Policy G 22 Risk Management

Policy Objective

The object of this policy is achieve a high level of recognition that risk management is important to the operations of the Shire and to establish a framework for the assessment and management of risk.

It is also important to clearly document the organisation's commitment to risk management principles to:

- Increase the likelihood of achieving objectives,
- Encourage proactive management,
- Establish a reliable basis for decision making and planning,
- Improve operational effectiveness and efficiency and improve organisational resilience,
- Enhance health and safety performance
- Improve the identification of opportunities and threats,
- Improve financial reporting and governance,

Policy

The Shire of Ravensthorpe is actively committed to:

- Ensuring that the necessary consideration is given to risk management,
- Ensuring that the framework for managing risk is consistent and in line with the Australian Standard
- Protecting the organisation, its employees, contractors, assets and the community against reasonably foreseeable loss and injury, and
- Ensuring legal and regulatory compliance.

The Shire of Ravensthorpe recognises that risk management can be used for sound strategic and financial planning and ongoing business.

Fundamental to risk management are the following objectives:

- To identify and analyse the organisation's liability associated with risk exposure,
- To protect staff, contractors and the community against personal, physical and financial losses within the control of the Shire of Ravensthorpe
- To protect the Shire's corporate image as a professional, responsible and ethical organisation,
- To recognise that risk management is the responsibility of all managers and staff,
- To adopt risk management processes as set out in the Australian/International Standard for Risk Management (AS/NZS ISO 31000:2009) and other relevant guidelines and standards.

Risk management framework

The appendix to this policy contains the risk management operational procedure. This provides guidance to staff when undertaking risk identification, analysis and evaluation. It then provides guidance on risk mitigation.

- Risk Identification
  A number of methods can be used to identify risk including brainstorming sessions, workshops, council planning sessions and industry standards

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- Risk Analysis
  Risk is assessed in terms of consequence and likelihood. The consequence of an event is rated from insignificant to catastrophic. The likelihood is rated from almost certain to rare.

- Risk Evaluation
  The risk is then evaluated by referencing the consequence of an event against the likelihood of it happening. An event which is likely with a catastrophic consequence would be dealt with in a different way to an event which is rare and insignificant.

- Risk Mitigation
  The next step in the process involves identifying a range of options for treating risks evaluating the options and developing additional controls for implementation.

  Selecting the most appropriate option involves balancing the costs of implementing each option against the benefits derived from it.

  The objective is not to eliminate all risk but rather to ensure that the risk is maintained at a tolerable level in a cost effective manner.

Roles and Responsibilities

- The Local Government
  The Council will review the Risk Management Policy and amend it as required and provide adequate budgetary provision for risk management strategies to be implemented.

- Chief Executive Officer
  The Chief Executive Officer has the ultimate responsibility for ensuring that risk management is managed across the local government operations.

APPENDIX

RISK MANAGEMENT FRAMEWORK

Introduction

Risk Management is the term applied to a logical and systematic method of identifying, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable the Shire to minimise losses.

The process for managing the Shire of Ravensthorpe's risks is consistent with the International Risk Management Standard ISO 31000:2009. It involves the following steps;

The Process

Step 1: Communicate & Consult

Communication and consultation are important elements in each step of the risk management process. Effective communication is essential to ensure that those responsible for implementing risk management, and those with a vested interest, understand the basis on which risk management decisions are made and why particular actions are required.

It is important that the communication approach recognises the need to promote risk management concepts across all management and staff.

Step 2: Establishing the Context

Establishing the context defines the basic parameters within which risks must be managed and sets the scope for the rest of the risk and opportunity management process. The context includes the Shire's external and internal environment.

External Context

Establishing the External Context is not only about considering the external environment, but also includes the relationship or interface between the Shire of Ravensthorpe and its external environment. This may include:

- Business, social, regulatory, cultural, competitive, financial and political environment;
- Community impact;
- Health and safety;
- Media;
- Legal and Regulatory obligations; and
- External stakeholders/ key third party service providers.

Establishing the external context is important to ensure that stakeholders and their objectives are considered when developing risk management criteria and that externally generated risks are properly taken into account.

Internal Context

An understanding of the Shire of Ravensthorpe is important prior to undertaking the risk management process. Areas to consider include:

- Culture;
- Strategic Plan and drivers;
- Annual Council Plan and Annual Budget;
- Council;
- Occupational Health and Safety;
- Key performance indicators, and
- Governance.

Risk Management Context

The level of detail that will be entered into during the risk and opportunity management process must be considered prior to commencement. The extent and scope of the risk and opportunity management process will depend on the goals and objectives of the Shire's activity that is being addressed, as well as the budget that has been allocated to that activity.

Risk Identification

The next step in the risk management process is to identify the risks to be managed. Comprehensive identification using a well-structured systematic process is critical, because a risk not identified at this stage may be excluded from further analysis. Identification should include risks whether or not they are under the control of the Shire.

A number of questions should be asked when attempting to identify risks. These include:

- What can happen?
- Where could it happen?
- When could it happen?
- Why would it happen?
- How can it happen?

Answering these questions will assist in the generation of a list of risks and events that may have impact on achieving set objectives and the Shire's plans.

Risk Identification Methods

There are a number of different methods to identify risks, some of which may include:

- Brainstorming sessions with all stakeholders;
- Risk Identification workshops;
- Annual strategic, council planning and budget workshops;
- Checklists developed for similar events/projects/activities; and
- An examination of previous events/projects/activities of this type.

Step 4: Risk Analysis

Once all risks have been identified, the next step of the risk and opportunity management process is to analyse the risks. This step involves considering the controls or mitigating activities already in place that reduce the level of risk. Controls may include inspection regimes, Job Safety Analysis's (JSA's) Standard Operating Procedures (SOP's), other documentation of work practices, defining responsibilities and accountabilities, and monitoring and reviewing processes.

This step also involves analysing the positive and negative consequences of the risk (i.e. its impact or magnitude of effect), and the likelihood that those consequences may occur (i.e. its frequency or probability).

Consequence

When scoring the consequence associated with a risk, consideration needs to be given to its impact in terms of:

- Reputation and Public Image;
- Financial/Business Impact;
- Public /Staff Safety/OHS;
- Legal/Regulatory;
- Environment.

The impact scale is rated from "insignificant" to "catastrophic" as indicated in the Consequence Table in Schedule 1. In determining the overall consequence score, the highest individual score should be applied. The Consequence Table also provides specific examples on the types of incidents and their associated impact scale, to assist staff in determining the Consequence rating that applies to the identified risk.

Likelihood

Likelihood is rated from "rare" to "almost certain" as indicated in the table below.

Likelihood Rating	Description
E. Almost Certain	Is expected to occur in most circumstances e.g. monthly
D. Likely	Will probably occur in most circumstances e.g. quarterly
C. Possible	Might occur at some time e.g. annually
B. Unlikely	Could occur at some time e.g. greater than annually
A. Rare	May occur only in exceptional circumstances e.g. greater than 5 years

Step 5: Risk Evaluation

The next step in the risk and opportunity management process is the evaluation of risks. The purpose of this step is to establish an initial risk rating based on the consequence and likelihood levels identified in *Step 4: Risk Analysis*

Risk Impact Matrix

The initial risk rating for each risk is calculated by plotting the likelihood and consequence response scores on the Risk Impact Matrix (refer below) to give a risk rating of Extreme, High, Moderate or Low. This rating provides a measure of the level of risk and will identify the risks that require further treatment in *Step 6: Risk Treatment*

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	E	Moderate	High	High	Extreme	Extreme
Likely	D	Moderate	Moderate	High	High	Extreme
Possible	C	Low	Moderate	Moderate	High	Extreme
Unlikely	B	Low	Moderate	Moderate	High	High
Rare	A	Low	Low	Moderate	Moderate	High

All risks with an initial rating of "Extreme" or "High" will require additional controls. Moderate and Low risks may be excluded from the implementation of additional controls at management's discretion. However, the rationale for not implementing additional controls for these risks should be documented to demonstrate the completeness of evaluation undertaken.

Step 5: Risk Treatment

The next step of the risk management process involves identifying a range of options for treating risks, evaluating the options and developing additional controls for implementation.

Selecting the most appropriate option involves balancing the costs of implementing each option against the benefits derived from it. It is important to consider all direct and indirect costs and benefits.

The objective is not to eliminate all risk but rather to ensure that the risk is maintained at a tolerable level in a cost effective manner.

It should also be recognised that the risk treatment itself may introduce new risks that need to be identified, assessed, treated and monitored.

Residual Risk

Based on the additional controls put in place, *Step 4: Risk Analysis* should be conducted again, to establish a revised/residual risk rating. The extent to which additional controls are required is determined by level of tolerable *residual* risk with which the Shire is comfortable.

Step 7: Monitoring and Review

Risk and opportunity management is a dynamic process. New risks and opportunities will be identified and some will be removed or will be no longer valid. The assessments of likelihood and consequence will need to be reviewed, particularly in the light of the management actions undertaken and contingency arrangements will need to be updated in response to changing internal and external events.

Key strategic/corporate risks and opportunities are kept under regular review by the Management team and Managers regularly review operational risks/opportunities in line with the planning and budget management frameworks. It is critical that regular monitoring and review is undertaken for critical activities and projects.

Any risks rated 'Extreme' or 'High' should be monitored on a regular basis to ensure that the rating assigned, controls identified, and treatment plans established remain valid.

SCHEDULE 1

CONSEQUENCE TABLE

CONSEQUENCE TABLE

Impact Scale	Reputation & Public Image	Financial/ Business Impact	Public/Staff Safety/OHS	Legal/Regulatory	Environment
1. Insignificant	▪ No adverse effect on public image ▪ Insignificant level of community concern ▪ Negligible adverse impact upon social health and well-being of the community which has little or no impact upon established community relationships and links	▪ Low financial loss – impact of less than $10k ▪ Small delays in undertaking routine needs or tasks for ½ day.	▪ No injuries or no significant injuries ▪ Negligible loss or damage to property / infrastructure	▪ Minor encroachment on legislation/standard	▪ Contamination – on-site release immediately contained
2. Minor	▪ Minor adverse effect on public image ▪ Minor level of community concern ▪ Minor adverse impact upon social health & well-being of the community that may have a minor impact upon established community relationships & links.	▪ Medium financial loss – impact of between $10k and $50k ▪ Minor impact in undertaking routine needs or tasks for 1 day	▪ First aid treatment required resulting in lost time (> 1day) ▪ Minor loss or infrastructure damage	▪ Minor legal, regulatory or internal policy failure	▪ "Tier 1" category under Environment Protection Act met
3. Moderate	▪ Moderate adverse effect on public image ▪ Moderate level of community concern ▪ Social health and well-being of the community affected by moderately reduced opportunities for participation in community life and/or decision making, moderate incidences of increased isolation etc.	▪ High financial loss – impact of between $50,000 and $100,000 ▪ Capability / production impaired, moderate impact on stakeholders & routine needs or tasks for 1 – 3 days. ▪ Minor legal issues, non-compliances and breaches of regulation	▪ Medical treatment/ hospitalisation required ▪ Moderate loss/or infrastructure damage	▪ Moderate legal, regulatory or internal policy failure	▪ "Tier 2" category under the Environment Protection Act met ▪ Contamination – on-site release contained with outside assistance
4. Major	▪ Major adverse effect on public image ▪ Significant level of community concern ▪ Social health and well-being of the community seriously affected by major community unrest and/or significant breakdown of established community relationships and links.	▪ Major financial loss - impact of between $100,000 and $1 million ▪ Loss of capability, disruption to production, major impact on stakeholders & routine needs or tasks for 3 – 5 days. ▪ Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible	▪ Serious & extensive injuries requiring hospitalisation/ rehabilitation ▪ Serious structural damage to infrastructure or serious loss of assets	▪ Major legal, regulatory or internal policy failure	▪ "Tier 3" category under the Environment Protection Act met ▪ Contamination – off-site release with no detrimental effects
5. Catastrophic	▪ Huge effect on public image ▪ Community outrage ▪ Social health & well-being of the community hugely affected by major community unrest and/or significant breakdown of established community relationships & links.	▪ Huge financial loss/exposure – impact greater than $1 million ▪ Projects & programs failure, inability to meet minimum acceptable standards, most objectives not met ▪ Major breaches of regulation, major litigation	▪ Fatality of a member of staff or public ▪ Critical loss, irreversible damage property / infrastructure	▪ Critical legal, regulatory or internal policy failure	▪ "Tier 3" category under the Environment Protection Act met ▪ Toxic release off-site with detrimental effect