

Introduction

Risk management is fundamental to the governance and leadership of an organisation and contributes to continuous business improvement, quality management and innovation.

Managing risk involves achieving a suitable balance between realising opportunities for gain, while minimising losses through the established principles, framework, and processes.

Purpose

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 policy establishes the framework for managing risks that may impact the Shire's strategies, goals or objectives and the responsibilities of Council and Administration.

Policy statement

Definitions:

Risk is defined as 'the effect of uncertainty on objectives' by the AS/NZS ISO 31000:2018. A risk is often specified in terms of an event or circumstances 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.

Risk management is defined as the application of coordinated activities to direct and control an organisation with regard to risk.

1. The Shire is committed to implementing a Risk Management Framework in accordance with risk management standard AS/NZS ISO 31000:2018, including systems to identify, treat, monitor, review, and report risks across all its operations.
2. The Shire seeks to identify all significant risks that could negatively impact its statutory and community obligations, and associated operations, and has processes in place to avoid, treat, transfer, share or accept risks within its sphere of control or influence.
3. Risk management will form part of the strategic, operational, project and line management responsibilities.
4. All risks are to be assessed according to the Risk Management Framework assessment and acceptance criteria. Any residual risk that is outside the risk tolerance levels set by the Council, or the control, authority, delegation of a risk owner to accept or retain, must be escalated for further action.
5. The Council has a governance oversight role to ensure accountability and application of the Risk Management Policy and Framework. This includes the establishment of the Audit Committee under the *Local Government Act 1995*.
6. The Audit Committee is responsible for reviewing the Risk Management Policy and Framework and making recommendations to the Council. It is also responsible for maintaining oversight of the Risk Register, ensuring risks are monitored and action appropriately.
7. The Chief Executive Officer is responsible for the oversight and application of the Risk Management Policy and Framework within the organisation, providing leadership and supporting a culture of strategic and systematic risk management.
8. All employees are responsible for identifying and reporting risks and implementing risk treatments.

Application

This policy applies to all elected members, staff and volunteers and contractors of the Shire.

Procedure

Department:	Corporate	Next review:	
Reviewer:	Strategic Governance and Risk Coordinator	Legislation:	<i>Local Government Act 1995 (WA)</i> <i>Local Government (Audit) Regulations 1996</i> <i>AS/NZS ISO 3100:2018 Risk Management</i>
Adopted:	30.03.22 (OC056/22)	Delegation:	
Amended:		Other:	

1. Assessment

1.1 Risk Impact Categories

Those categories against which the consequences/impacts of risk will be assessed.

Risk Impact Category	Description
Financial	Financial loss that may or may not be managed within existing budget and may or may not impact a program or service.
Environmental	Harm to the environment or heritage asset or area.
Health and Safety	Harm or injury to employees, contractors, volunteers, work experience people with potential time loss and/or medical care. Harm or injury to the community or broader public.
Infrastructure/Systems/Utilities	Damage to assets/infrastructure with financial consequences. Loss of utilities/systems resulting in disruption to services.
Legislative Compliance	Breach of legislation and compliance requirements that may or may not result in legal action and/or financial penalties.
Reputation	Media or other stakeholder exposure that may or may not impact reputation and may or may not require action or intervention.
Service Delivery	Disruption to a service or major project that may result in delays to delivery.

1.2 Risk Likelihood

Predicted likelihood of the risk event occurring over time and activity frequency.

Likelihood	Description	Frequency
Almost certain	Expected to occur in most circumstances < 80%	At least once per year
Likely	Will probably occur in most circumstances (50-80% probability)	Likely to occur once every >1-2 years
Possible	Might occur at some time (25-49% probability)	Likely to occur >2-5 years
Unlikely	Could occur but not likely (2-24% probability)	>5-20 years
Rare	May occur in exceptional circumstances (>2% probability)	Not likely to occur more than once in 20-30 years

1.3 Risk Scoring Matrix

To determine the overall risk level for a particular risk, the likelihood and consequence scores for the risk can be plotted in a matrix.

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	Medium	Medium	High	Extreme	Extreme
Likely	Medium	Medium	High	High	Extreme
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium

2. Acceptance

2.1 Effectiveness of Controls

Rating for the overall effectiveness of risk control measures currently used in reducing the likelihood an/or consequence of the risk event occurring.

Risk Impact Category	Description
Fully effective	Fully effective always (will significantly reduce the likelihood and/or consequence of the risk at all times)
Substantially effective	Effective in most circumstances (will have a reasonably significant effect in terms of reducing likelihood and/or consequences of the risk)
Partially effective	Partial control most of the time (will have some effect in terms of reducing the likelihood and/or consequence of the risk)
Totally ineffective	Not effective in mitigating the risk (will not have any effect in terms of reducing the likelihood and/or consequence of the risk)

2.2 Risk Treatment Options

Selection of one of the following risk treatment options should be made in accordance with the organisation's objectives, risk criteria and available resources.

Risk Impact Category	Description
Accept	Accepting or retaining the risk at its residual risk rating level, without further treatment, even though it may exceed the organisation's risk appetite.
Treat	Further treating risks to reduce the likelihood and/or consequence of the risk.
Transfer/Share	Transferring part of the risk (either management of the activity/service or consequences) to another party. Sharing risk does not mean responsibility has been transferred.
Avoid	Avoiding a risk with detrimental consequences by deciding not to proceed with the activity likely to create the risk.

2.3 Risk Appetites

The risk appetite/attitude for residual risk has been identified for each Impact Category for the organisation.

Impact category	Consequence			
	Low	Medium	High	Severe
Financial				
Environmental				
Health and Safety				
Infrastructure/ Systems/Utilities				
Legislative Compliance				
Reputation				
Service Delivery				

2.4 Risk Consequences

Graded consequences to give further guidance for each Risk Impact Category.

Impact Category	Insignificant	Minor	Moderate	Major	Severe
Financial	Minimal financial impact that can be managed within the program or service budget. Less than \$10,000	A financial loss that can be managed within the department budget. \$10,000 to less than \$100,000	A financial loss that can be managed within the organizational budget. \$100,000 to less than \$250,000	A financial loss unable to be managed within the organizational budget resulting in reduction in a program or service. \$250,000 to less than \$1M.	A critical financial loss resulting in closure of or significant reduction in a program or service. Greater than \$1M.
Environmental	Negligible damage that is contained on-site. The damage is recoverable with no permanent effect on the environment or the asset. The resource or asset will take less than 3 months to recover.	Minor damage to the environment or heritage asset or area that is immediately constrained on-site. The resource or asset will take less than 1 year to recover, or it will only require minor repair.	Moderate damage to the environment or a heritage listed asset or area, which is repairable. The resource or asset will take up to 5 years to recover.	Significant damage to an <i>environmentally significant</i> area or asset from which it will take more than 10 years to recover. OR Extensive damage to a non-heritage listed area or asset that has heritage values. OR Significant damage to a <i>Council Heritage Listed</i> area or asset that involves either extensive remediation or will take more than 10 years to recover.	Irreversible and extensive damage is caused to a <i>World Heritage Listed Area, a National Heritage Listed Site, a Register of the National Estate Site or a Council Heritage Listed</i> area or asset. OR Irreversible and extensive damage is caused to a <i>Matter of National Environmental Significance</i> under the Act (e.g. endangered species, RAMSAR wetland, marine environment).

Impact Category	Insignificant	Minor	Moderate	Major	Severe
Health and Safety	No injury / minor First Aid treatment only.	First Aid treatment or precautionary medical attention only. Person likely to immediately resume normal duties.	Person unable to resume normal duties in the short-medium term.	Hospitalisation with potential to result in permanent impairment.	Single or multiple fatality.
Infrastructure/ Systems/Utilities	Minor damage where repairs are required however, assets or infrastructure are still fully operational. OR Loss of utilities/systems resulting in minor disruption to a service for up to 12 hours.	Short term loss or damage where repairs are required to allow the assets or infrastructure to remain operational using existing internal resources. OR Loss of utilities/systems resulting in minor disruption to a service (>12 hours - 24 hours).	Medium term loss of key assets and infrastructure, where repairs are required to allow them to remain operational. Cost moderate and outside of budget allocation. OR Loss of utilities/systems resulting in disruption to a department for up to 12 hours.	Widespread, medium term loss of key assets and infrastructure, where repairs required to allow the infrastructure to remain operational. Cost significant and outside of budget allocation. OR Loss of utilities/systems resulting in serious disruption to several services or more than 1 department for up to 12 hours.	Widespread, long-term loss of substantial key assets and infrastructure. Infrastructure requires total rebuild or replacement. OR Failure of utilities/systems resulting in the loss of function for several departments (> 12 hours).
Legislative Compliance	Minor technical breach but no damages. No monetary penalty. Internal query.	Minor technical non compliances and breaches of Council Policy or State/Commonwealth regulations with potential for minor monetary penalty.	Compliance breach of regulation with investigation or report to authority with possible fine. AND/OR Special audit by outside agency or enquiry by Ombudsman.	Major compliance breach with potential exposure to large damages or awards. Potential prosecution with penalty imposed. District court action. OR Multiple compliance	Severe compliance breach with prosecution and/or maximum penalty imposed. Supreme Court or criminal action. OR Multiple compliance breaches that together result in prosecution

Impact Category	Insignificant	Minor	Moderate	Major	Severe
Reputation				breaches that together result in potential prosecution with penalty imposed.	with maximum penalty imposed.
	Customer complaint. AND/OR Not at fault issue, settled quickly with no impact.	Non-headline community media exposure. Clear fault. Settled quickly by the Shire response. Negligible impact.	Negative local (headline) and some regional media coverage. Council notification. Slow resolution.	Negative regional (headline) and some national media coverage. Repeated exposure. Council involvement. At fault or unresolved complexities impacting public or key groups.	Sustained national media coverage. Maximum multiple high level exposure. Direct Council intervention. Loss of credibility and public/ key stakeholder support.
Service Delivery	Some non-essential tasks will not be able to be achieved. AND/OR Unable to provide service for <1 business day. AND/OR Major Project in progress delay for < 1 month.	Less than 5% of essential tasks will not be achieved. AND/OR Unable to provide service for 1-2 business days. AND/OR Major Project in progress delay for 1 - 2 months.	5% - 10% of essential tasks will not be achieved AND/OR Unable to provide service for 2-5 business days. AND/OR Major Project in progress delay for 2-3 months.	10% - 20% of essential tasks will not be achieved. AND/OR Unable to provide service for 5-10 business days. AND/OR Major Project in progress delay for 3-6 months.	Greater than 20% of essential tasks will not be achieved. AND/OR Unable to provide service for >10 business days. AND/OR Major Project in progress delay for > 6 months.

Procedure

Department:	Corporate	Next review:	
Reviewer:	Strategic Governance & Risk Coordinator	Legislation:	
Adopted:	30 March 2022 (OC056/2022)	Delegation:	
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