

3.21 Risk Management

POLICY TITLE: RISK MANAGEMENT

FILE REF: SC67 and SC228

EXPIRY DATE: MAY 2027

INTRODUCTION

This Policy has been formulated having regard to AZ/NZS ISO 31000:2018. The International Standard acknowledges that, whilst it provides generic guidelines, it is not intended to promote uniformity of risk management across organisations and that the design and implementation of risk management frameworks need to take into account, and be tailored to, the varying objectives, functions and operations of specific organisations.

PURPOSE

Lockhart Shire Council is committed to the development of a robust risk aware and safety culture. Council recognises that risk is inherent in all of its activities and that effective management of risk is necessary in order to protect its employees, assets, liabilities and the general community against potential losses.

This policy aims to ensure that risk management practices are integrated into Council's WHS and Risk Management System (plan) and Council's strategic and operational planning processes.

SCOPE

The scope of risk management at Lockhart Shire Council will be 'enterprise wide'. This means that Council recognises that it is exposed to a diverse and complex array of potential risks due to the nature of its activities and the natural, social and business environment in which it operates. Council will consider risks across all Council strategies, plans, activities and processes.

This policy applies to all Councillors, management, staff, contractors and volunteers across all Council activities.

DEFINITIONS

- "Risk" – the effect of uncertainty on objectives.
- "Risk management" – the coordinated activities to direct and control an organisation with regard to risk.
- Risk Management Policy – a statement of the overall intentions and direction of an organisation related to risk management.
- Risk Management System (plan) – specifies the approach, the management components and resources to be applied to the management of risk.
- "Event" – the occurrence or change of a particular set of circumstances.
- "Likelihood" – the chance of something happening.
- "Consequence" – the outcome of an event.

ORGANISATIONAL CONTEXT

Existing Strategic Plans and Corporate Objectives

Council's Integrated Planning and Reporting (IP&R) framework comprises its 10-year Community Strategic Plan, four-year Delivery Program, Annual Operational Plan as well as its Resourcing Strategy which includes its Long Term Financial Plan, Workforce Management Plan and Asset Management Plans.

Key actions contained in Council's 2017-2021 Delivery Program and relevant to its risk management framework include:

- "Continue to enhance sound financial management policies and practices".
- "Continue the development of asset management strategy and plans.
- Meet all governance and regulatory requirements in the conduct of Council operations.
- Minimise Council's exposure to risk and promote a strong risk management culture within Council.

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- *Ensure appropriate IT systems are in place to support service delivery and accountability requirements.*
- *Maintain and develop a Records Management System that meets the needs of the organisation, the community and legislative requirements.*
- *Attract and retain a quality workforce”.*

RISK MANAGEMENT RATIONALE AND POLICY PRINCIPLES

Lockhart Shire Council is committed to ensuring a strong risk management culture exists. Council's commitment aligns with the Community Strategic Plan, specifically:

“E1: Plan for the long-term sustainability of the Shire.

Minimise Council's exposure to risk and promote a strong risk management culture within Council.”

Council will undertake a range of activities to help promote and embed enterprise-wide risk management policies by:

- Managing risk based on AZ/NZS ISO 31000:2018 Risk Management and other relevant guidelines and standards.
- Maintaining policies that complement risk management such as fraud prevention, business continuity planning, WH&S, good governance and code of conduct.
- Aligning risk management to Council's existing planning and operational processes.
- Allocating sufficient funding to risk management activities.
- Providing Council staff with sufficient and appropriate training.
- Including risk management information and updates in Council reports and on Council intranet/internet sites.
- Maintaining WHS practices and procedures.
- Making informed judgements concerning the level and costs of risk involved in achieving cost- effective outcomes.

The Council recognises that while some risks encourage innovation and better performance, uncontrolled risks can lead to adverse exposure or loss, thus preventing the Council from effectively and efficiently meeting its goals. Council supports the following principles as listed in AS/NZS ISO 31000:2018:

- Risk management creates and protects value.
- Risk Management contributes to the demonstrable achievement of objectives and improvement of performance on, for example, human health and safety, security, legal and regulatory compliance, public acceptance, environmental protection, product and service quality, project management, efficiency in operations, governance, and reputation.
- Risk management is an integral part of all Council processes.
- Risk management is not a stand-alone activity that is separate from the main activities and processes of Council. Risk management is part of the responsibilities of management and an integral part of all Council's processes, including strategic planning and all project and change management processes.
- Risk management is a part of decision-making.
- Risk management helps decision makers make informed choices, prioritise actions and distinguish among alternative courses of action.
- Risk management explicitly addresses uncertainty.
- Risk management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed.
- Risk management is systematic, structured and timely.
- A systematic, timely and structured approach to risk management contributes to efficiency and consistent, comparable and reliable results.
- Risk management is tailored.
- Risk management is aligned with Council's external and internal context and risk profile.
- Risk management considers human and cultural factors.
- Risk management recognises the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of Council's objectives.
- Risk management is transparent and inclusive.
- Risk management is dynamic, interactive and responsive to change.

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- Risk management continually senses and responds to change. As internal and external events occur, context and knowledge change, monitoring and review of risks takes place, new risks emerge, some change and others disappear.
- Risk management facilitates continual improvement of Council.
- Council should develop and implement strategies to improve their risk management maturity alongside all other aspects of Council.
- Risk management is based on the best available information.

Appropriate and timely involvement of stakeholders and, in particular, decision makers at all levels of Council, ensures that risk management remains relevant and up to date. Involvement also allows stakeholders to be properly represented and to have their views taken into account in determining risk criteria.

The inputs to the processes of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement. However, decision makers should inform themselves of, and should take into account, any limitations of the data or modelling used or the possibility of divergence among experts.

RESPONSIBILITY

The risk management framework to be effective needs to ensure that there is accountability and authority for implementing and maintaining the risk management process. The allocation of roles and responsibilities for the risk management process in the organisation are outlined below:

- Council – endorse the risk management policy, allocate appropriate resources for risk management, review Risk Register and risk assessments prepared by management and determine risk appetite.
- Audit Risk and Improvement Committee – oversee risk management program and the internal reporting process in particular and provide independent assurance, advice and assistance to Council on risk management, control and governance.
- General Manager - ensure that a risk management process is established, implemented and maintained in accordance with this Risk Management Policy.
- Management Executive (MANEX) – chaired by the General Manager and including all directors is responsible for oversight of the risk management process, for determining an acceptable level of risk and for monitoring Council's overall risk profile and risk treatment strategies.
- Managers/Team Leaders - responsible for the implementation of the Risk Management Policy and WHS policies and procedures within their respective areas of responsibility including the identification, assessment and recording of risks identified, preparation of risk assessments and development and implementation of risk mitigation activities.
- Employees, Contractors and Volunteers – identifying potential risks and for the effective management of risk.

EXISTING POLICIES AND PROCEDURES

Council maintains a register of adopted policies and procedures to facilitate an effective governance and control environment. A Policy Review Timetable has also been established in order to ensure that policies remain subject to ongoing review.

The Policy Review Timetable is premised on all policies being reviewed not later than every three years. However individual policies will be reviewed and amended in advance of the scheduled review date when circumstances warrant. This may be prompted by factors such as a change in legislation, a change in the Council's operating environment, a change in government policy or as a result of a need identified by the Council, management and staff or internal and external audit activities.

RISK ASSESSMENTS

Risk is often characterised by reference to potential events and consequences and expressed in terms of a combination of the consequence of an event and the associated likelihood of occurrence.

Identified risks (potential events) are recorded in a Risk Register.

For the purposes of the Council's risk management framework these criteria and the resultant risk analysis matrix is outlined in Schedule 1.

INTERNAL REPORTING, MONITORING AND REVIEW

Internal reporting and oversight of the risk management process will include the following key elements depending on the nature of the risk:

- Regular reporting to MANEX (Human Resources/ Enterprise Risk Manager)

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- Reporting and certification to Council and the Audit Risk and Improvement Committee (MANEX)
- Internal audit assurance and conduct of internal audit reviews (Internal Auditor)
- External audit assurance and conduct of performance audits (NSW Auditor-General).

ORGANISATION WIDE REVIEW OF RISK

It is important that periodically an organisation wide review of risk is undertaken to provide assurance that all key risks have been identified. Such a review will assist in identifying emerging risks, particular if there are changes to the Council's operating environment.

An organisation-wide review should be undertaken at least every three years or whenever Council embarks on the delivery of a new service not previously provided or there is a significant change to the Council's role or operating environment.

REFERENCE DOCUMENTS

This policy should be read in conjunction with the following Council policies and procedures:

Policy 1.0 Policies – Procedure for Consideration and Adoption

Policy 1.4 Code of Conduct

Policy 1.7 Fraud Control Policy

Policy 1.18 Public Interest Disclosures and reporting

Policy 1.20 Related Party Transactions

Policy 1.22 Legislative Compliance

Policy 1.23 Cyber Security and Information Systems Security

Policy 1.24 Bribes, Gifts and benefits

Policy 2.54 Contract Management

Policy 3.5 Return to Work Program

Policy 3.6 Work Health & Safety Policy

Policy 3.15 Incident/ Accident Investigation

Policy 3.16 Drugs and Alcohol in the Workplace

Policy 3.17 Work Health & Safety Consultation Policy

Adopted by Council on 20 May 2024

Refer Minute No. 81/24

Adopted by Council on 19 April 2021

Refer Minute No. 58/21

Adopted by Council on 16 April 2018

Refer Minute No. 100/18

Adopted by Council 17 August 2009

Refer Minute No. 283/09

Adopted by Council – 21 August 2006

Refer Minute No. 268/06

Schedule 1

Measures of Consequence

Consequence	Example Detail Description
Insignificant	No injuries, low financial loss, no effect outside the organisation.
Minor	First aid treatment, medium financial loss, little effect or knowledge outside the organisation.
Moderate	Medical treatment required, high financial loss, of note at a government/ministerial level, damaging to public image.
Major	Extensive injuries, major financial loss, ministerial/ government involvement to resolve, loss of ministerial confidence in the organisation, serious damage to public image.
Catastrophic	Death, huge financial loss, major intervention by minister/government, grave damage to public image.

Measures of Likelihood

Likelihood	Example Detail Description
Rare	May occur only in exceptional circumstances
Unlikely	Could occur at some time
Possible	Might occur at some time
Likely	Will probably occur in most circumstances
Almost certain	Is expected to occur in most circumstances

Risk Analysis Matrix

Likelihood	Consequences				
	1. Insignificant	2. Minor	3. Moderate	4. Major	5. Catastrophic
1. Rare	1 - Low Risk	2 - Low Risk	3 - Low Risk	4 - Low Risk	5 - Medium Risk
2. Unlikely	2 - Low Risk	4 - Low Risk	6 - Low Risk	8 - Medium Risk	10 - Medium Risk
3. Possible	3 - Low Risk	6 - Low Risk	9 - Medium Risk	12 - Medium Risk	15 - High Risk
4. Likely	4 - Low Risk	8 - Medium Risk	12 - Medium Risk	16 - High Risk	20 - High Risk
5. Almost Certain	5 - Low Risk	10 - Medium Risk	15 - High Risk	20 - High Risk	25 - High Risk