



## RISK MANAGEMENT FRAMEWORK

Related to Policy Number	C35	Directorate	Corporate and Community Services
Council Meeting Agenda Item No.	5.1	Department	Finance, Risk and Procurement
Council Meeting Adoption Date	27 February 2019	Primary Author	Coordinator Risk
Revision Date	27 February 2023	Secondary Author	Coordinator Risk and Procurement

### OUR COMMITMENT TO RISK MANAGEMENT

This Risk Management Framework has been developed in accordance with International Risk Management Standard AS/NZS ISO 31000: 2009. It describes the way in which our vision for managing risk translates into every day practice.

Our Executive Leadership Team is deeply committed to building an organisation that is resilient and adaptable to change. As a Gippsland Local Government Network ("**GLGN**") Council, we understand that an effective culture of risk awareness is critical to our success. We recognise that how we "do business" in local government - our strategic direction and vision for the future - will always be directly impacted by how well we manage and understand our key strategic and operational risks.

Risk management is about striving for excellence. It is as much about harnessing opportunity as it is about preserving existing value. Most importantly, it is a process of continuous improvement which enables us to deliver better outcomes for the communities in which we serve.

Tim Tamlin

**Chief Executive Officer**

February 2019

### 1. INTRODUCTION: WHY DO RISK MANAGEMENT?

Although there are no specific legislative requirements requiring local councils to implement a risk management framework, under the Local Government Performance Reporting Framework, our organisation is responsible for identifying our strategic risks. We are also required to report half yearly on the likelihood and consequence of each risk occurring, as well as on our risk minimisation strategies.

In addition, there are a number of references within the *Local Government Act 1989* (Vic) ("**LGA**") which direct Victorian councils to adopt appropriate policies, practices and procedures, for example, to ensure that their assets are adequately protected (see Part 7 of the LGA). Risk Management informs strategic direction. It adds value to decision making processes, helps to prioritise and allocate scarce resources and improves our ability to achieve the objectives of our organisation.



## What is “Risk”?

The International Risk Management Standard AS/NZS ISO 31000: 2009 (“**AS/NZS ISO 31000: 2009**”) defines risk as “*the effect of uncertainty on objectives*”, measured in terms of likelihood and consequence (see section 4 below). Risk Management is the process of applying a logical and systematic method of identifying, evaluating, treating, monitoring and communicating risks associated with any activity, function or process. In the context of local government, risk can be categorised into three broad types:

- **Strategic Risks** are those risks which are generally entity wide, may impact on the ability of Council to achieve its objectives set out in the Council Plan and / or the delivery of critical services;
- **Operational Risks** are those risks which may impact on the achievement of directorate, business unit or service unit plan objectives; and
- **Businesses as usual (“BAU”) Activities** are those activities where the risks present either do *not* impact on the achievement of Council, directorate, business or service unit objectives or already have adequate controls in place.

## Risk Management Objectives

In adopting this Risk Management Framework (“**RMF**”), Council aims to:

- Ensure that we achieve our strategic objectives as set out in the Council Plan;
- Highlight which areas of Council’s risk profile have the capacity to deliver the maximum benefit or maximum harm and to identify those areas which should receive priority action;
- Establish a reliable basis for decision making and ensure that risk is included as a fundamental component in the planning process;
- Ensure the effective allocation of resources;
- Determine how risk should be reported to Council, Auditors, Audit Committee and Strategic Risk Committee;
- Foster an organisational culture which promotes proactive behaviour regarding the identification and treatment of risk;
- Identify and prepare for emerging risks, future events and change; and
- Improve stakeholder confidence and trust.

## 2. OUR RISK MANAGEMENT FRAMEWORK

### Purpose

The purpose of this RMF is to set out Council’s risk management processes and procedures and the rationale behind them. It follows the recommendations set out in AS/NZS ISO 31000: 2009 and has been developed with input and review from Council’s Executive Leadership Team, Strategic Risk Committee, Audit Committee and Council. It addresses key issues such as:

- Roles and responsibilities for managing risk;
- How we identify, assess and rate risks (including effectiveness of controls);
- How we monitor, review and report risks; and
- How we measure our Risk Management performance.



It should be noted that the above processes and procedures will not eliminate Council's risk but will help to manage it in a way that is transparent and methodical in accordance with best practice and good governance principles.

### Our Appetite for Risk

"Risk Appetite" is the level of risk that Council is prepared to accept in delivering its key strategic objectives. The key strategic objectives for our organisation are outlined in the 2017-2021 Council Plan.

Council's approach to Risk Appetite is to minimise our exposure to reputational, compliance and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of our key strategic objectives. We recognise that our appetite for risk varies according to the activity undertaken, that acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

### Risk Appetite – Ratings

Level	Description
5 High Risk Appetite	Council is willing to accept a high risk of potential disruption to service delivery, environmental harm, reduced organisational wellbeing, OH&S exposure, reputation damage, financial loss or exposure, significant incidents(s) of regulatory non-compliance, and degradation of assets.
4 Moderately High Risk Appetite	Council is willing to accept a moderately high risk of potential disruption to service delivery, environmental harm, reduced organisational wellbeing, OH&S exposure, reputation damage, financial loss or exposure, significant incidents(s) of regulatory non-compliance, and degradation of assets.
3 Balanced Risk Appetite	Council is willing to accept only a balanced risk of potential disruption to service delivery, environmental harm, reduced organisational wellbeing, OH&S exposure, reputation damage, financial loss or exposure, significant incidents(s) of regulatory non-compliance, and degradation of assets.

**2 Low Risk Appetite**

Council is not willing to accept risks in most circumstances that may result in disruption to service delivery, environmental harm, reduced organisational wellbeing, OH&S exposure, reputation damage, financial loss or exposure, significant incidents(s) of regulatory non-compliance, and degradation of assets. A score of 2 usually means that the organisation sees more risk than potential reward in an initiative.

**1 Risk Averse Appetite**

Council is not willing to intentionally accept risks in any situations that may result in disruption to service delivery, environmental harm, reduced organisational wellbeing, OH&S exposure, reputation damage, financial loss or exposure, significant incidents(s) of regulatory non-compliance, and degradation of assets. Any item with a score of 1 should have positive controls in place to ensure that harm cannot happen.

Our overall Risk Appetite for Council generally falls between a Low (2) and a Balanced (3) level. Although organisational units or programs may operate at higher risk/reward levels of 4 or 5, Council's role as a Local Government Instrumentality leads to a preference for balanced risk. Some key areas of risk for Council are listed below:

**Ethical Leadership - Risk Appetite 1**

Without a strong emphasis on ethics, Council cannot be successful in achieving the objectives of the Council Plan. Ethics and critical thinking will be communicated, modelled and required of all Councillors, committee members, staff, volunteers and contractors.

**Reputation - Risk Appetite 2**

Council will continue to build its credibility through consistent and transparent communications, leadership and strategy.

**Governance - Risk Appetite 2**

Council will strive to put in place a strong governance framework.

**Regulatory Compliance - Risk Appetite 2**

Council will endeavour to ensure compliance with all legislative and regulatory requirements.

**Community and Relationships - Risk Appetite 3**

Every effort will be made to ensure that Council develops strong and positive relationships with the community and with other key stakeholders.

**Financial Resources - Risk Appetite 2**

Council will carefully manage expenses, plans and financial commitments to remain within approved budget.

**Environmental Responsibility - Risk Appetite 3**

Council will act responsibly in relation to the take up of environmentally sustainable practice within the resources available for this purpose.



### Strategic Initiatives - Risk Appetite 4

Council has identified four strategic themes in the current Council Plan and will make every effort to achieve or significantly progress these priorities during the period of our current Council Plan.

### Occupational Health and Safety - Risk Appetite 2

Council places a high priority on providing a safe workplace for staff, volunteers and contractors.

Risk Category	Willingness to Accept Risk				
	1	2	3	4	5
Ethical Leadership					
Reputation					
Governance					
Regulatory Compliance					
Community Relationships					
Financial Resources					
Environmental Responsibility					
Strategic initiatives					
Occupational Health and Safety					

### 3. ROLES AND RESPONSIBILITIES

All Councillors, staff and contractors are responsible for ensuring that risk is identified, assessed, adequately managed and reported. The table below sets out key responsibilities for the management of risk across all levels of Council.

Role	Responsibilities
<b>Councillors</b>	<ul style="list-style-type: none"> <li>Set strategic direction and policy in relation to Risk Management;</li> <li>Fosters and promotes a strong Risk Management Culture;</li> </ul>

**Role****Responsibilities**

	<ul style="list-style-type: none"><li>• Endorse and periodically review the RMF and Risk Management Policy;</li><li>• Consider risk as an important element of Council's strategic planning and decision making processes;</li><li>• Support the operation of the RMF by monitoring performance and ensuring adequate resources are allocated to manage risk; and</li><li>• Receive reports from the Audit Committee to ensure that strategic risks are being adequately managed.</li></ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"><li>• Provides advice regarding this RMF and Risk Management Policy;</li><li>• Ensures that Risk Management processes and procedures appropriately identify and manage Council's risks;</li><li>• Reviews Council's risk exposure and makes recommendations to Council;</li><li>• Oversees Council's Strategic Risk registers (six monthly) and receive quarterly reports from Directors (or direct report to the CEO);</li><li>• Reviews the internal auditor's annual plan to ensure risk is being adequately reviewed; and</li><li>• Monitors the implementation of recommendations made by Internal and External Auditors.</li></ul>
<b>Chief Executive Officer</b>	<ul style="list-style-type: none"><li>• Is responsible for the management of risk across Council;</li><li>• Chairs the Strategic Risk Committee in accordance with the Strategic Risk Committee Charter;</li><li>• Fosters and promotes a strong Risk Management culture;</li><li>• Ensures overall accountability, authority and resources for managing risks, including incorporation of Risk Management KPIs into performance measures for directors managers and staff;</li><li>• Ensures the establishment, implementation and maintenance of the RMF; and</li><li>• Ensures appropriate reporting of risk to the Executive Leadership Team, Strategic Risk Committee, Audit Committee and Council.</li></ul>
<b>Strategic Risk Committee</b>	<p>The duties and functions of the Strategic Risk Committee are contained in Council's Strategic Risk Committee Charter. Key responsibilities include:</p> <ul style="list-style-type: none"><li>• Overseeing the implementation, operation and annual review of the RMF and Risk Management Policy in accordance with AS/NZ ISO 31000: 2009;</li><li>• Reviewing Strategic (quarterly) and Operational (annual) risk registers ("<b>Risk Registers</b>");</li><li>• Facilitating the identification and monitoring of key Strategic Risks and confirming the appropriateness of risk treatments and controls;</li></ul>





Role	Responsibilities
	<ul style="list-style-type: none"><li>• Ensuring that appropriate staff are identified and appointed who are accountable for updating the Strategic Risk Committee on key strategic and operational risks;</li><li>• Ensuring that Risk Owners and managers establish a risk aware culture which reflects the intent of Council's RMF and Risk Management Policy and that staff are adequately trained in risk management;</li><li>• Monitoring Council's compliance with recommendations made by Councils internal and external auditors;</li><li>• Ensuring that Risk Management is incorporated into the development and implementation of Council's corporate and business planning process; and</li><li>• Providing periodic status reports to the Audit Committee and Council.</li></ul>
<b>OHS Committee</b>	<ul style="list-style-type: none"><li>• Identifies, monitors and reports on OHS risks; and</li><li>• Provides OHS minutes and reports to the Strategic Risk Committee on a quarterly basis.</li></ul>
<b>Directors</b>	<ul style="list-style-type: none"><li>• Monitor and report on the status of all Strategic and Operational Risks within their directorate;</li><li>• Implement Risk Management practices within their directorate to ensure that risks are appropriately identified, managed and reviewed;</li><li>• Ensure that appropriate Risk Owners are appointed and oversee handover arrangements as / when Risk Owners leave and / or transfer to other parts of the organisation;</li><li>• Facilitate the embedding of a risk aware culture within their directorates;</li><li>• Initiate the incorporation of Risk Management KPIs into the performance measures for managers and staff; and</li><li>• Implement and review progress of treatment plans for improved mitigation within their area of operation.</li></ul>
<b>Managers</b>	<ul style="list-style-type: none"><li>• Ensure that Strategic and Operational Risks are identified, managed, reviewed and updated regularly within their areas of responsibility;</li><li>• Facilitate the embedding of a risk aware culture within their teams;</li><li>• Assist Directors to appoint appropriate Risk Owners and manage handover arrangements when risk owners leave and / or transfer to other parts of the organisation; and</li><li>• Implement and review progress of treatment plans for improved mitigation within their area of operation.</li></ul>
<b>Coordinator Risk and Procurement</b>	<ul style="list-style-type: none"><li>• Oversees the development, facilitation and implementation of the RMF, Risk Management Policy and Strategic Risk Committee.</li></ul>



Role	Responsibilities
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**Risk Coordinator**

- Responsible for establishing and implementing the RMF, Risk Management Policy and Strategic Risk Committee;
- Supports the activities of the Strategic Risk Committee and Audit Committee with regard to risk;
- Ensures that the Strategic and Operational Risk Registers are properly maintained across Council;
- Provides reports on key Strategic and Operational Risks to assist the CEO with managing the risks;
- Provides advice and assistance to the Executive Leadership Team and managers in relation to the RMF to ensure consistent adoption and approach; and
- Provides advice and assistance to all staff in relation to the identification, assessment and treatment of risks.

**All Staff**

- Ensure that Risk Management practices are applied in their day-to-day activities;
- Maintain an awareness of current and potential risks that relate to their area of responsibility;
- Ensure that Risk Management reporting is appropriately undertaken and advise managers of any issues they believe require attention; and
- Ensure compliance with Council's Risk Management Policy.

**Contractors**

- Ensure that contractual and legal obligations are met in accordance with Council's RMF, Risk Management Policy, OHS Policy and Safety Management System;
- Ensure that required Risk Management documentation is completed and provided to Council's nominated contract / project manager;
- Ensure that identified risks are adequately assessed and reported to Council's nominated contract / project manager; and
- Ensure compliance with all lawful directions issued by Council's nominated contract / project manager.

**Internal Audit**

- Ensures the internal audit plan takes into consideration identified high and extreme rated Strategic and Operational risks and associated response activities, including internal controls;
- Evaluates the effectiveness and application of the RMF; and
- Reports to the Strategic Risk Committee and the Audit Committee.

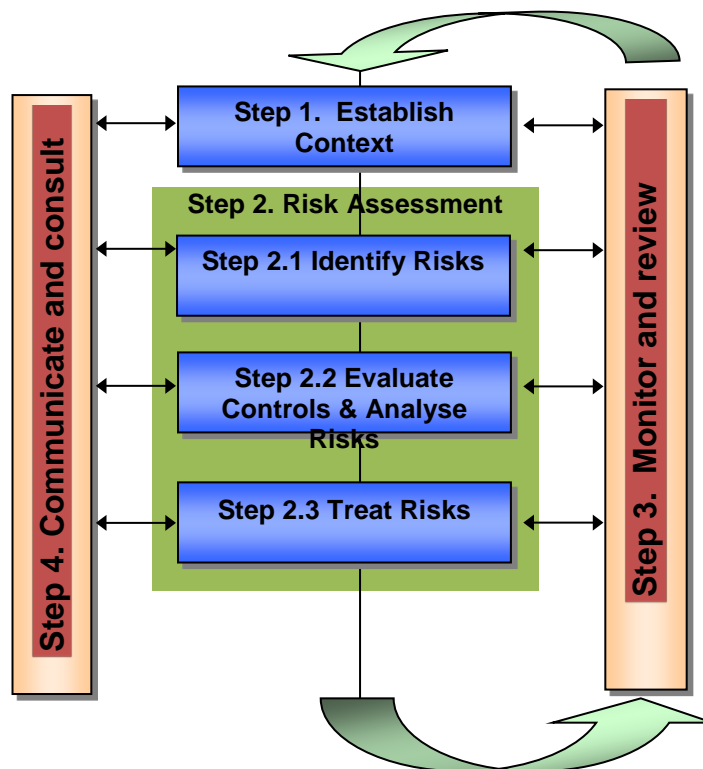
**4. RISK MANAGEMENT PROCESS: HOW DO WE IDENTIFY, ASSESS AND TREAT RISK?**

The process of Risk Management involves the identification and analysis of risk, an evaluation of controls and the implementation of the appropriate treatment plans. It also involves consultation with key stakeholders as well as regular monitoring and review.





Council's Risk Management process is depicted in the diagram below:



### Step 1: Establish Context

Council provides a wide variety of services and facilities and operates in an environment which is often challenging and complex. In establishing this RMF, Council has considered the internal and external context in which risk arises. In turn, this has enabled us to better define the scope for the Risk Management process and set the criteria against which risk will be assessed.

#### External Context

The external context is the external environment in which Council seeks to achieve its objectives. Council has considered:

- The social, cultural, political, legal, regulatory, financial, technological, economic, natural and competitive environment (international, national, regional and local);
- The key drivers and trends which impact on the objectives of Council; and
- Its relationships with, perceptions and values of external stakeholders.

#### Internal Context

The internal context is the internal environment in which Council seeks to achieve its objectives. Council has considered:

- Governance, organisational structure, roles and accountabilities;
- Policies, objectives, and strategies;
- Resources and knowledge (e.g. capital, time, people, processes, systems and technologies);
- Relationships with and perceptions and values of internal stakeholders;
- Organisational culture;
- Information systems, information flows and decision making processes (both formal and informal);
- Standards, guidelines and models adopted by Council; and
- Form and extent of contractual relationships.



## Risk Management Context

When analysing a new or reviewing an existing risk, it is important that the specific Risk Management context is considered, including:

- What is the **scope** of the proposed Risk Management activity?
  - What are the aims, objectives and required outputs from the assessment?
  - Over what time period are the activities conducted?
  - What are the milestones?
  - Over what parts of the Council, or locations, will the Risk Management activities be conducted?
  - Who will be involved in the assessment?
  - Who is accountable? Responsible?
  - What resources are required: people, expertise, budget, applications?
  - Specific exclusions to assessment or treatment?
  - Reporting requirements?
  - Records management requirements?
- What areas of the business, external organisations or individuals are likely to have **useful information**?
- What **stakeholder** issues need to be considered?

Consideration of these issues provides the context within which risks can be identified, assessed and evaluated. Having a clear understanding of the context will allow a thorough examination of risk and subsequently the most appropriate treatment solutions.

It is also necessary to determine how any risks identified will be evaluated. Issues that could be considered include:

- How will consequence be defined and measured? E.g. using financial losses, impact on project objectives, and/or reputational damage.
- How will likelihood be defined and measured, will qualitative or quantitative approaches be used?
- What level of risk is acceptable or unacceptable?
- What levels of risk will mandate improved mitigation?
- What level of risk will require increased insurance cover?
- What level of risk will allow insurance cover to be reduced or waived?

## Step 2: Risk Assessment

As set out in Step 2.2 below, risk assessments are carried out for all new and existing risks on an ongoing basis. Strategic and Operational Risks are recorded on Council's Risk Registers and assessed and reported on a regular basis to the Strategic Risk Committee and the Audit Committee.

### Step 2.1: Identification

Risk can be identified through a number of means, including but not limited to:

- Internal and external audits;
- Risk reviews;
- Performance reviews;
- Insurance claims;
- Incident reports (including near misses);
- Complaints and community feedback;
- Council reports;
- Project planning;



- Experience and knowledge;
- Performance reporting; and
- External review and reports by compliance authorities.

In establishing this RMF, Council has identified its key Strategic and Operational Risks by reference to the functions and activities carried out by Council's service and business units.

### Step 2.2 Evaluate Controls / Analyse Risk

In order to assess the significance of each risk, Council rates the effectiveness of the relevant "controls". A control can include any process, policy, device, practice or other action which impacts on the consequence or likelihood of a particular risk occurring.

Council also assesses *likelihood* (the probability of the event or circumstance occurring) and *consequence* (the outcome of an event or circumstance) in relation to Council, directorate, business or service unit objectives.

As demonstrated in the Risk Assessment Matrix (see below), by assessing *likelihood*, *consequence* and the *adequacy of controls*, Council is able to assign a Residual Risk rating to each particular risk and the Residual Risk rating will then determine Council's response - i.e. how the risk should be treated.

Tables (A), (B) and (C) below demonstrate how we rate "controls", "likelihood" and "consequence" in relation to each of Council's Strategic and Operational Risks.

**Table A: How do we assess "controls"?**

Rating	Description
Highly Effective	Controls are well designed to minimise downside risk and are clearly documented and embedded into the culture. Accountabilities are understood.  There is no clear need to improve the controls within the organisation's present appetite for risk except in a dynamic environment or as part of a commitment to continuous improvement.
Moderately Effective	Controls address majority of root causes of downside risk but are not yet fully documented or embedded into the culture. Recent changes in accountabilities are not yet fully understood. To ensure that the risk is managed in accordance with Council's appetite for risk, controls should be tightened. This may be a matter of ensuring that treatment plans are progressing and/or completed.
Less than Effective	Controls do not satisfactorily address several of the root causes of downside risk. Council is exposed to a higher level of risk than it would normally tolerate and remedial action is required.
Non Existent	Council does have in place any procedures designed to mitigate against this risk. Council must take steps to understand this risk as a matter of priority in order to design and implement appropriate controls as soon as possible.



Level	Descriptor	Likelihood
A	<b>Almost Certain</b>	<ul style="list-style-type: none"> <li>99% probability; or</li> <li>Risk is occurring now; or</li> <li>Could occur within “days to weeks”.</li> </ul>
B	<b>Likely</b>	<ul style="list-style-type: none"> <li>&gt;50% probability; or</li> <li>Balance of probability will occur; or</li> <li>Could occur within “weeks to months”.</li> </ul>
C	<b>Possible</b>	<ul style="list-style-type: none"> <li>&gt;20% probability; or</li> <li>May occur but against short term probabilities; or</li> <li>Could occur within “months to years”.</li> </ul>
D	<b>Unlikely</b>	<ul style="list-style-type: none"> <li>&gt;1% probability; or</li> <li>May occur but not anticipated; or</li> <li>Could occur in “years to decades”.</li> </ul>
E	<b>Rare</b>	<ul style="list-style-type: none"> <li>&lt;1% probability; or</li> <li>Occurrence requires exceptional circumstances.</li> </ul>

Table C: How do we assess “consequence”?

Risk Score	Risk Rating	Revenue, Cost or Liability (3 <sup>rd</sup> Party or Business Loss)	People (Health & Safety)	Environment	Corporate Image (Probity/Political/Economic)
5	<b>Catastrophic</b>	<ul style="list-style-type: none"> <li>Liability cost or business loss to Council &gt; \$2M</li> <li>Council officer or Councillor gaoled</li> </ul>	<ul style="list-style-type: none"> <li>Multiple loss of life</li> <li>Shire wide epidemic</li> </ul>	<ul style="list-style-type: none"> <li>Serious damage of national significance</li> <li>Prosecution (cost as per revenue impact)</li> <li>Impact not fully reversible</li> </ul>	<ul style="list-style-type: none"> <li>Official Public Investigation;</li> <li>Public/media outrage</li> <li>International media coverage</li> <li>Public pressure to curtail operations of the Council</li> <li>Management changes demanded</li> </ul>
4	<b>Major</b>	<ul style="list-style-type: none"> <li>Liability cost or business loss to Council of between \$250K to \$2M</li> <li>Council officer and/or Councillor with significant fine</li> </ul>	<ul style="list-style-type: none"> <li>Loss of life;</li> <li>Serious health impact on multiple members of public or staff</li> </ul>	<ul style="list-style-type: none"> <li>Serious damage of State significance</li> <li>Prosecution likely (cost as per revenue impact)</li> <li>Impact reversible within 10 years</li> </ul>	<ul style="list-style-type: none"> <li>Loss of community confidence in Council</li> <li>Public/media concern</li> <li>National media coverage</li> <li>Damage to Council's reputation</li> <li>Formal inquiry/sanctioned</li> </ul>
3	<b>Moderate</b>	<ul style="list-style-type: none"> <li>Liability cost or business loss to Council of \$50K to \$250K</li> <li>Council personnel fined</li> </ul>	<ul style="list-style-type: none"> <li>Serious health impact on a member of the public</li> <li>Hospitalisation required</li> </ul>	<ul style="list-style-type: none"> <li>Serious damage of local significance;</li> <li>Prosecution probable (cost as per revenue impact)</li> <li>Impact reversible within 1 year</li> </ul>	<ul style="list-style-type: none"> <li>Community discussion and concern</li> <li>Broad adverse media coverage</li> </ul>
2	<b>Minor</b>	<ul style="list-style-type: none"> <li>Liability cost or business loss to Council of \$20K to \$50K</li> </ul>	<ul style="list-style-type: none"> <li>Moderate injury/health impact on staff or public</li> <li>Medical attention required</li> </ul>	<ul style="list-style-type: none"> <li>Material damage of local significance;</li> <li>Prosecution possible (cost as per revenue impact)</li> <li>Impact reversible within 3 months</li> </ul>	<ul style="list-style-type: none"> <li>Minor/isolated concerns raised by members of public, customers, suppliers</li> <li>Local media adverse report</li> </ul>
1	<b>Insignificant</b>	<ul style="list-style-type: none"> <li>Minimal liability cost or business loss to Council &lt; \$20K</li> </ul>	<ul style="list-style-type: none"> <li>Minor First Aid required</li> <li>Temporary, minor health impact on staff or public</li> </ul>	<ul style="list-style-type: none"> <li>Minor release of pollutants which does not require notification to third parties</li> <li>Brief, non-hazardous temporary pollution, reversible within a week</li> </ul>	<ul style="list-style-type: none"> <li>Event only of interest to individuals</li> <li>No impact on community;</li> <li>Marginal impact on Council operations</li> <li>Resolved in day to day management</li> </ul>



## Risk Assessment - Matrix

The Residual Risk rating for a particular risk is based on the potential *consequence* and the *likelihood* of the risk event, after taking into consideration the effectiveness of the controls presently in place to mitigate the likelihood and consequence.

		Consequence				
Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
	Almost certain	Medium	Significant	High	Extreme	Extreme
	Likely	Medium	Medium	Significant	High	Extreme
	Possible	Low	Medium	Significant	High	High
	Unlikely	Low	Low	Medium	Significant	High
	Rare	Low	Low	Medium	Significant	Significant

### Determine if the risk a Strategic Risk, Operational Risk or BAU Activity

In analysing the risk, determine if the risk is a Strategic Risk, Operational Risk or BAU Activity using the definitions outlined in Section 1 above. Note that BAU Activities will be managed at the department level and will not be included in Council's Risk Registers.

### Step 2.3: Treatment Plan

Council is to develop treatment plans for each of its Strategic and Operational Risks. Assuming a negative risk, Council effectively has four treatment options:

- Maintaining the status quo by accepting the risk at its current level.  
This requires discipline to ensure current controls do not lapse;
- Accepting the risk but strengthening the controls to reduce the likelihood and/or the consequence. These steps should reduce the residual risk to a more acceptable level;
- Sharing the risk with a third party. This form of treating risk is often through insurance and is therefore limited to the financial consequences of an event or circumstance; and
- Avoiding the activity that gave rise to the risk. This is not an option for the overwhelming majority of Council activities.

If Council elects to reduce the level of Residual Risk, a treatment plan is developed which includes required and approved actions, the person accountable for each action, resources required, the target risk rating, reporting and monitoring arrangements and the timeframe allocated for compliance.

Treatment plans are also assessed to determine if the cost of implementing the plan outweighs the expected benefit. Once completed, new treatments become "controls" which improve the control rating - and reduce the risk.

### Initial Actions



Once a risk assessment and treatment plan has been completed, the relevant Manager will undertake the following activities depending on the Residual Risk rating determined:

Rating	Decision	Action
Extreme	What should I do?	Immediate action required, including urgent interim actions e.g. cessation of activity is necessary to ensure safety.
	Who should I tell?	CEO, Relevant Director and Risk Management team must be advised.
High	What should I do?	Prompt action required, including interim actions.
	Who should I tell?	CEO, Relevant Director and Risk Management team must be advised if risk owners unable to fix promptly or if additional resources are required.
Significant	What should I do?	Use ALARP <sup>1</sup> principles – if risk not as low as practical implement control procedures.
	Who should I tell?	Continuity strategies need to be documented and approved. Relevant Director and Risk Management team must be advised if risk owners unable to fix promptly.
Medium	What should I do?	Risk is likely be acceptable, if not use ALARP principle.
	Who should I tell?	Functional Unit Manager should be involved if risk owners unable to fix promptly and Risk Management team advised.
Low	What should I do?	Risk is almost acceptable. Implement treatment plan.
	Who should I tell?	Advise Unit Manager and Risk Management team.

<sup>[1]</sup> **ALARP** stands for **As Low As Reasonably Practicable**, and is a term often used in safety and Risk Management. The **ALARP principle** is that *the risk shall be as low as reasonably practicable*. For a risk to be ALARP it must be possible to demonstrate that the cost involved in reducing the risk further would be grossly disproportionate to the benefit gained.

### Strategic Risk Committee Confirmation

Following these initial actions, the risk will be presented to the next Strategic Risk Committee meeting. The Strategic Risk Committee will confirm the assessment, Residual Risk rating and whether the risk will be managed via the Strategic Risk Register, Operational Risk Register or as a BAU Activity.



**Step 3. Monitoring and review**

A risk and its corresponding treatment plan is monitored and reviewed at the following intervals:

**Low Risks**

- Managed at a departmental / team level by coordinators;
- Monitored and reviewed annually by managers;
- Reported to the Strategic Risk Committee via the relevant Strategic or Operational Risk Register; and
- Reported to other committees (e.g. OHS Committee) as required.

**Medium, Significant, High and Extreme Risks**

- Owned and reviewed by Managers as required or at the following intervals at a minimum:
  - Medium risks: every 12 months;
  - Significant risks: every 9 months;
  - High risks: every 6 months; and
  - Extreme risks: every three months.
- Monitored by the Strategic Risk Committee as follows:
  - Strategic risks:
    - Risk Reviews: presented to the Strategic Risk Committee following each review; and
    - Strategic Risk Register: presented at each Strategic Risk Committee meeting.
  - Operational Risks:
    - Risk Reviews: presented to the relevant Director following each review; and
    - Operational Risk Register: presented annually to the Strategic Risk Committee.
- Monitored by the Audit Committee as follows:
  - Strategic Risk Register: reported every six months; and
  - Quarterly Risk Reports: by a Director (or direct report to the CEO).
- Monitored by the Council as follows:
  - Annual Confidential Risk Briefing / Report: including Strategic Risk Register.
  - Annual Audit Committee Chair Report.

**Note:** risks managed by other committees and not on the Risk Registers will be reported as required to the Strategic Risk Committee through committee minutes and annual reports.

**Moving or Removing Risks from / between Risk Registers**

If a Strategic or Operational Risk is deemed by the Strategic Risk Committee to be adequately controlled with no clear need to improve the controls within the organisation's appetite for risk, the Strategic Risk Committee under direction from the Chair, can decide to remove the risk from the relevant Risk Register, to be managed as a BAU Activity.

Following a risk review the Strategic Risk Committee can also determine if a risk should be escalated or de-escalated by moving the risk from the Strategic to the Operational Risk Register or vice versa.

**Step 5: Communication and Consultation**



Communications and consultation with external and internal stakeholders should take place during all stages of the Risk Management Process consistent with the roles and responsibilities outlined in this RMF. Communication and consultation should address issues relating to the risk, its causes, consequences (if known) and the measures being taken to treat it.

Effective communication ensures that those accountable for implementing the Risk Management Process and their stakeholders understand the basis on which decisions are made, why particular actions are required, the impact of those actions and what actions have already been implemented.

## **5. HOW DO WE MEASURE OUR PERFORMANCE?**

In accordance with AS/NZS ISO 31000: 2009, Council's Risk Management Policy describes the way in which our risk management performance is measured and reported. In particular, we measure and report our Risk Management performance by:

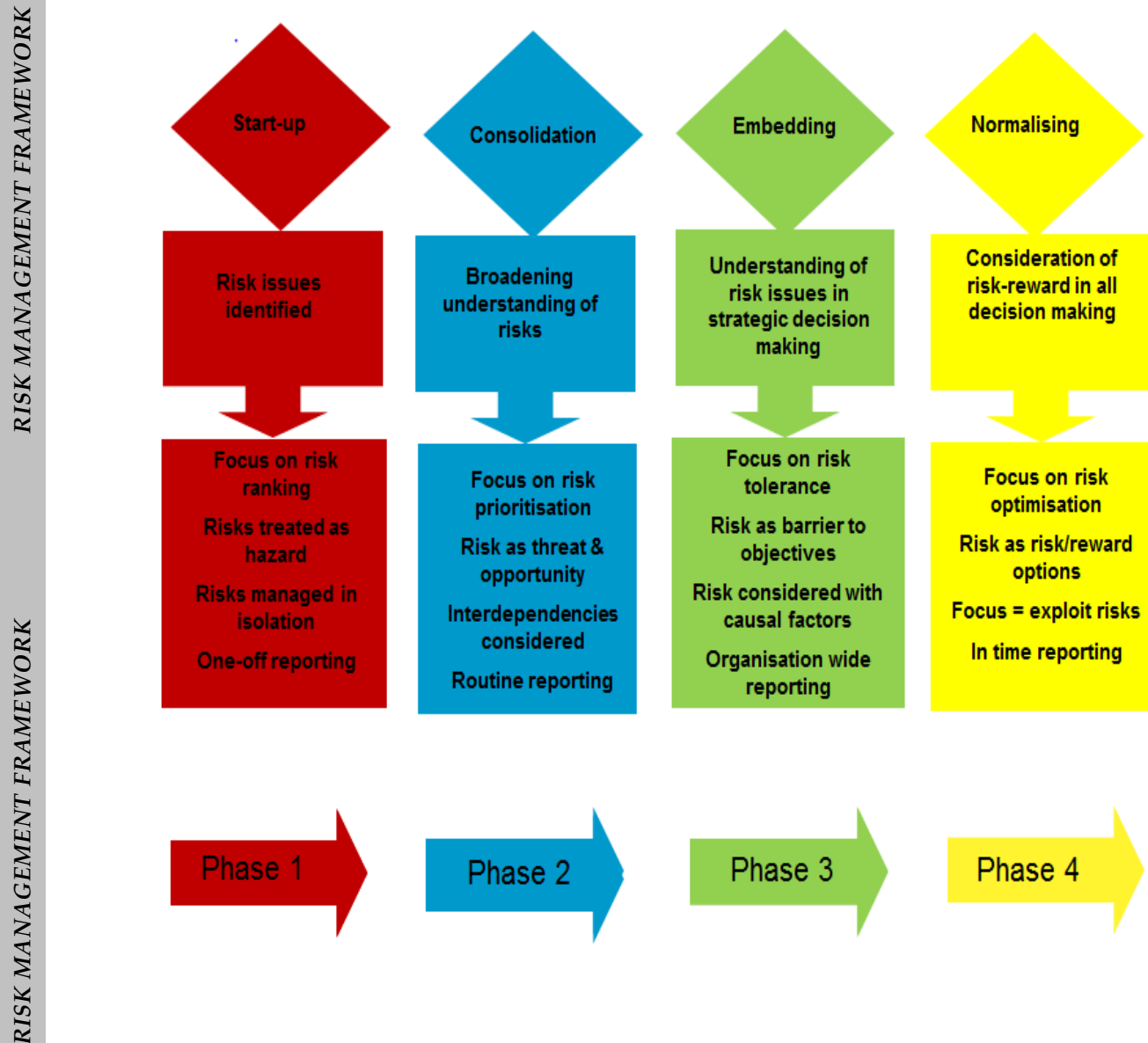
- Undertaking risk assessments for key operations, projects and strategies on a regular basis;
- Ensuring that Risk Management-related KPIs are used as performance measures for directors, managers and appropriate staff;
- Establishing a Strategic Risk Committee to monitor internal Risk Management processes and the treatment of specific risks;
- Ensuring that Strategic Risk Register is reported to the Audit Committee every six months and further, that the minutes of the Strategic Risk Committee are provided to the Audit Committee on a quarterly basis; and
- Effectively responding to internal and external audit recommendations.

This Risk Management Framework, Risk Management Policy and Strategic Risk Committee Charter will be reviewed by the Executive Leadership Team and the Risk Coordinator on an annual basis. Formal review and Council endorsement will be conducted by the Executive Leadership Team every four years, following feedback from the Audit Committee.



## Risk Management Roadmap: A Journey of Continuous Improvement

Risk Management is a process that occurs incrementally, within an organisation or business units' level of risk maturity. This needs to be considered in implementing this RMF.





## 6. KEY DEFINITIONS

Unless stated otherwise, the following terms and definitions are derived from AS/NZS ISO 31000: 2009.

Term	Definition
<b>Business as Usual (BAU) Activities</b>	Has the meaning given to this term on page 2 of this Risk Management Framework.
<b>Consequence</b>	The outcome of an event affecting objectives.
<b>Control</b>	Any process, policy, device, practice, or other actions which modify risk.
<b>Likelihood</b>	The chance of something happening.
<b>Operational Risk</b>	Has the meaning given to this term on page 2 of this Risk Management Framework.
<b>Residual Risk</b>	The risk remaining after risk treatment.
<b>Risk</b>	The effect of uncertainty on objectives.
<b>Risk Appetite</b>	Has the meaning given to this term on page 2 of this Risk Management Framework.
<b>Risk Management</b>	Has the meaning given to this term on page 1 of this Risk Management Framework.
<b>Risk Management Framework</b>	The set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
<b>Risk Management Policy</b>	A statement of the overall intentions and direction of an organisation related to risk management.
<b>Risk Management Process</b>	The systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.
<b>Risk Owner</b>	The person or entity with the accountability and authority to manage a risk.
<b>Risk Treatment</b>	The process to modify risk. Note: once successfully implemented, risk treatments become controls.
<b>Strategic Risk</b>	Has the meaning given to this term on page 2 of this Risk Management Framework.