

## 2.16 RISK MANAGEMENT

<b>Responsible Directorate</b>	Corporate Services
<b>Responsible Service Area</b>	Governance
<b>Resolution</b>	March 2024 C25.03.24
<b>Procedure Ref</b>	Risk Management Procedure (Admin-36)

### 1. PURPOSE

To maintain a robust, integrated and effective risk management culture and continuous improvement across all strategic and operational functions of the Shire consistent with the Australian Standard for Risk Management Guidelines (AS/NZ ISO 31000:2018).

### 2. SCOPE

Every employee, council member, volunteer and contractor within the Shire is recognised as having a role in risk management.

This policy will be reviewed every three years and presented to the Audit and Risk Committee prior to being presented to Council.

### 3. DEFINITIONS

<b>consequence</b>	outcome of an event affecting objectives.
<b>inherent risk</b>	the amount of risk that exists in the absence of controls
<b>likelihood</b>	chance of something happening.
<b>residual risk</b>	the amount of risk that remain after additional controls are applied.
<b>risk</b>	effect of uncertainty on objectives.  Note 1: an effect is a deviation from the expected. It can be positive or negative or both, and can address, create or result in opportunities and threats. Note 2: objectives can have different aspects and categories and can be applied at different levels.
<b>risk management</b>	coordinated activities to direct and control an organisation with regard to risk.

## 4. POLICY

The Shire of Mundaring considers risk management to be an essential management function in its operations, recognising that risk management is a shared responsibility. Council is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2018.

The Shire of Mundaring 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.

A risk is often specified in terms of risk sources, potential events or circumstances and the consequences and likelihood that flow from it.

### 4.1. Risk Appetite

Council determines the Shire's risk appetite based on risk ranking. Risk appetite relates to the amount and type of risk that Council is willing to take in order to achieve its strategic objectives.

To guide the organisation the following assessment, treatment, actions and reporting will be applied.

#### 4.1.1 Inherent Risk

<b>Inherent Risk Ranking</b>	<b>Minimum treatment required</b>	<b>Description</b>
Low	Accept with control	Manage by routine procedures.
Medium	Accept with control	Manage by specific monitoring or response procedures.
High	Accept with control	Mitigate with actions as required. Relevant manager assigned risk.
Extreme	Avoid or accept with control	Immediate action required in consultation with the CEO or Director.*

\* Council decision may be required to address residual risk, refer to item 4.1.2.

If council decision not required, details of risk and treatment will be provided to the next available Audit and Risk Committee.

#### 4.1.2 Residual Risk

<b>Residual Risk Ranking</b>	<b>Reporting</b>
High	Recommendation report provided to CEO.
Extreme	Recommendation report provided to Council for consideration via the Audit and Risk Committee.

#### 4.2. Risk Acceptance

Risk rankings determine the Shire's acceptance and their responsibility. (refer to Appendix 1 – Risk Assessment and Acceptance Criteria, Table 4: Risk Acceptance).

Where a risk assessment is undertaken and it is determined:

- the risk ranking is greater than 10 and is therefore categorised as either a 'high' or 'extreme' risk; and/or
  - is apparent to be ongoing;
- the risk is to be listed on the Shire's risk register.

#### 4.3. Roles and Responsibilities

Risk management applies to all Shire activities encompassing all employees and council members and includes consideration of visitors, third parties and key stakeholders.

Consultants may be engaged at times to advise and assist in the risk management process or management of specific risks or categories of risk.

##### 4.3.1 Council

Council is responsible for:

- Identifying and managing strategic risks associated with the Shire
- Establishing the expected risk management performance and compliance levels of the Shire, including the risk appetite and acceptance levels (after considering advice from the CEO) captured in the Council adopted "Risk Management Policy" (this document).
- Establishing and maintaining an audit committee in accordance with the *Local Government Act 1995*.

##### 4.3.2 Audit and Risk Committee

The Audit and Risk Committee (the Shire's audit committee in accordance with the *Local Government Act 1995*) is responsible for:

- Providing assurance and advice to Council as to whether risk management is being appropriately conducted.
- Meeting the risk-related responsibilities as included in the adopted Audit and Risk Committee Terms of Reference.

#### 4.3.3 Chief Executive Officer (CEO)

The CEO is responsible for:

- Providing advice to Council on risk appetite and risk acceptance.
- The allocation of roles, responsibilities and accountabilities across the organisation.

## 5. APPENDICES

**Appendix 1** Risk Assessment and Acceptance Criteria

## 6. RELATED LEGISLATION

*Local Government (Audit) Regulations 1996, regulation 17*

*Work Health and Safety Act 2020*

## 7. RELATED DOCUMENTS

Australian Standard for Risk Management Guidelines (AS/NZ ISO 31000:2018)

## APPENDIX 1 – RISK MANAGEMENT POLICY

### Risk Assessment and Acceptance Criteria

**Table 1: Measures Of Consequence**

RANKING	People (employees and public)		Interruption to services	Reputation (social and community)	Compliance	Property (plant, equipment and buildings)	Natural environment	Financial	Project time	Project cost
	Physical	Psychological								
<b>Insignificant (1)</b>	Negligible injuries	Temporary, no leave taken, short term impact with full recovery	No material service interruption. < 1 hour	Unsubstantiated, localised low impact on community trust, low profile or no media item	No noticeable regulatory or statutory impact	Inconsequential damage.	Contained, reversible impact managed by on site response	Less than \$10,000	Exceeds deadline by 5% of project timeline	Exceeds project budget by 2%
<b>Minor (2)</b>	First aid injuries	Sick leave, short term impact, recovery 1-3 weeks	Short term temporary interruption – backlog cleared < 1 day	Substantiated, localised impact on community trust or low media item	Some temporary non compliances	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	\$10,001 to \$100,000	Exceeds deadline by 10% of project timeline	Exceeds project budget by 5%
<b>Moderate (3)</b>	Lost time injury Less than 10 days	Significant, non-permanent, longer term illness, recovery 1-6 months	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Substantiated, public embarrassment, moderate impact on community trust or moderate media profile	Short term non-compliance but with significant regulatory requirements imposed	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	\$100,001 to \$350,000	Exceeds deadline by 15% of project timeline	Exceeds project budget by 7.5%
<b>Major (4)</b>	Lost time injury More than 10 days	Longer term illness, severe trauma, extended incapacity	Prolonged interruption of services – additional resources; performance affected < 1 month	Substantiated, public embarrassment, widespread high impact on community trust, high media profile, third party actions	Non-compliance results in termination of services or imposed penalties to Shire / Officers	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	\$350 001 to \$2.0M	Exceeds deadline by 20% of project timeline	Exceeds project budget by 15%
<b>Extreme (5)</b>	Fatality, permanent disability	Death, permanent severely disabling illness, e.g. Post- Traumatic Stress Disorder	Indeterminate prolonged interruption of services non-performance > 1 month	Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions	Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire / Officers	Extensive damage requiring prolonged period of restitution. Complete loss of plant, equipment & building	Uncontained, irreversible impact	>\$2.0M	Exceeds deadline by 25% of project timeline	Exceeds project budget by 20%

**Table 2: Measures of Likelihood**

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

**Table 3: Risk Matrix**

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

**Table 4: Risk Acceptance**

Risk Rank	Description	Criteria	Responsibility
<b>LOW (1-4)</b>	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Supervisor / Team Leader
<b>MEDIUM (5-9)</b>	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Service Manager
<b>HIGH (10-16)</b>	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Executive Leadership Team
<b>EXTREME (17-25)</b>	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: Existing Control Ratings**

Rating	Foreseeable	Description
<b>Effective</b>	There is little scope for improvement.	Processes (Controls) operating as intended and / or aligned to Policies & Procedures; are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested.
<b>Adequate</b>	There is some scope for improvement.	Whilst some inadequacies have been identified; Processes (Controls) are in place, are being addressed / complied with and are subject to periodic review and testing.
<b>Inadequate</b>	A need for corrective and / or improvement actions exist.	Processes (Controls) not operating as intended, do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time.