3.24 Risk Management Policy

1. POLICY PURPOSE

The purpose of the policy is to state the Shire of Merredin's (the Shire's) intention to identify potential risks before they occur so that impacts can be minimised or opportunities realised; ensuring that the Shire achieves its strategic and corporate objectives efficiently, effectively and within good corporate governance principles.

2. POLICY SCOPE

The following points provide detail on the objective specifics. This policy:

1. Aligns with and assist the implementation of all Shire policies.

2. Optimises the achievement of the Shire's vision, mission, strategies, goals and objectives.

3. Provides transparent and formal oversight of the risk and control environment enabling effective decision making.

4. Enhances risk versus return within the Shire's risk appetite.

5. Embeds appropriate and effective controls to mitigate risk.

6. Achieves effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.

7. Enhances organisational resilience.

8. Identifies and provides for the continuity of critical operations.

3. LEGISLATIVE REQUIREMENTS

Local Government Act 1995.

Local Government (Audit) Regulations 1996.

4. POLICY STATEMENT

It is the Shire's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2018 Risk management–Guidelines), in the management of all risks that may affect the Shire achieving its objectives.

Risk management functions should be resourced appropriately to meet the size and scale of the Shire's operations and should form part of the Strategic, Operational, and Project responsibilities. Risk management functions should be incorporated within the Shire's Integrated Planning Framework.

4.1 Guidelines

Risk Assessment and Acceptance Criteria

The Shire quantified its generic risk appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Framework and as a component of this policy.

All organisational risks are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects, or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the

organisations appetite and are to be noted within the individual risk assessment.

5. KEY POLICY DEFINITIONS

Risk: Effect of uncertainty on objectives.

> *Note 1: An effect is a deviation from the expected – positive or negative.*

> *Note2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).*

*Risk Management***:** Coordinated activities to direct and control an organisation with regard to risk.

Risk Management Process: Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

6. ROLES AND RESPONSIBILITIES

The CEO is responsible for the:

1. implementation of this policy;
2. measurement and reporting on the performance of risk management; and
3. review and improvement of this policy and the Shire's Risk Management Framework at least biannually or in response to a material event or change in circumstances.

The Shire's Risk Management Framework outlines in detail, all roles and responsibilities associated with managing risks within the Shire.

This policy applies to Elected Members, Executive Management and all employees and contractors involved in any Shire operations.

7. MONITOR AND REVIEW

The Shire reports on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends quarterly to the Audit, Risk and Improvement Committee.

This policy will be formally reviewed by the Shire's Executive Team every two years, with Risk Dashboard reviews occurring annually.

Appendix: Risk Assessment and Acceptance Criteria

MEASURES OF CONSEQUENCE						
Rating (Level)	**Health**	**Financial Impact**	**Service Interruption**	**Compliance**	**Reputational**	**Property**	**Environment**
Insignificant (1)	Negligible injuries	Less than $1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage	Contained, reversible impact managed by on site response
Minor (2)	First aid injuries	$1,001 - $10,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate (3)	Medical type injuries	$10,001 - $100,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major (4)	Lost time injury	$100,001 - $1,000,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	More than $1,000,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

MEASURES OF LIKELIHOOD			
Level	**Rating**	**Description**	**Frequency**
5	**Almost Certain**	The event is expected to occur in most circumstances	More than once per year
4	**Likely**	The event will probably occur in most circumstances	At least once per year
3	**Possible**	The event should occur at some time	At least once in 3 years
2	**Unlikely**	The event could occur at some time	At least once in 10 years
1	**Rare**	The event may only occur in exceptional circumstances	Less than once in 15 years

RISK MATRIX						
CONSEQUENCE		**Insignificant**	**Minor**	**Moderate**	**Major**	**Catastrophic**
LIKELIHOOD		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

RISK ACCEPTANCE CRITERIA			
Risk Rank	**Description**	**Criteria**	**Responsibility**
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Executive Manager/ CEO
EXTREME	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

EXISTING CONTROLS RATINGS		
Rating	**Foreseeable**	**Description**
Effective	There is <u>little</u> scope for improvement.	1. Processes (Controls) operating as intended and aligned to Policies / Procedures. 2. Subject to ongoing monitoring. 3. Reviewed and tested regularly.
Adequate	There is <u>some</u> scope for improvement.	1. Processes (Controls) generally operating as intended, however inadequacies exist. 2. Nil or limited monitoring. 3. Reviewed and tested, but not regularly.
Inadequate	There is a <u>need</u> for improvement or action.	1. Processes (Controls) not operating as intended. 2. Processes (Controls) do not exist, or are not being complied with. 3. Have not been reviewed or tested for some time.