

## 2.3.5 RISK MANAGEMENT

Adopted or Reviewed by Council:	17/11/15 21/05/19	Council Minute Reference:	183/15 /19
Reviewer/s:	Manager of Corporate and Community Services/ <del>Senior Administration Officer</del>		
Local Law:			
Procedure:	Risk Management Plan <del>Plan</del> Framework		
Delegation:			

### POLICY INTENT

~~The Shire is committed to organisation wide risk management principles, systems and processes that ensure consistent, efficient, and effective assessment of risk in all planning, decision making and operational processes. This will ensure compliance with the Integrated Planning requirements of the Local Government Act (1995) s. 5.56(2).~~

### OBJECTIVE

The objective of this Policy is to state the Shire of Kojonup's (the 'Shire's') intention to identify potential risks before they occur so that impacts can be minimised or opportunities realised; ensuring that the Shire achieves its strategic and corporate objectives efficiently, effectively and within good corporate governance principles.

### POLICY STATEMENT

It is the Shire's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2018 Risk management – Guidelines) in the management of all risks that may affect the Shire meeting its objectives.

The Shire is committed to organisation-wide risk management principles, systems and processes that ensure consistent, efficient, and effective assessment of risk in all planning, decision making and operational processes. This will ensure compliance with the Integrated Planning requirements of the *Local Government Act (1995) s. 5.56(2)*.

Risk management functions will be resourced appropriately to match 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.

This policy applies to Council Members, Executive Management, all employees, volunteers and contractors involved in any Shire operations.

### DEFINITION OF RISK:

~~AS/NZS ISO 31000:2009 defines risk as "the effect of uncertainty on objectives".~~

- ~~1. A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative, or a deviation from the expected. An objective may be financial, related to health and safety, or defined in other terms.~~
- ~~2. Risk Management is defined as the application of coordinated activities to direct and control an organisation with regard to risk.~~

## KEY POLICY DEFINITIONS

**Risk:** 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).

**Risk Management:** Coordinated activities to direct and control an organisation with regard to risk.

**Risk Management Process:** Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

## POLICY DETAILS

The following points provide detail on the objective specifics:

1. Aligns with and assists the implementation of all Shire policies.
2. Optimises the achievement of the Shire's vision, mission, strategies, goals and objectives.
3. Provides transparent and formal oversight of the risk and control environment enabling effective decision-making.
4. Enhances risk versus return within the Shire's risk appetite.
5. Embeds appropriate and effective controls to mitigate risk.
6. Achieves effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
7. Enhances organisational resilience.
8. Identifies and provides for the continuity of critical operations.

## RISK ASSESSMENT AND ACCEPTANCE CRITERIA

The Shire quantified its broad risk appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Framework and as a component 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 operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilized; however, these cannot exceed the Organisation's appetite and are to be noted within the individual risk assessment.

## MONITOR & REVIEW

The Shire will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends. [A copy of the Risk Management Framework's Risk](#)

Dashboard Report and the Prioritised Actions List will be provided to Council's Audit and Risk Committee at each meeting of the Committee.

This Policy will be kept under review by the Shire's Management Team and its employees. It will be formally reviewed ~~biennially~~ annually.

## **PRINCIPLES — FRAMEWORK — PROCESS**

~~The Shire of Kojonup considers risk management to be an essential management function in its operations. They recognise that the risk management responsibility for managing specific risks lies with the person who has the responsibility for the function, service or activity that gives rise to that risk. Council is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2009~~

~~The Shire will manage risks continuously using a process involving the identification, analysis, evaluation, treatment, monitoring and review of risks. It will be applied to decision making through all levels of the organisation in relation to planning or executing any function, service or activity.~~

~~In particular it will be applied to:~~

- ~~1. Strategic and operational planning;~~
- ~~2. Expenditure of large sums of money;~~
- ~~3. New strategies and procedures;~~
- ~~4. Management of projects, tenders and proposals;~~
- ~~5. Introducing significant change; and~~
- ~~6. The management of sensitive issues.~~

### **Risk management objectives**

- ~~1. The achievement of organisational goals and objectives;~~
- ~~2. Compliance with *Local Government Act 1995* r. 5.56(2);~~
- ~~3. The ongoing health and safety of all employees at the workplace;~~
- ~~4. Ensuring public safety within the Council's jurisdiction is not compromised;~~
- ~~5. Limited loss or damage to property and other assets;~~
- ~~6. Limited interruption to business continuity;~~
- ~~7. Positive public perception of Council and the Shire; and~~
- ~~8. Application of equal opportunity principles in the workforce and the community.~~

## **RESPONSIBILITIES**

- ~~1. Senior Management Team (SMT) and supervisors have the responsibility and accountability for ensuring that all staff effectively manage the risks within their own work areas. In each of these areas, risks should be anticipated and reasonable protective measures taken.~~
- ~~2. All managers will encourage openness and honesty in the reporting and escalation of risks.~~
- ~~3. All staff will be encouraged to alert management to the risks that exist within their area, without fear of recrimination.~~

- ~~4. All staff will, after appropriate training, adopt the principles of risk management and comply with all policies, procedures and practices relating to risk management.~~
- ~~5. All staff and employees will, as required, conduct risk assessments during the performance of their daily duties. The level of sophistication of the risk assessment will be commensurate with the scope of the task and the associated level of risk identified.~~
- ~~6. Failure by staff to observe reasonable directions from supervisors regarding the management of risks and/or failure of staff to take reasonable care in identifying and treating risks in the workplace may result in disciplinary action.~~
- ~~7. It is the responsibility of every department to observe and implement this policy in accordance with procedures and initiatives that are developed by management from time to time.~~
- ~~8. Council is committed morally and financially to the concept and resourcing of risk management.~~

#### **MONITOR AND REVIEW**

~~The Organisation will develop and implement a robust reporting and recording system that will be regularly monitored to ensure closeout of risks and identification of ongoing issues and trends.~~

~~Risk management key performance indicators relating to both organisational and personal performance will be developed, implemented and monitored by the Shire's Senior Management Team (SMT) and Council as appropriate.~~

~~Significant or Extreme Risks will be reported to the Council's Audit and Risk Committee and reviewed to determine appropriate treatments or whether to continue with the activity or service from which the risk arises.~~

## Risk Assessment and Acceptance Criteria

Shire of Kojonup Measures of Consequence									
Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment	Project TIME	Project COST
<b>Insignificant (1)</b>	Near miss. Minor first aid injuries	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%
<b>Minor (2)</b>	Medical type 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%
<b>Moderate (3)</b>	Lost time injury <30 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%
<b>Major (4)</b>	Lost time injury >30 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%
<b>Catastrophic (5)</b>	Fatality, permanent disability	More than \$1,000,000	Indeterminate prolonged interruption of services – non-	Non-compliance results in litigation,	Substantiated, public embarrassment, very high multiple	Extensive damage requiring prolonged period of restitution	Uncontained, irreversible impact	Exceeds deadline by 30% of	Exceeds project budget by 30%

Shire of Kojonup Measures of Consequence									
Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment	Project TIME	Project COST
			performance > 1 month	criminal charges or significant damages or penalties	impacts, high widespread multiple news profile, third party actions	Complete loss of plant, equipment & building		project timeline	

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

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)

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	Executive Manager / 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 Control Ratings		
Rating	Foreseeable	Description
<b>Effective</b>	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.
<b>Adequate</b>	There is <u>some</u> scope for improvement.	Processes (Controls) generally operating as intended, however inadequacies exist. Nil or limited monitoring. Reviewed and tested, but not regularly.
<b>Inadequate</b>	There is a <u>need</u> for improvement or action.	Processes (Controls) not operating as intended. Processes (Controls) do not exist, or are not being complied with. Have not been reviewed or tested for some time.