



Policy

17 Risk Management Policy and Framework

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Responsible Officer: Enterprise and Risk Manager

1. POLICY STATEMENT

Berrigan Shire Council is committed to, and places a high priority on managing its risks strategically and systematically in order to benefit the community and manage the adverse effects to Council.

Risk management is everyone's responsibility. It is an activity that begins at the highest level and is applied consistently through all levels of Council's operations. All workers are required to integrate risk management procedures and practices into their daily activities, and must be competent and accountable for adequately managing risk within their area of responsibility.

2. PURPOSE

The purpose of this policy is to:

- Outline the way in which Council's risk management functions are integrated into the activities and processes of the Council;
- Emphasise Council's commitment to identify, evaluate and control risks;
- Outline the responsibilities of key stakeholders;
- Provide a statement clarifying Council's risk appetite

3. SCOPE

This policy applies to all workers of the Berrigan Shire Council.

4. OBJECTIVE

Council operations support ethical, transparent and accountable corporate governance.

Specifically:

- Utilise risk management to create and protect value by achieving objectives and improving performance in areas such as work health and safety, security,



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legal and regulatory compliance, public acceptance, environmental protection, quality, project management, efficiency in operations, governance and reputation.

- Ensure risk management is part of the responsibilities of management and an integral part of all organisational processes, including planning.
- Include risk management as part of decision making.
- Use risk management to take account of uncertainty, identify the nature of that uncertainty and establish processes to address it.
- Establish a systematic, structured and timely approach to risk management to ensure results are consistent, comparable and reliable.
- Ensure information used in managing risk is based on the best information available including sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement.
- Ensure risk management is aligned with the organisation's external and internal context and risk profile with consideration of existing resource constraints.
- Recognise the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder the achievement of the organisation's objectives.
- Ensure risk management is transparent and inclusive by involving stakeholders and ensuring their views are considered in determining risk criteria.
- Identify and respond to external and internal changes and review the risk management process concurrently.
- Develop and implement strategies to continually improve the management of risk.

5. DEFINITIONS

Consequence – *the nature and type of impact which could occur assuming that a particular event, situation or circumstance has occurred.*

Likelihood – *chance of something happening*

Risk - *the effect of uncertainty on objectives*



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Risk appetite – the amount and type of risk Council is willing to pursue, retain or tolerate in the achievement of goals and objectives.

Risk assessment – the overall process of a) finding, recognising and describing risks, b) analysing the nature and level of risk, and c) evaluating the risk by comparing results with risk criteria to determine whether the risk is acceptable or tolerable.

Risk management - coordinated activities to direct and control an organisation with regard to risk

6. POLICY IMPLEMENTATION

6.1 Integrating Risk Management into Council Activities

Risk management forms the basis of the Council's planning processes and is to be integrated into the daily activities of the Council. The executive and all program areas within the Council will adopt and implement the risk management guidelines contained within the standard and specified in Council's Risk Management Framework.

With risk management being the responsibility of every individual within the organisation, training (in line with responsibilities) in the knowledge and skills required to successfully undertake risk assessment and risk management practices will be provided by the Council.

6.2 Identification and Treatment of Risks

The resources available for specific risk management activities will be specified in the Council's Annual Budget. It must be recognised that the risk management responsibilities of Council are extremely diverse and must be coordinated within the constraints of the available budget. Further it is neither possible nor viable to treat all identified risks, and guidance on what may be regarded as acceptable risk can be determined through the Risk Management Framework or provided by the Risk Management Committee.

In order to facilitate the systematic application of risk management principles, risks assessed as unacceptable will be incorporated into relevant business plans. In addition, Council's Risk Management Budget will be coordinated by the Enterprise Risk Manager who will play an active role in integrating Council's risk activities and allocating the available resources. Progress in the management of treatments will be monitored continually by the Risk Management Committee and Manex.

Where necessary, recommendations provided by internal audit procedures, advice from risk management specialists and relevant external stakeholders (including Council's insurer) will be utilised to direct Council's risk management



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activities. These processes will enable sound judgements and the cost effective use of resources throughout the organisation.

6.3 Risk Management Responsibilities

Council and staff have an obligation in develop a “risk aware” culture within the organisation.

Council

The Council is accountable for overseeing risk management processes and ensuring appropriate resources are allocated in order to carry out risk management activities.

General Manager

The General Manager has overall responsibility for the implementation of risk management across the Council including:

- Ensuring appropriate resources are allocated to meet Council’s risk management obligations;
- Establishing and maintaining a climate of risk awareness and intelligence;
- Ensuring Directors, Managers and staff receive support and training to fulfil their responsibilities.

Enterprise Risk Manager

The Enterprise Risk Manager is responsible for the coordination of Council’s risk management processes including:

- Facilitating the development and continual improvement of appropriate systems;
- Developing and maintaining governance mechanisms that effectively monitor risks and their management;
- Integrating risk management activities from the various sections of the Council and coordinating the risk management budget;
- Setting the requirements for risk management based on AS/NZS 31000:2009 and ensuring that they are consistent with Council’s business, ethical and professional standards.

Risk Management Committee

The Risk Management Committee provides a forum for determining through consultation the future directions of Council’s risk management activities. The Committee will:

- Provide guidance on what is considered to be an acceptable risk;
- Assist with the prioritisation of risk management priorities;
- Review and monitor the implementation of Council’s risk management program.

Directors, Managers and Supervisors



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Directors, Managers and Supervisors are accountable for the implementation and maintenance of sound risk management within their areas of responsibility in conformity with this policy. They must also:

- Integrate risk management into all aspects of their business;
- Create an environment where managing risk is accepted as the personal responsibility of each employee;
- Systematically identify, analyse, evaluate and treat any risk that might impact on their objectives. Where necessary guidance may be sought from the Enterprise Risk Manager or the Risk Management Committee;
- Ensure that risk management practices and treatments are:
 - Consistent with Council requirements;
 - Monitored to ensure that management strategies remain effective;
 - Commensurate with the level of risk exposure.
- Maintain appropriate records recording identified risks and treatment methods. Where treatments have not occurred this must also be documented specifying the reasons why.
- Provide the Risk Management Committee with an update of the risks identified and treated within their area of responsibility. Any serious risks that have the potential to have serious consequences or will impact on more than one area of the Council's operations should be reported to the Enterprise Risk Manager or General Manager as a matter of urgency.

Workers

All workers of the Council will be actively involved in Council's risk management activities including:

- Maintaining an awareness of risks (current and potential) that relate to their area of responsibility;
- Advising their managers of risk issues they believe require attention;
- Being actively involved in the identification, assessment and management of risk to the best of their ability.

6.4 Risk Management Framework

Berrigan Shire Council recognises and is committed to the International Standard, AS/NZS ISO 31000:2009 as the basis for establishing and implementing its risk management activities. Council has developed a framework that emphasises the integral role risk management plays in the management process and includes procedures and practices designed to support Council's risk management policy. Adherence to the framework will integrate risk management practices into all business activities and systems of the Council and help develop a "risk aware" culture amongst staff members.

The overarching purpose of the framework is to assist in the effective management of risk. The framework ensures that information about risk derived from the risk management process is adequately reported and used as a basis for decision making and accountability at all levels.



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Observing the framework will enable the Council to fulfil its stewardship responsibilities including:

- Protecting resources from loss or misuse;
- Ensuring the safety of Council, staff and the public; and
- Generally encouraging excellence in management, including innovation that may involve responsible risk taking.

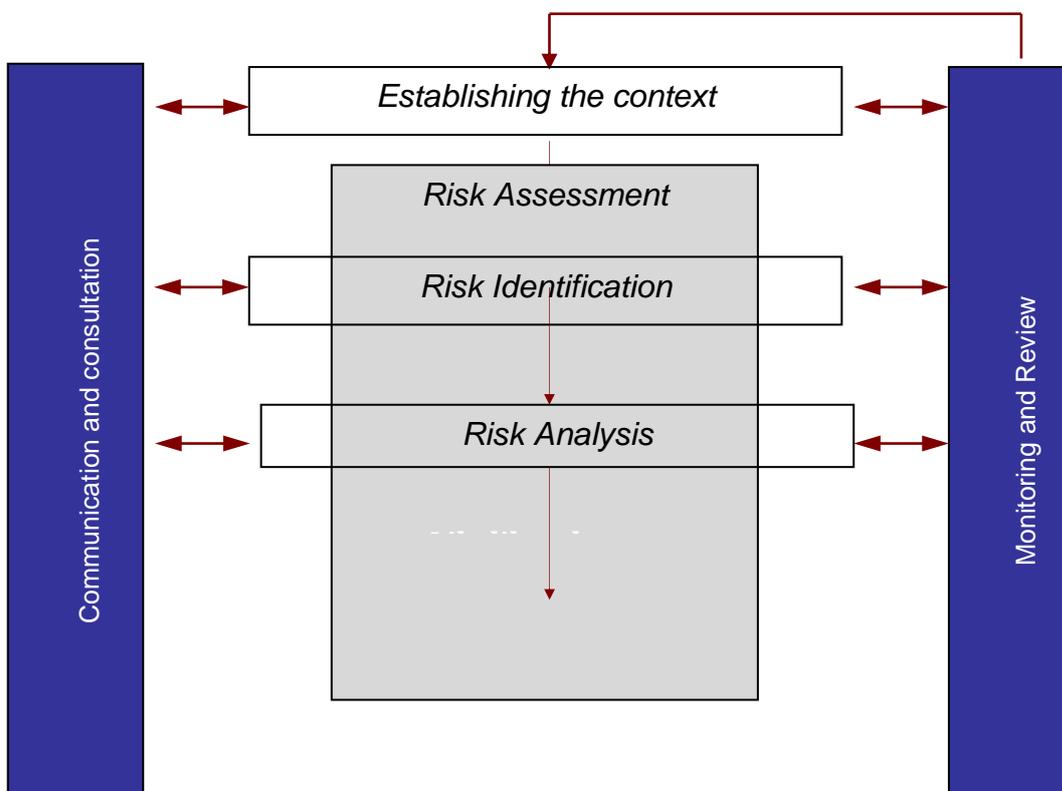
6.4.1 Risk Management Practice

The AS/NZS ISO 31000:2009 provides a template that enables a consistent and comprehensive approach to risk management across the Council.

The risk management process outlined in the Standard requires the following procedures to be undertaken:

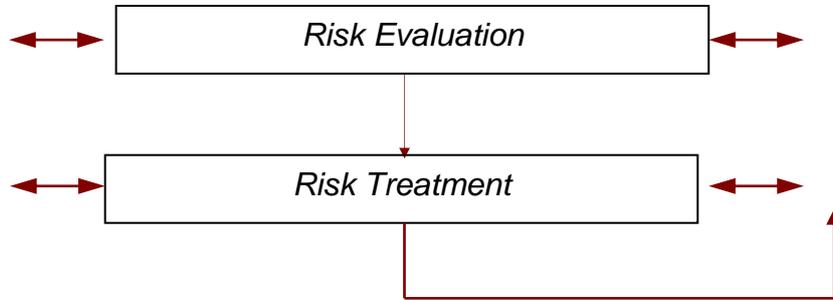
1. Establishing context and culture (i.e. the scope, risk criteria).
2. Risk Identification.
3. Risk Analysis.
4. Risk Evaluation.
5. Risk Treatment.
6. Monitoring and review.
7. Communication and consultation.

This process will be systematically applied by all levels of the Council in managing and determining risk management activities.





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(AS/NZS ISO 31000:2009)

6.4.2 Risk Environment

Council's risk environment is diverse and incorporates a wide range of issues including:

| | | |
|-------------------------|-------------------------|----------------------|
| • Public liability | • Civil liability | • Records Management |
| • WH&S | • Business continuity | • Fraud |
| • Workers compensation | • Emergency response | • Contracts |
| • Ethics & probity | • Child protection | • Copyright |
| • Asset management | • Succession planning | • Volunteers |
| • Gathering Information | • Disaster preparedness | • Environment |

This creates a range of competing interests that need to be prioritised against the available resources (both time and financial). The resources available for Berrigan Shire Council's risk management activities will be specified in the Council's Annual Budget and the identification, analysis, and management of risks on which this budget will be spent will be undertaken in a transparent, efficient and effective manner.

In carrying out risk management activities the Council aims to be objective, open and accountable in its decision making processes. Risk management is the responsibility of everyone within the organisation and active participation in risk identification and treatment will be sought from both employees and the wider community.

In general qualitative analysis of risks will be undertaken using the risk rating matrix outlined in this framework. While this will cater for



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most of the risks faced by the Council it must be recognised that risk assessment is fundamentally subjective, and it may be beneficial to carry out activities that receive a lower rating. These decisions will be overseen by the Enterprise Risk Manager, the General Manager and the Council's Risk Management Committee, who have the primary responsibility for developing, implementing and monitoring Council's risk management activities.

The management of risks will be integrated into the Council's existing planning and operational processes on the basis of the evaluation of the level of risk and Council's exposure. More broadly the Council's Risk Management Strategic Plan will set the parameters for the Council's risk management activities. The Best Practice Manuals provided by Statewide Mutual and StateCover (Council's insurers), self-audits and continuous improvement plans will also be used to guide the Council's risk program.

Regular reporting and monitoring activities are essential in ensuring the strategic and systematic application of risk management processes. These processes will be overseen by the Risk Management Committee and monitored through internal and self-auditing processes. Where possible, accountability for the management of risk at both a management and employee level should be reflected in performance plans, job descriptions and key performance indicators.

6.4.3 Governance Framework

As is highlighted in the Council's Risk Management Policy, council and staff have an obligation in developing a "RISK AWARE" culture within the organisation. This means that everyone within the organisation has responsibility for risk management (to the best of their ability), and that risk management and awareness activities will be integrated into the daily business of the Council.

The key stakeholders involved in managing risks include:

- The Council
- General Manager
- Enterprise Risk Manager
- Risk Management Committee
- Directors, Managers and Supervisors
- All workers.

Individual stakeholder responsibilities are clearly outlined in the Council's Risk Management Policy.



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6.4.4 Risk Identification

Risk identification is the responsibility of all workers. Current and potential risks should be reported, with managers and supervisors accountable for the implementation and maintenance of sound risk management within their areas of responsibility. In general risks should be recorded so that risk patterns can be identified and treatment methods documented.

6.4.5 Risk Analysis

Once risks have been identified it is necessary to analyse the risk in terms of the **likelihood** and **consequences** of an event occurring. These two parameters can be used to produce a level of risk which will help set treatment priorities and options.

In general Berrigan Shire Council will use a qualitative process to measure risks. This process uses descriptive information about the nature of the consequences and likelihood rather than a strict numerical analysis.

In analysing risks the most pertinent information sources should be used and any assumptions made in the analysis of risks should be recorded. Some relevant sources of information could include:

- Past records
- Practice and relevant experience
- Relevant published literature
- Specialist and expert judgements
-

Likelihood Table

| Level | Descriptor | Description | Indicative Frequency |
|-------|----------------|--|-----------------------------------|
| A | Almost Certain | The event will occur on an annual basis. | Expected to occur. |
| B | Likely | The event has occurred several times or more in your career. | Will probably occur. |
| C | Possible | The event might occur once in your career. | Might occur at sometime. |
| D | Unlikely | Heard of something like this occurring. | Not likely to occur. |
| E | Rare | Have never heard of this happening. | Conceivable, but highly unlikely. |



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Consequences Table

| Level of Severity | Financial | Public Liability | Work Health and Safety | Environment | Professional Indemnity | Community (Social & Cultural) /Government/ Reputation Media | Legal | Positive Consequences |
|-------------------|--|--|---|---|---|---|--|---|
| 5 | Extensive financial loss (>25% annual budget); loss of program or business operation. | Death or permanent disability | Single fatality and / or severe irreversible disability (>30%) to one or more persons | Fatalities occur; extensive release off-site; requires long term remediation. | Extensive litigation with possible class action; worst case loss to organisation; threat to viability of program or service. | Extensive public outcry; potential national media attention. | Extensive fines and litigation with possible class action; threat to viability of program or service. | Significantly enhanced reputation, huge financial gain, significant saving in time. |
| 4 | Major financial loss (<25% annual budget); severe impact on program or business operation | Long term illness or serious injury resulting in permanent disability. | Moderate irreversible disability or impairment (<30%) to one or more persons. | Major environmental impact; release spreading off-site; contained with external assistance. | Major complaint with litigation and long term significance; very high loss to organisation. | Serious public or media outcry, broad media attention. | Major breach with fines and litigation; long term significance and major financial impact. | Enhanced reputation, major financial gain, large saving in time. |
| 3 | Significant financial loss (<20% annual budget); considerable impact on program or business operation. | Serious injury requiring hospitalisation (i.e. broken limb, facial lacerations, partial disability etc.) | Serious injury requiring hospitalisation and lost time. | Significant environmental impact; on-site release contained with assistance. | Significant complaint involving statutory authority or investigation; prosecution possible with significant loss to organisation. | Significant public criticism with or without media attention. | Serious breach involving statutory authority or investigation; prosecution possible with significant financial impact. | Some enhancement to reputation, high financial gain, good saving in time. |
| 2 | Minor financial loss (<10% annual budget); minimal impact on program or business operation | Minor injury requiring medical first aid treatment (i.e. sprains & strains) | Minor injury requiring medical treatment or first aid. | Minor environmental impact; on-site release immediately controlled. | Contain complaint or action with short term significance; medium loss to organisation. | Heightened local community concern or criticism. | Contained non-compliance or breach with short term significance and minor financial impact. | Small benefit, low financial gain, small saving in time. |
| 1 | Negligible financial loss (<2.5% annual budget); no impact on program or business | Insignificant – minor injury not requiring medical treatment (i.e. cuts, grazes, bruises, bleeding | Minor injury not requiring medical treatment / No injury | Minimal environmental impact; isolated release only. | Isolated, internal or minimal complaint; minimal loss to organisation. | Isolated, internal or minimal adverse attention or complaint. | Isolated non-compliance or breach; negligible financial impact. | Minimal benefit or financial gain, negligible saving in time. |



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| | | | | | | | | |
|--|------------|-------------------|--|--|--|--|--|--|
| | operation. | etc.) / No injury | | | | | | |
|--|------------|-------------------|--|--|--|--|--|--|



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Incident Rating Matrix

The incident rating matrix compares the level of likelihood (A-E) to the level of severity (1-5) to produce a risk rating (Low, Medium, High, Very High).

| Likelihood | Consequence | | | | |
|------------|-------------|--------|--------|-----------|-----------|
| | 1 | 2 | 3 | 4 | 5 |
| A | Medium | High | High | Very High | Very High |
| B | Medium | Medium | High | High | Very High |
| C | Low | Medium | High | High | High |
| D | Low | Low | Medium | Medium | High |
| E | Low | Low | Medium | Medium | High |

On occasions it is also necessary to prioritise activities with the same risk rating. This can be done using the following table, where risk ratings of a lower numerical value correspond to a lower level of priority (i.e. items with a risk rating of “1” are given the lowest priority and “25” indicates items with the highest priority).

| Likelihood | Consequence | | | | |
|------------|----------------|----------------|---------------|-------------------|-------------------|
| | 1 | 2 | 3 | 4 | 5 |
| A | Medium (11) | High (16) | High (20) | Very High (23) | Very High (25) |
| B | Medium (7) | Medium (12) | High (17) | High (21) | Very High (24) |
| C | Low (4) | Medium (8) | High (14) | High (18) | High (22) |
| D | Low (2) | Low (5) | Medium (9) | Medium (13) | High (19) |
| E | Low (1) | Low (3) | Medium (6) | Medium (10) | High (15) |

Response Requirements

Response requirements have been linked to risk ratings in the following manner:

| | Response | Action |
|-----------|--|--|
| Very High | Senior management attention required. Action plan required. | Immediate response Specify management responsibility |
| High | Senior management attention Action plan required | Response required within 7 working days Specify management responsibility |
| Medium | Implement specific monitoring or response procedures | Heightened action Specify management responsibility |
| Low | Manage by routine procedures. Unlikely to require a specific application of resources | Business as usual Response may not be necessary |



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6.4.6 Risk Evaluation & Treatment

The purpose of a risk evaluation is to make decisions, based on the outcomes of the risk analysis, about which risks need treatment and treatment priorities.

In carrying out a risk evaluation it may be useful to ask the following questions:

- What current systems may prevent, detect or lower the consequences or likelihoods of undesirable risks or events?
- What are the consequences or range of consequences of the risks if they do occur?
- What is the likelihood or range of likelihoods of the risks happening?
- What factors might increase or decrease the likelihoods or the consequences?
- What additional factors may need to be considered?
- What are the limitations of the analysis and assumptions made?
- How confident are you in your judgement or research specifically in relation to the high consequence and low likelihood risks?
- Is the logic behind the analysis sound?
- What current systems may enhance or increase the consequences or likelihoods of opportunities or beneficial events?

Answers to these questions should be detailed as part of a risk assessment. In general the severity of the risk will determine the level of detail required in the assessment. While detailed documentation may not be required for very low risks, a record should be kept of the rationale behind undertaking an initial screening of these risks.

When evaluating risks it may be appropriate to identify and analyse both “problems” and “catastrophes” as separate risks. For example a frequent but low-impact (or chronic) problem may have large cumulative or long-term effects that are at least as important as those of a rare but high-consequence (or acute) event. In addition, the treatment actions for dealing with these two distinct kinds of risks are often quite different so it is sensible to distinguish between them and to record them both.



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As has been noted previously the risk evaluation stage is critical in determining which risks will be treated and the priority assigned to an activity. With Council having limited resources for risk management activities it will usually not be cost-effective or even desirable to implement all possible risk treatments. It is however necessary to choose, prioritise and implement the most appropriate combination of risk treatments. Treatment options, or more usually combinations of options, are selected by considering factors such as costs and benefits, effectiveness, Council's risk appetite and other criteria of relevance to the Council. It is therefore important to consider individual risks and treatment programs in the broader context of Council's risk management strategy and the overall objectives of the Council. Assistance with this task can be provided by Council's Enterprise Risk Manager and the Risk Management Committee as required.

It should be noted that there are risk treatment activities that will be carried out as part of scheduled maintenance or recurrent expenditure programs. On these occasions prioritising work will be the duty of the responsible manager. However, it would be worthwhile for the manager to note that an activity has been undertaken for risk management purposes and briefly document the analysis and evaluation process employed.

6.4.7 Risk Appetite

Under this policy, risk appetite refers to:

1. The risks that the Council is prepared to take to achieve its strategic objectives;
2. The risks that it is prepared to endure in response to a decision not to implement treatments;
3. The acceptance of the residual risk following the implementation of risk treatments.

Under most risk scenarios, Council generally has a conservative risk appetite but accepts there are risks associated with many of Council's activities. Where there is scope for discretion, Council is usually willing to accept a higher level of risk to achieve its strategic objectives, however all risk scenarios will be considered on a case by case basis.

6.4.8 Risk Treatment

Council will use the ALARP (*"As Low as Reasonably Practicable"*) technique in determining which risks will be treated through an evaluation of "tolerable risk". ALARP enlists the concept of what is



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“reasonably practicable” by evaluating if something can be done against the costs and benefits of action or inaction. These two aspects need to be balanced carefully if the risk being treated is related to an expressed or implied duty of care.

ALARP divides risks into three bands:

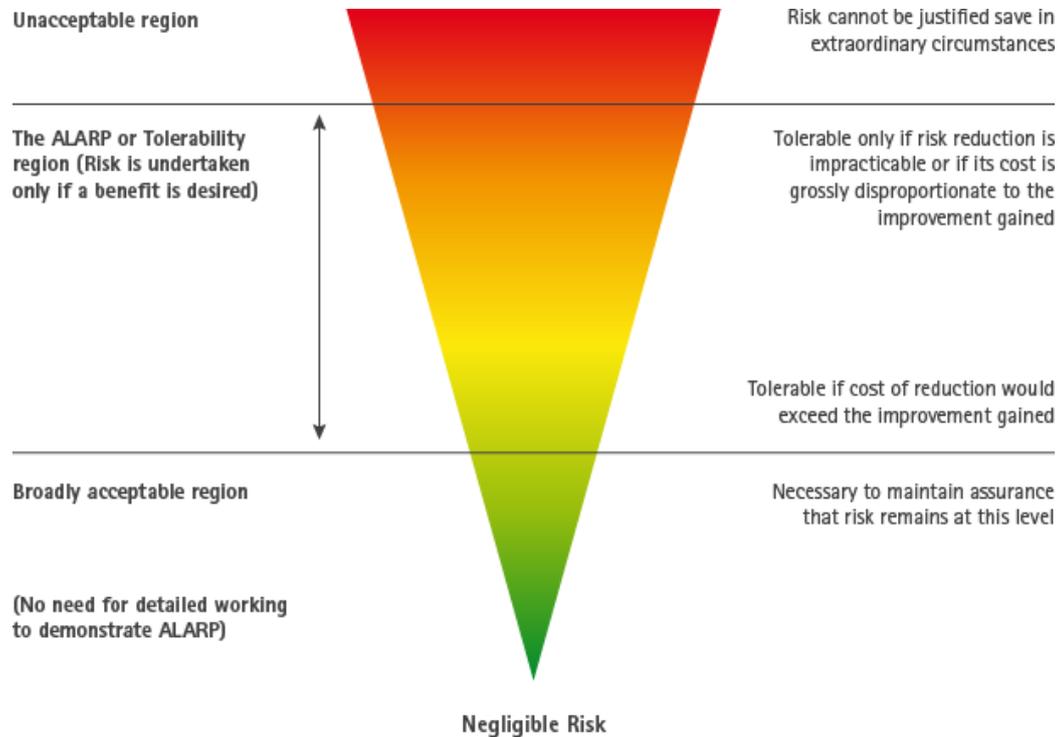
1. An upper band where adverse risks are **intolerable (red area)** whatever benefits the activity may bring, and risk reduction measures are essential whatever their cost.
2. A middle band, or **orange/yellow area**, where costs and benefits are taken into account and opportunities balanced against potential adverse consequences.
3. A lower band where positive or negative risks are **negligible (green area)**, or so small that no risk treatment measures are needed.

In applying this principle it is expected that, when the risk is close to the intolerable level, the risk will be reduced unless the cost of reducing the risk is grossly disproportionate to the benefits gained. Similarly when the risks are close to the negligible level the action may only be undertaken to reduce the risk where the benefits exceed the costs of reduction.



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The ALARP Principle



6.4.9 Monitoring and Review

Ongoing review of risk management activities is essential in ensuring that management plans remain relevant. Factors that may affect the likelihood and consequence of an outcome may change, as might the factors that affect the suitability or cost of the treatment options. It is therefore necessary to repeat the risk management cycle regularly.

Berrigan Shire Council's risk management activities will be monitored in a number of ways:

- Performance in the annual self-audits coordinated by Council's insurer;
- Performance against planned objectives;
- Review and reporting against Council's Risk Management Strategic Plan; and
- Internal auditing procedures.

Progress in the management of treatments will be monitored continually by the Risk Management Committee and the Enterprise Risk Manager. Where possible, accountability for the management of risk at both management and employee level should also be reflected in performance plans, job descriptions and key performance indicators.



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6.4.10 Documentation

Documenting each step of the risk management process is important for a number of reasons:

- Demonstrate to stakeholders that the process has been conducted properly.
- Provide evidence of a systematic approach to risk identification and analysis.
- Enable the review of decisions or processes.
- Provide a record of risks.
- Develop Council's knowledge database.
- Provide the Risk Management Committee with guidance on what items should be included in the Risk Management Strategic Plan.
- Provide an accountability mechanism and tool.
- Facilitate continued monitoring and review.
- Provide an audit trail.
- Share and communicate information.

Appropriate documentation need not impose another layer of paperwork. Subject to legislative requirements, decisions and processes involving risk management should be documented to the extent appropriate to the circumstances. Processes of low consequence may be documented through a diary note, note to file or note on the Practical Finance System. Comprehensive risk assessments or items of significant cost should be documented in a lot more detail with a copy being placed in the central filing system. In some circumstances, an appropriate level and standard of documentation may be needed to satisfy an independent audit.

Irrespective of the level of detail required all assessments should at minimum include:

- The objectives;
- All major assumptions made in the process;
- Who was involved;
- The decisions that were agreed;
- The information sources on which the outcomes were based.

6.4.11 Risk Management Knowledge and Skills Development

The knowledge and skills development component of the Council's Risk Management Framework is aimed at increasing the understanding and skills of staff for the application of their risk management accountabilities and responsibilities. A number of initiatives are included in the framework. As the approach to risk management matures, other learning related activities will be provided.



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The objectives of the initial learning strategy are:

- *Increased awareness of risk management for all staff of the Council commensurate with their responsibilities.*

Awareness raising will be provided to all management and staff. As the implementation of the risk management framework matures, the awareness raising will be provided through induction activities.

- *Consistent application of risk management framework across the Council.*

Training will be provided on an “as required” basis to management and staff with functional responsibilities for risk management within the Council. Training will focus on policies, procedures and the use of risk management templates.

- *Leadership and commitment through the application of risk management.*

The Council will host forums that enable senior management to share their experiences and knowledge required to achieve their outputs through the successful management of current and emerging risks.

7 RELATED POLICIES OR STRATEGIES

Additional publications to be read in conjunction with this policy include:

- *Work Health and Safety Act 2011*
- *Work Health and Safety Regulations 2011*
- *ISO 31000 2009 Risk Management - Principles and guidelines*
- *Work Health and Safety Policy*
- *Liability Management Policy*
- *Fraud Control Policy*
- *Signs as Remote Supervision Policy*
- *Playground Management Policy*
- *Risk Management Strategic Plan*