

## BARCOO SHIRE COUNCIL POLICY *RISK MANAGEMENT*

Policy Number: EXG-014	Version: 1
Classification: Executive	Section: Executive-Governance
Date Adopted by Council: 15.03.2017	Resolution Number: 2017.03.27
Responsible Officer: Manager HR Communications and Governance	<p>Review: Note: This Policy is reviewed when any of the following occur:</p> <ol style="list-style-type: none"> <li>1. The related information is amended or replaced.</li> <li>2. Other circumstances as determined from time to time by the Chief Executive Officer.</li> </ol> <p>Notwithstanding the above, this Policy is to be reviewed at intervals of no more than two years.</p>
Legislation: <i>Local Government Act 2009; Local Government Regulation 2012; Work Health Safety Act 2011</i>	

### OBJECTIVE

The purpose of the Policy is to clearly articulate Council's commitment to effectively managing enterprise risk and to provide for the establishment of Council's Enterprise Risk Management approach.

### POLICY STATEMENT

Risk Management is an integral part of all Council processes.

Council is committed to:

- ensuring that all decision making within the organization involves the consideration of risk and the application of risk management to an appropriate degree;
- ensuring that risk management process is integrated into the business processes of Council;
- allocating accountabilities and responsibilities for risk at appropriate levels within the Council;
- ensuring that the necessary resources are allocated to the management of risk to satisfy common law duty of care and statutory responsibilities;
- protecting the Council, its employees, contractors, assets and the community against foreseeable loss and injury; and
- ensuring legal and regulatory compliance.

### DEFINITIONS

Word / Term	Definition
Council	Barcoo Shire Council.
Risk	<p>A risk to the business is any action or event that has the potential to impact on the achievement of our business objectives.</p> <p>Risk also arises as much from the possibility that opportunities will not be realised as it does from the possibility that threats will materialise or that errors will be made.</p>
Risk Management	Risk management for Council refers to the culture, processes and structures developed to effectively manage potential opportunities and adverse effects for any

	<p>activity, function or process undertaken by the Council.</p> <p>Managing risk is achieved through the systematic application of policies, procedures and practices to identify, analyse, evaluate, treat, monitor and communicate risk.</p>
Enterprise Risk Management (ERM)	Enterprise risk management encompasses all the major risk categories (including financial, environmental, health and safety, fraud, information technology, compliance, security and business continuity) and includes the coordination, integration, consolidation and consistency of reporting by the various Council functions with identified risks.
Risk Register	A list of identified and assessed risks directly related to either a particular directorate or to the whole of Council. Risk Registers can either be Corporate, Operational or other project risk register.
Likelihood	The word likelihood is used to refer to the chance of something happening, whether defined, measured or determined objectively or subjectively (probability or frequency).
Consequence	The outcome of an event affecting objectives (impact). An event can lead to a range of consequences. A consequence can be certain or uncertain and can have a positive or negative effect on objectives. Consequences can be expressed qualitatively or quantitatively.
Risk Owner	The person with the accountability and authority to manage a risk.
Risk Treatment	The process to modify existing risks or create new risks.
Risk Treatment Action Plans	The document that outlines the steps to be taken to reduce unacceptable risks to achievable and acceptable levels. This includes details on current controls; required risk treatments; improvement opportunities; resources; timing; reporting and accountabilities.

## **AUTHORITIES AND ACCOUNTABILITIES**

### ***Council***

Adopts this policy and retains the ultimate responsibility for risk management and for determining the appropriate level of risk that it is willing to accept in the conduct of Council business activities. Council will review the effectiveness of the risk management systems.

### ***Chief Executive Officer***

Responsible for identifying, evaluating and managing risk in accordance with this policy through a formal enterprise-wide risk management framework. Formal risk assessments must be performed at least once a year as part of the business planning and budgeting process.

### ***Directors***

Responsible for the accuracy and validity of risk information reported to the Council. In addition, it will ensure clear communication throughout the Council of the Council and senior management's position on risk.

### **Management and Employees**

Responsible for management of risks within their areas of responsibility as determined under any risk treatment plans.

Employees will be responsible for the timely completion of activities contained within these risk treatment plans. Awareness sessions will be conducted routinely to ensure that employees are familiar with risk management and how it is applied within Barcoo Shire Council.

### **RISK MANAGEMENT PRINCIPLES**

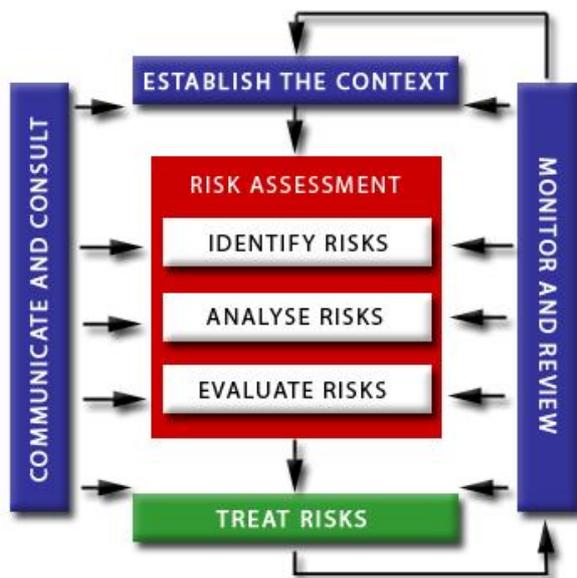
For risk management to be effective, an organisation should comply with the following principles. Risk Management should:

- Creates and protects value;
- Be an integral part of organisational processes;
- Be part of decision making;
- Explicitly addresses uncertainty;
- Be systematic, structured and timely;
- Be based on the best available information;
- Be tailored;
- Take human and cultural factors into account;
- Be transparent and inclusive;
- Be dynamic, iterative and responsive to change;
- Facilitate continual improvement and enhancement of the organisation.

### **RISK MANAGEMENT PROCESS**

The process adopted by Barcoo Shire Council to manage risks is in accordance with *AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines*. This process is the application of the structured risk management methodology to be used to assess; prioritise; treat and monitor risks identified. The risk management process may capture inherent risk (prior to taking into account controls in place), residual risk (after taking into account controls in place), or both.

The main elements of an effective Risk Management approach are as follows:



## 1. Communicate and Consult

It is an essential part of the risk management process to develop and implement an effective framework to communicate and consult with all relevant stakeholders, internal and external as appropriate, at each stage of the risk management process and concerning the process as a whole. The level of communication and consultation will vary depending on the level of interest and or influence of that particular stakeholder individual or group.

## 2. Establish the Context

Stage one of the processes establishes the strategic, organisational and risk management context in which the rest of the process will take place. This includes the criteria, against which risk will be evaluated, the risk appetite of the organisation and corrective actions for the different rating achieved in the assessment of the risks.

In establishing the context for the Risk Management Framework, existing risk management processes were reviewed, interviews and workshops were held with key personnel and a Risk Management Policy was developed. (Refer to Appendix A for Risk Management Policy).

## 3. Risk Assessment

### *Identify Risks*

At this stage, the organisation identifies what, why and how things can arise, that may affect the organisation, as the basis for further analysis. This is done at both strategic and operational levels of the organisation. Categories of risk for the organisation at a strategic and operational level may include, but are not limited to:

- Safety – injuries, lost time, LGW & LGM claims, fatalities
- Reputation and image – negative media exposure, staff morale, community perception
- Assets – damage or loss of information, property or assets
- Environment – impact or harm to natural environment, potential for future damages claims and EPA prosecution
- Service Delivery – ability to service community and meet customer expectations
- Regulatory – breaches of legislation (“ignorance is no excuse”)
- Management effort – senior management effort directed away from achieving strategic objectives and impacting on overall performance(ie focused on day to day tasks)

### *Analyse Risks*

This stage determines the inherent risks and then calculates any residual risks taking in to consideration any existing controls in place (existing processes and procedures). Risks are analysed in terms of consequence and likelihood in the context of those controls. The analysis will consider the range of potential risk exposure consequences and how likely those consequences are to occur. The Consequence and Likelihood are then combined to produce an estimated level of risk known as the Overall Risk Rating.

### *Determining Likelihood*

In determining the likelihood of each risk, the following ratings and definitions have been applied. In making your assessment you have to remember that some events happen once in a lifetime, other can happen almost

every day. Judgment is required to determine the possibility and frequency that the specific risk is likely to occur.

#### LIKELIHOOD TABLE

Rating	Description	Definition - Likelihood of Occurrence
1	Rare	Event may occur once in every 10+ years
2	Unlikely	Event may occur in every 5 – 10 years
3	Possible	Event may occur once in every 2 – 5 years
4	Likely	Event may occur once in every 1 – 2 years
5	Almost Certain	Event may occur within one year

#### DETERMINING CONSEQUENCE

In determining the consequence of each risk, the following ratings and definitions have been applied. There are five levels used to determine consequence and when considering how risks may impact on the organisation it is also important to think about the non-financial elements as well.

#### CONSEQUENCE TABLE

Description	Qualitative Definition - Consequence
<b>Insignificant</b>	An event, that impact can be absorbed; no injuries; low financial loss
<b>Minor</b>	An event, the consequences of which can be absorbed but management effort is required to minimise the impact; First aid treatment; low-medium financial loss
<b>Moderate</b>	A significant event which can be managed under normal circumstances; medical treatment; medium financial loss
<b>Major</b>	A critical event, which with proper management can be continued; extensive injuries; loss of production capability; major financial loss
<b>Catastrophic</b>	A disaster which could lead to the collapse of the organisation; death; huge financial loss

Quantitative parameters have been developed (Refer **Appendix A Consequence Matrix**) to enable the organisation to consistently assign consequence ratings to potential risks. These quantitative measures assign the organisation's risk tolerance parameters applicable to each of the five consequence levels. This approach ensures that all staff can rate the consequence of a risk occurring against the organisation's established parameters, instead of their own personal choice.

## DETERMINING THE OVERALL RISK RATING

After the consequence and likelihood ratings have been determined they are combined in a matrix to determine the overall risk rating for each risk. The extent of the consequences and the extent of the likelihood risks will be assessed in a range from Low to Extreme.

The table below illustrates how the combination of the consequence and likelihood generates the overall risk rating.

### RISK ASSESSMENT MATRIX

Likelihood	Rating	Consequence				
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
Almost certain	5	M	H	H	E	E
Likely	4	L	M	H	H	E
Possible	3	L	M	M	H	E
Unlikely	2	L	L	M	H	H
Rare	1	L	L	L	M	H

### EVALUATE RISKS

Risks need to be evaluated and prioritised to ensure that management effort is directed towards resolution of the most significant organisational risks first. The initial step in this Risk Evaluation stage is to determine the effectiveness, and or existence of, controls in place to address the identified risks.

The following table will assist to determine the effectiveness, and or existence of, controls in place to address the identified risks.

Control Assessment	Description
Adequate	The controls address the identified risk and there is little scope for improvement. There is no convincing cost/benefit justification to change the approach.
Opportunities for Improvement	The controls contain some inadequacies and scope for improvement can be identified. There is some cost/benefit justification to change the approach.
Inadequate	The controls do not appropriately address the identified risk and there is an immediate need for improvement actions. There is a significant cost/benefit justification to change the approach.

## RISK REGISTER

A Risk Register is developed to record and assess each risk identified as part of the risk identification stage. The application of the stages of the risk assessment process noted above ensure there is consistency in the determination of the current risk severity level, taking into account the existing controls and their level of effectiveness in mitigating or addressing the risk. Refer to **Appendix B** for a Risk Register Template.

## TREATMENT OF RISKS

After evaluating each risk and appropriate controls, it is the responsibility of the manager to implement the suitable treatment. Treatment needs to be appropriate to the significance and priority of the residual risk. As a general guide:

**Retain the risk** – where the risk cannot be avoided, reduced or transferred. In such cases, usually the likelihood and consequence are low. These risks should be monitored and determined how losses, if they occur, will be funded.

**Transfer the risk** – involves shifting all or part of the responsibility to another party who is best able to control it (such as an insurer who bears the consequence of losses eg. Insure Council vehicles).

**Avoid the risk** – Decide not to proceed with the policy, program or activity or choose an alternative means of action.

**Control the risk** – By either reducing the likelihood of occurrence or the consequences eg. Implement procedures for specified tasks.

Determine the most effective treatment options by considering the:

- Cost/benefit of each option including the cost of implementation (do not consider financial considerations only; organisational, political, social and environmental factors should also rank)
- Use of proven risk controls
- The anticipated level of risk remaining after implementation of risk treatment. The final acceptance of this risk will be a matter for the appropriate Director to decide.

Once treatment options for individual risks have been selected, they should be assembled into action plans, risk treatment plans or strategies.

The decision to accept a risk will be determined by the agreed table indicating proposed corrective action and the risk appetite criteria established by the council.

The approach for treatment of risks is:

<b>E</b>	<b>Extreme risk</b> – Immediate action required. Task is not to be undertaken until detailed research and planning is completed and decision making in consultation with Strategic Management Team.
<b>H</b>	<b>High risk</b> – Senior management attention and action required.
<b>M</b>	<b>Medium risk</b> – Management responsibility must be specified and action required as soon as possible.
<b>L</b>	<b>Low risk</b> – Manage by routine procedures and unlikely to require additional resource.

## MONITOR AND REVIEW

This stage establishes a process to monitor and review the performance of the risk management system implemented and changes that might affect the performance or give rise to new risks that will require assessment.

Both monitoring and reviewing should be a planned part of the risk management process and tailored to the needs of the organisation and the significance of the risks identified. It should be undertaken on at least an annual basis.

The continual process of monitoring and reviewing is required to ensure ongoing effective risk treatments and the continual improvement of the risk management standards.

**Monitoring** – assess whether current risk management objectives are being achieved. Council can use inspections, incident reports, self-assessments and audits to monitor its risk management plan.

**Review** – assess whether the current risk management plan still matches Barcoo Shire Council's risk profile. The risk management plan may be reviewed by studying incident patterns, legislative changes and organisational activities.

## RECORDING THE RISK MANAGEMENT PROCESS

Each stage of the Risk Management process must be recorded appropriately. All Risk Assessments and Risk Treatment Action Plans must be documented, retained and easily accessible for future reference. Even if a risk is assessed to be Low and a decision is taken to do nothing, the reasoning that led to the decision must be recorded.

## ASSOCIATED POLICIES AND DOCUMENTS

*Procurement Policy*

*WHS Policy*

## Consequence Matrix

Consequence	Rating	Operational – Business Continuity	Environmental	Information Technology	Strategic/Corporate Governance – Reputation - Political	Human Resources	Infrastructure, Asset & Property	Workplace Health & Safety	Financial and Economic
<b>Catastrophic</b>	<b>5</b>	The continuing failure of Council to deliver essential services The removal of key revenue generation	Widespread and irreversible environmental damage attributed by the courts to be negligent or incompetent actions of Barcoo Shire Council.	Widespread, long term loss of IT network/hardware.	Loss of State Government support with scathing criticism and removal of the council. National media exposure Loss of power and influence restricting decision making and capabilities	Staff issues cause continuing failure to deliver essential services	Widespread, long term loss of substantial key assets and infrastructure.	Fatality or significant irreversible disability.	Above 6% of Council's annual revenue (excluding capital revenue) = \$ 1M
<b>Major</b>	<b>4</b>	Widespread failure to deliver several major strategic objectives and service plans. Long-term failure of Council causing lengthy service interruption	Severe environmental impact requiring significant remedial action. Penalties and/or direction or compliance order incurred.	Widespread, short to medium term loss of IT network/hardware	State media and public concern/ exposure with adverse attention and long-term loss of support from Barcoo Shire residents. Adverse impact and intervention by State Government	Staff issues cause widespread failure to deliver several major strategic objectives and long term failure of day to day service delivery.	Widespread, short to medium term loss of key assets and infrastructure.	Extensive injuries. Lost time of more than 4 working days.	Between 2- 6% of Council's annual revenue (excluding capital revenue) = \$500,000
<b>Moderate</b>	<b>3</b>	Failure to deliver minor strategic objectives and service plans. Temporary & recoverable failure of Council causing intermittent service interruption for a week.	Moderate impact on the environment; no long term or irreversible damage. May incur cautionary notice or infringement notice	Short to medium term loss of key IT network/hardware	Significant state wide concern/ exposure and short to mid term loss of support from Barcoo Shire residents. Adverse impact and intervention by another local government & LGAQ.	Staff issues cause failure to deliver minor strategic objectives and temporary and recoverable failure of day to day service delivery.	Short to medium term loss of key assets and infrastructure	Medical treatment. Lost time of up to 4 working days.	Between 1- 2% of Council's annual revenue (excluding capital revenue) = \$250,000
<b>Minor</b>	<b>2</b>	Temporary and recoverable failure of council causing intermittent service interruption for several days.	Minor environmental damage such as remote temporary pollution.	Minor loss/damage. Repairs required	Minor local community concern manageable through good public relations. Adverse impact by another local government.	Staff issues cause several days interruption of day to day service delivery	Minor loss/damage. Repairs required	First aid treatment. No lost time.	Between 0.2 - 1% of Council's annual revenue (excluding capital revenue) = \$100,000
<b>Insignificant</b>	<b>1</b>	Negligible impact of Council, brief service interruption for several hours to a day.	Brief, non-hazardous, transient pollution or damage.	Damage where repairs are required however equipment still operational	Transient matter, e.g. Customer complaint, resolved in day-to-day management. Negligible impact from another local government.	Staff issues cause negligible impact of day to day service delivery	Damage where repairs are required however facility or infrastructure is still operational	No injury.	Less than 0.2 % of Council's annual revenue (excluding capital revenue) = \$5,000



Risk Management Action Plan Template

Risk ID No	Description	Risk Event <i>What might happen?</i>	Source of Risk <i>How might the risk arise?</i>	Risk Treatment <i>What can be done to avoid the risk, control, transfer or finance the risk?</i>	Resources Required <i>What physical, human or financial resources required</i>	Performance Measure <i>How will you know the risk treatment is working?</i>	Timeline	Responsibility <i>Name and position</i>

Reviewing Officer: \_\_\_\_\_ Date: \_\_\_\_\_

Comments: \_\_\_\_\_