

**RISK MANAGEMENT**

<b>DIVISION</b>	<b>BUSINESS UNIT</b>	<b>RESPONSIBILITY AREA</b>
Executive Services	CEO	Risk Management

**OBJECTIVE**

To state the Shire of Plantagenet'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:**

1. Policy Statement

- 1.1 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.
- 1.2 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.
- 1.3 This policy applies to Council Members, executive management and all employees and contractors involved in any Shire operations.

2. Policy Aims

- 2.1 The policy aims to:
  - (a) Align with and assist the implementation of all Shire policies.
  - (b) Optimise the achievement of the Shire's vision, mission, strategies, goals and objectives.
  - (c) Provide transparent and formal oversight of the risk and control environment enabling effective decision making.
  - (d) Enhance risk versus return within the Shire's risk appetite.
  - (e) Embed appropriate and effective controls to mitigate risk.
  - (f) Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
  - (g) Enhance organisational resilience.
  - (h) Identify and provide for the continuity of critical operations.

3. Key Policy Definitions

- 3.1 Risk - Effect of uncertainty on objectives.

Note:

- (a) An effect is a deviation from the expected – positive or negative.
  - (b) 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).
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- 3.2 Risk Management - Coordinated activities to direct and control an organisation with regard to risk.
- 3.3 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.
4. Roles and Responsibilities
  - 4.1 The CEO is responsible for the:
    - (a) Implementation of this policy.
    - (b) Reporting on the performance of risk management.
    - (c) Review and improvement of this policy and the Shire's Risk Management Framework at least biennially, or in response to a material event or change in circumstances.
  - 4.2 The Shire's Risk Management Framework outlines in detail all roles and responsibilities associated with managing risks within the Shire.
5. Risk Assessment and Acceptance Criteria
  - 5.1 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.
  - 5.2 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 utilised, however these cannot exceed the organisations appetite and are to be noted within the individual risk assessment.
6. Monitor and Review
  - 6.1 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.
  - 6.2 This policy will be kept under review by the Shire's Management Team. It will be formally reviewed biennially.
7. Risk Assessment and Acceptance Criteria
  - 7.1 Measures of Consequence

Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment	Project
Insignificant (1)	Near miss. Minor first aid injuries	Less than \$20,000	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	Small variation to cost, timelines, scope or quality of objectives and required outcomes

Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment	Project
Minor (2)	Medical type injuries	\$20,001 - \$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	5-10% increase in time or cost or variation to scope or objective requiring managers approval
Moderate (3)	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	10 - 20 % increase in time or cost or variation to scope or objective requiring Senior Management approval
Major (4)	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 and external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	20 — 50 % increase in time or cost or significant variation to scope or objective requiring restructuring of project and Executive Management or Council approval
Catastrophic (5)	Fatality, permanent disability	More than \$1,000,000	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 and building	Uncontained, irreversible impact	>50% increase in cost or timeline, or inability to meet project objectives requiring the project to be abandoned or redeveloped

## 7.2 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

### 7.3 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)

### 7.4 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

### 7.5 Existing Control Ratings

Rating	Foreseeable	Description
Effective	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.
Adequate	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.
Inadequate	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.'

**ADOPTED: 21 APRIL 2020**

**LAST REVIEWED: 21 APRIL 2020**

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