to provide guidance for the identification and treatment plans for risk.

Policy

The Shire of Serpentine Jarrahdale is committed to managing risk in accordance with the principles, framework and guidelines detailed in AS/NZS ISO 31000:2009 and shall:

- Implement an Enterprise Risk Management Framework and Plan;

- Identify strategic, operational and project risks using systematic tools and based on the level of risk ensure effective Risk Treatment Plans to minimise such risks are in place;

- Ensure any item with a risk ranking of greater that 10 categorised as either High or Extreme risk and is apparent to be ongoing, be listed on the Shire's Risk Register;

- Align risk management systems and processes with current strategic and operational planning processes;

- Develop a range of risk management key performance indicators to monitor responsibility and accountability.

Responsibilities and Accountabilities

The Chief Executive Officer is accountable for this policy and review.

- Senior management are responsible for ensuring employees manage risks within their business units;

- Senior officers are to encourage openness and honesty in the reporting and escalation of risks, without fear of recrimination;

- All employees, after appropriate training, adopt the principles of risk management and comply with all policies, procedures and practices;

- The Shire is committed morally and financially to the concept and resourcing of risk management.

Report, Monitor and Review

In accordance with Local Government (Audit) Regulations 1996, regular reporting of systems and procedures in relation to risk management be submitted to the Shire's Audit and Risk Committee and that Committee has the Shire's Risk Register as a standing agenda item.

Risk Criteria and Evaluation

Risk criteria also needs to be defined to evaluate the significance of risk. Factors to be considered include the following:

- The nature and types of causes and consequences that can occur and how they will be measured;
- How likelihood will be defined;
- The timeframe (s) of the likelihood and/or consequence (s);
- How the level of risk is to be determined;
- The views of stakeholders;
- The level at which risk becomes acceptable or tolerable.

Continued   **Council Policy 1.4.2 - Risk Management**

Risk evaluation always involves the assessment of the likelihood (chance of something happening) and consequence (outcome of an event affecting objectives) of an event.

Risk Assessment Tool

Local Government Insurance Services have developed a risk assessment tool which is widely used by local governments in Western Australia – Risk Assessment Tool. The tool is broken down as follows to demonstrate alignment with the aforementioned Australian Standard:

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

Measures of likelihood form part of the risk matrix to determine the 'risk rank' and the 'level of risk'. A level of 1 - 5 is applied based on the likelihood of an event occurring, ranging from rare to almost certain. The likelihood can be determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically such as probability or a frequency over a given time period.

Measures of Consequence

MEASURES OF CONSEQUENCE

RATING	HEALTH People	FINANCIAL IMPACT	SERVICE INTERRUPTION	COMPLIANCE	REPUTATION Social Community	PROPERTY Plant Equipment Buildings	ENVIRONMENT
Insignificant (1)	Negligible injuries	Less than $50,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage.	Contained, reversible impact managed by on site response
Minor (2)	First aid injuries	$50K - $250K	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
Moderate (3)	Medical type injuries	$250K - $500K	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
Major (4)	Lost time injury	$500K - $2M	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
Catastrophic (5)	Fatality, permanent disability	More than $2M	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 damage requiring prolonged period of restitution. Complete loss of plant, equipment & building	Uncontained, irreversible impact

As defined by the Australian Standard consequence is the outcome of an event affecting corporate objectives. The above identifies outcomes in six main categories being health, financial impact, service interruption, compliance, reputation and environment. A level of 1 - 5 is applied based on the

Continued

Council Policy 1.4.2 - Risk Management

severity of the outcome, ranging from insignificant to catastrophic. Combined with measures of likelihood, measures of consequence form the evaluation of risks in the Risk Matrix (see below).

Risk Acceptance Criteria

RISK ACCEPTANCE CRITERIA

RISK RANK	DESCRIPTION	CRITERIA FOR RISK ACCEPTANCE	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 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

Risk Matrix

The risk matrix will determine a risk ranking and level of risk based on the measurement of the likelihood and consequence of a particular event. It is recommended that any event with a risk ranking of 'high' or 'extreme' be recorded in the Shire's Risk Register and reported to the Audit Committee on a periodic basis. These events require regular monitoring and risk treatment actions which may involve the following:

- Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
- Taking or increasing risk in order to pursue an opportunity;
- Removing the risk source;
- Changing the likelihood;
- Changing the consequences;
- Sharing the risk with another party or parties (including contracts and risk financing); and
- Retaining the risk by informed decision.

Risk treatments that deal with negative consequences are sometimes referred to as risk mitigation, risk elimination, risk prevention and risk reduction. Risk treatments will be particularly important where existing controls are deemed to be inadequate.

RISK MATRIX

Consequence / Likelihood		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)

References

Name of Policy	1.4.2 Risk Management
Previous Policy	G913 – Risk Management (E15/5096)
Date of Adoption and Resolution Number	
Review dates and Resolution Numbers	Modified OCM179/12/17 18/12/2017 Ordinary Council Meeting
Next review date	
Related documents	**Acts/Regulations** *Local Government Act 1995 S207 – Role of Council* *Local Government Act 1995 Part 7 – Audit* Local Government (Audit)Regulations 1996,Regulation 17 – CEO to review certain systems and procedures **Plans/Strategies** Corporate Business Plan 2017 - 2021 Risk Management Framework Business Continuity Plan **Policies/References** AS/NZS ISO 31000 Risk Management IEC/ISO 31010 Risk assessment techniques State Planning Policy "Natural Hazards and Disasters" 3.4 Planning for Bush Fire Protection Edition 2 Local Planning Policy No.43 Hazards and Natural Disasters Local Planning Policy No. 21 Management Plans Code of Conduct **Delegations** Nil **Work Procedures** Risk Management Procedure Risk Management – Completing Risk Registers Template for Risk Register

Note: changes to references may be made without the need to take the Policy to Council for review.