

Council Policy – Risk Management

Responsible Directorate	Corporate Services
Responsible Business Unit/s	Corporate Performance
Responsible Officer	Manager Corporate Performance
Affected Business Units	All

Objective

The objective of this policy is to outline the strategies and processes applied in implementing an effective risk management system for the Shire of Serpentine Jarrahdale (the Shire).

Scope

This Policy applies to all risk processes within the Shire and is subject to regular monitoring through the Audit, Risk and Governance (ARG) Committee and Council.

Policy

Risk Management is a framework of culture, processes and structures directed towards the effective management of risk. This includes consideration of both potential opportunities and adverse effects on existing operations. As all actions and transactions involve risk, effective Risk Management involves anticipating, understanding, and managing risk. It contributes to good corporate governance by providing reasonable assurance to Council, Executive Management, and the community that the organisational objectives will be achieved within a tolerable degree of residual risk.

The Shire has exposure to risks that, if unmanaged, may have an adverse impact on the achievement of organisational objectives. The Policy of Risk Management at the Shire is to ensure an enterprise wide risk management framework is implemented that:

- identifies, manages and monitors key strategic and operational risk;
- documents, monitors and reviews risk appetite;
- fosters a risk mature environment where Council and Officers take responsibility for risk management through integrated practices;
- safeguards the Shire's people, assets, property, reputation and information;
- promotes an environment where risk management principles and practices are the tools to the achievement of organisational goals;
- provides the resources required to execute controls and minimise adverse reaction to risks;
- guides decision making and manages potential opportunities;
- outlines roles and responsibilities.

Enterprise Risk Management at the Shire

The Shire adopts a framework for risk management that is based on the principles of the current Australian and International Standards on Risk Management (AS/NZ ISO 31000) and is committed to managing risk in accordance with the principles, framework, and process contained within the standard. The Shire's application to these areas of the standard is outlined below.

Principles

The Shire adopts the following risk management principles when managing risk:

- Integration – risk management systems and processes will be aligned with current strategic and operational planning processes and risk assessments will be conducted on all strategic projects and major initiatives with consideration of their impact on the Shire's strategic objectives;
- Consistency – the risk framework will be applied consistently to strategic, operational and project risks using systematic tools that ensure a structured approach and comparable results;
- Relevance – the risk framework will be customised to meet the Shire's unique environment and the achievement of its strategic objectives informed by community consultation;
- Inclusiveness – risk management will take a collaborative approach where differing perceptions, skills and knowledge are leveraged to improve the decision making process;
- Dynamic – the risk framework enables ongoing monitoring of the Shire's environment to ensure any new and emerging risks and/or changes to current risks are identified and managed;
- Best available information – decisions to manage risk will be made based on the best available information taking into account any limitations and uncertainties associated with the information;
- Culture – the Shire will build and maintain a culture of 'risk awareness and risk thinking' which will be an integral factor of decision-making across all levels within the organisation;
- Continuous Improvement – the Shire strives to continuously improve its approach to its enterprise risk management.

Framework

This Policy is the Shire's main document in place designed to assist the organisation to identify, manage and report risks. Supporting tools and templates are also provided to Employees to support the implementation of this Policy.

Process

The risk management process involves four components:

- establishing the context,
- risk assessment and treatment,
- monitor, review and report, and
- communication and consultation.

Council Policy – Risk Management

Establishing the Context

This phase establishes the basic parameters within which risk must be managed and sets the scope for the rest of the risk management process. The Shire's Council Plan 2023-2033 is key to the context of risk, as this sets out the Shire's strategic priorities. Regard is also given to the Shire's vision, as well as any strengths, weaknesses, opportunities and threats (SWOT), as well as the environment in which it operates.

Risk Assessment and Treatment

Risk assessment involves the identification, analysis, and evaluation of risk. Risk treatment involves the identification of options for treating risks, including consideration of whether to tolerate the risk without further action. The Shire uses the Risk Management Tools at **Appendix 1** and the Risk Appetite Statements at **Appendix 2** to guide this phase of the risk management process.

Monitor, Review and Report

The Shire has four monitoring, reviewing, and reporting processes in place to ensure agreed treatment plans are being implemented, risk registers are kept up to date, policies and procedures remain relevant, and an appropriate culture is continually developing and improving. These processes are:

- A review of the appropriateness and effectiveness of the Shire's systems and processes in relation risk management, internal control and legislative compliance is undertaken in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996* and the results of the review are reported to the ARG Committee;
- The Strategic Risk Register is reviewed on a quarterly basis and is subject to regular monitoring through the ARG Committee;
- Documentation and improvement plans in relation to the Shire's risk management framework are overseen by the ARG Committee;
- Operational risk is continuously monitored and overseen by the Executive Management Group.

Communication and Consultation

This component involves establishing a culture that is committed to openness and transparency on risk management and consulting within and external to the Shire as required. A quarterly risk report is prepared by Officers and reported to the ARG Committee for oversight.

Roles and Responsibilities

Chief Executive Officer

The Chief Executive Officer is responsible for ensuring that a risk management system is established, implemented, and maintained in accordance with this policy.

Executive Management Group (EMG)

EMG is responsible for instilling a strong risk culture throughout the organisation that aligns with the risk appetite, and for ensuring that an effective process of risk management, internal compliance and control is in place.

Council Policy – Risk Management

Audit, Risk and Governance Committee (ARG)

In accordance with the ARG Committee Terms of Reference, the ARG Committee is responsible for providing advice regarding risk management, including assessing whether the enterprise risk framework is effective, monitoring the Strategic Risks, and supporting Council to fulfil its responsibilities in relation to risk ~~governance~~governance.

Council

Council are responsible for determining the appropriate risk appetite to achieve the Shire's Strategic Objectives, approving the Shire's Risk Management Policy and monitoring the Shire's Strategic Risk Management Register through recommendations from the ARG Committee.

Internal Audit

The Shire's internal audit function plays a key role in providing assurance to EMG, the ARG Committee and Council on the Shire's management of risk by:

- Providing recommendations to enhance the Shire's internal control environment; and
- Establishing an internal audit plan that focuses on the material areas of risk facing the Shire.

All Employees

Every employee within the Shire is recognised as having a role in risk management. This involves vigilance in the identification and ongoing management of risks, participating in the risk management process and implementing sound risk-based decision-making.

Definitions

Risk means the chance of something happening that will have an impact upon objectives. Risk is measured in terms of consequence and likelihood.

Risk management means the culture, processes and structures that are directed towards the effective management of risk. This includes both potential opportunities and adverse effects on existing operations. As all actions and transactions involve risk, effective Risk Management involves the anticipating, understanding and monitoring of risk.

Related Documents

- Audit, Risk and Governance Committee Terms of Reference (E17/1739)
- Internal Audit Charter (E19/5497)
- Strategic Risk Register (E20/8711)
- Health and Safety Risk Management BOP (E25/1373)
- AS/NZS ISO 31000 Risk Management
- Council Plan 2023-2033

Legislation / Local Law Requirements

- *Local Government Act 1995*
- *Local Government (Audit) Regulations 1996*

Amendment Record

Relevant Delegations		Nil	
		Date	Resolution Number
Council Adoption		18 December 2017	OCM179/12/17
Version	Date	Resolution Number	Amendment Details
2	21 September 2020	OCM281/09/20	
3	2025		Formatting changes to merge with new policy template. Minor updates to consequence and likelihood table.

Appendix 1: Risk Management Tools

Risk Matrix

Consequence Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Rare	LOW	LOW	LOW	LOW	MODERATE
Unlikely	LOW	LOW	LOW	MODERATE	SIGNIFICANT
Possible	LOW	LOW	MODERATE	SIGNIFICANT	HIGH
Likely	LOW	MODERATE	SIGNIFICANT	HIGH	HIGH
Almost Certain	MODERATE	SIGNIFICANT	SIGNIFICANT	HIGH	HIGH

Consequence Table

DESCRIPTOR	PHYSICAL OR PSYCHOLOGICAL IMPACT	FINANCIAL (OPERATIONAL)	REPUTATION	ORGANISATIONAL PERFORMANCE	ENVIRONMENT/HERITAGE	SOCIAL/COMMUNITY OUTCOMES	STRATEGIC STAKEHOLDER RELATIONSHIPS
Insignificant	Minor physical injuries requiring no treatment. No expected psychological impact.	< \$25,000	Isolated individual's issue-based complaint. No media coverage.	Impact managed through normal business practices.	Low level environmental impact OR negligible impact on heritage place. Immediately rectifiable.	Isolated individual's social/community health and wellbeing, economic or financial impact.	Insignificant weakening of a single strategic stakeholder relationship
Minor	First aid injury treated on site. Minor psychological impact treated on site.	\$25,000 - \$150,000	Local community impacts or issue based concerns.	Impact requires additional local management effort or response or redirection of resources to respond.	Minor environmental impact (< 3 months to remediate / recover) OR heritage place damage fully rectifiable within reasonable period.	Localised event with no broader social/community health and wellbeing, economic or financial impacts.	Damage to a strategic stakeholder relationship, able to be rectified in the short term
Moderate	Physical injury requiring professional treatment and/or short-term hospitalisation. Psychological impact requiring	>\$150,000 - \$1m	Community impacts and concerns publicly expressed. Some reduced confidence by community and	Delays in critical services or programs. Administration of project or activity subject to significant review or change. One or more critical outcomes only partially achieved.	Moderate environmental impact (< 1 year to remediate / recover) OR heritage place damage fully rectifiable in a prolonged period.	Possible social/community health and wellbeing, economic or financial impacts to singular ward of the Shire.	Weakened relationship with a significant number of strategic stakeholders or a key strategic stakeholder, requiring specific

Council Policy – Risk Management



DESCRIPTOR	PHYSICAL OR PSYCHOLOGICAL IMPACT	FINANCIAL (OPERATIONAL)	REPUTATION	ORGANISATIONAL PERFORMANCE	ENVIRONMENT/HERITAGE	SOCIAL/COMMUNITY OUTCOMES	STRATEGIC STAKEHOLDER RELATIONSHIPS
	professional treatment.		stakeholders.	Impact requires short term significant management and organisational resources to respond.			measures to rectify
Major	Serious injury/illness requiring immediate emergency response or prolonged hospitalisation. Serious psychological injury requiring medium/long term professional medical treatment, counselling or intervention.	>\$1m - \$3.5m	Considerable and prolonged community impact and dissatisfaction publicly expressed. Criticism and loss of confidence and trust by community and stakeholders in Shire's processes and capabilities. Shire's integrity in question. Significant media attention. Council/Shire President intervention.	One or more critical services or programs cannot be delivered. Majority of critical outcomes only partially achieved, or a single critical outcome not achieved. Impact requires long term significant management and organisational resources to respond.	Major impact (> 1 year to remediate or recover) on ecosystem or threatened species OR severe or large-scale damage to heritage place partially rectifiable.	. Possible social/community health and wellbeing, economic or financial impacts across multiple Shire wards.	Damage done to the majority of existing strategic stakeholder relationships or a key strategic stakeholder relationship
Catastrophic	Death or severe permanent disablements. Permanent/long term psychological damage requiring extensive remedial intervention.	> \$3.5m	Significant adverse community impact and condemnation. Consistent ongoing community loss of confidence and trust in Shire's capabilities and intentions. High widespread media. Department intervention.	Majority of critical services or programs cannot be delivered. Majority of critical outcomes not achieved. Impact cannot be managed within the organisation's existing resources and threatens the long term viability of the organisation.	Permanent loss of ecosystem or threatened species OR severe or large-scale damage to highly valued heritage place beyond recovery.	Social/community health and wellbeing, economic or financial impacts across multiple districts.	Total loss of credibility with all strategic stakeholders, catastrophic breakdown of the relationship with a key strategic stakeholder

Likelihood Table

DESCRIPTOR	DESCRIPTION	FREQUENCY	PROBABILITY
Rare	The event may occur only in exceptional circumstances. Has not occurred at the Shire, however has occurred infrequently in another similar project/s	Typically occurs less than once in greater than 10 years	<5%
Unlikely	The event could occur at some time. Has occurred very infrequently at the Shire and/or is known to occur occasionally in other similar organisations / projects.	Typically occurs once every 5-10 years	5-25%
Possible	The event should occur at some time/will probably occur, in some circumstances. Has occurred more than once at the Shire and/or has occurred several times in similar organisations / projects.	Typically occurs once in every 1-5 years	25-75%
Likely	The event is expected to occur. Has occurred often at the Shire and/or frequently in other similar organisations / projects.	Typically occurs more than once per year	75-95%
Almost certain	The event is a common or frequent occurrence. Has occurred many times at the Shire and/or circumstances are such that it will almost certainly happen	Typically occurs more than once per month	>95%

Control Rating Table

LEVEL	DESCRIPTOR	DESCRIPTION
R	Robust	Controls are adequate, appropriate and fully effective. Overall control environment provides strong assurance that the risk is being managed. Control objectives are being met and no material improvements to controls have been identified that would have a noticeable impact on the level of risk.
E	Effective	A few specific control weaknesses noted however the overall control environment remains effective. Certain critical controls require improvement to ensure that the overall environment will continue to operate effectively.
I	Inadequate	Numerous specific controls weaknesses or gaps were noted. Overall control environment is not adequate or effective and fails to provide reasonable assurance that risks are being managed and control objectives are being met. The control environment needs improvement.

Criteria for Managing Risk

LEVEL OF RISK	CRITERIA FOR MANAGEMENT OF RISK	REPORTING TO	RESPONSIBILITY
Low	Acceptable with adequate controls (subject to alignment with risk appetite)	Annual reporting to EMG	Risk Owner
Moderate	Acceptable with adequate controls (subject to alignment with risk tolerance and appetite)	Annual reporting to EMG	Risk Owner
Significant	Refer to CEO/Director for acceptance decision	Monthly reporting to CEO. Quarterly reporting to ARG Committee and Council.	CEO/Director
High	Refer to CEO/Council for acceptance decision	Immediate and ongoing reporting to CEO, ARG Committee and Council	CEO/Council

Appendix 2: Risk Appetite Statements

These risk appetite statements define the nature and extent of the risk that the Shire is willing to *accept* or *tolerate* in the pursuit of its strategic objectives and the delivery of its core services. This guidance outlines the principles upon which these risks are accepted or tolerated in such a way as to achieve the optimum balance between taking and avoiding risks, and are categorised in terms of:

- *PHYSICAL OR PSYCHOLOGICAL IMPACT*
- *FINANCIAL (OPERATIONAL)*
- *REPUTATION*
- *ORGANISATIONAL PERFORMANCE*
- *ENVIRONMENT/HERITAGE*
- *SOCIAL/COMMUNITY OUTCOMES*
- *STRATEGIC STAKEHOLDER RELATIONSHIPS*

It is acknowledged that it is neither feasible nor desirable to eliminate all risk and that certain activities carry residual risk, in order to realise reward, which must be tolerated in order to function. The table below provides an outline of the Shire's risk appetite with respect to core impact areas:

Risk Appetite Statements	
Physical or Psychological Impact Risk Appetite: ALARP	
The Shire is committed to providing a safe and secure workplace in an increasingly complex safety environment. This requires a range of mitigation controls to reduce the risk of harm to our staff, volunteers, visitors and contractors. These controls must be fully effective and maintained. Residual risk is tolerated providing the risks are reduced to "As Low As Reasonably Practicable" (ALARP) in accordance with our statutory obligations. There is a very low tolerance for breaches of controls, or any practices or behaviours which lead to people being harmed, whether physically or mentally. Incidents and trends are analysed in the context of the environment in which we operate, and strategies are put in place to continuously improve our safety culture to strive for zero lost time injuries.	
Financial Impact Risk Appetite: MODERATE subject to Maximum Impact: Moderate (<\$1M)	
In the context of external factors which affect our revenue, and therefore our ability to mitigate financial uncertainty and risk, we have a MODERATE risk appetite for financial risks associated with operational decisions and activities.	

However, we have zero tolerance for fraud or deliberate misuse of funds or assets for personal gain, and we expect all officers, staff and volunteers and contractors to conduct themselves with the highest degree of integrity and honesty.
Reputation Risk Appetite: MODERATE subject to a Maximum Impact: Minor
Given the nature of the work done by the council, some damage to REPUTATION associated with issues-based concerns raised at a local community level mean there is a MODERATE appetite for risks associated with activities, services or major projects under these circumstances. However, there is no appetite for REPUTATION impacts above LEVEL 2 Minor. We have zero tolerance for REPUTATION risks arising from the actions of our staff or volunteers, which may include; • damage arising from inappropriate behaviour of our staff and volunteers, lack of integrity or customer focus. This includes direct interaction with our clients and also via social media; • errors, inaccuracies or lack of transparency in our reports to funders and stakeholders; • reputation damage associated with misuse or mismanagement of information.
Organisational Performance Risk Appetite: LOW subject to Maximum Impact: Minor
The Shire recognises the significance of external threats and their potential to disrupt operations. Whilst we may not be able to control the source of these risks, we strive to minimise the impact that these disruptions may have on the continuity of our services. As such, we have a LOW appetite for any risk associated with disruption to critical operations, regardless of the circumstances. We have a LOW appetite for risks associated with inefficiencies and/or failures of business/management processes and systems, as these are largely under our control. We have a LOW appetite for any risk which may put us in breach of any legislative compliance.
Environment/Heritage Risk Appetite: LOW subject to Maximum Impact: Minor
There is a LOW appetite for any risks associated with potential damage to environmental or heritage assets, including any breaches of compliance requirements.
Social/Community Outcomes Risk Appetite: LOW subject to a Maximum Impact: Minor Moderate
The delivery of social and community outcomes is core to the function of the Council, and as such there is a LOW appetite for any risks which may impact in this area.

Strategic/Stakeholder Relationships

Risk Appetite: **LOW** subject to a Maximum Impact: **Minor**

The future growth, success and sustainability of the Shire is dependent upon the development and maintenance of strong strategic stakeholder relationships and as such, there is a LOW appetite for any risks which could impact these relationships.

Note:

1. The terms for Risk Appetite i.e. LOW, MODERATE, SIGNIFICANT and HIGH relate to the assessed **LEVEL OF RISK** as defined in the Risk Matrix (Appendix 1).
2. The terms for Maximum Impact i.e. Insignificant, Minor, Moderate, Major and Catastrophic relate to the **CONSEQUENCE RATING** as defined in the Consequence Table (Appendix 1).

Where the desired risk appetite cannot be achieved due to uncertainties associated with external factors, higher levels of risks may be tolerated providing the control environment is fully effective and the required approval (refer Criteria for Managing Risk in Appendix 1) is obtained.