GOVERNANCE

G 1.8 Risk Management

Responsible Department	Chief Executive Officer
Resolution Number	C.4052
Resolution Date	21/10/2020
Next Scheduled Review	2022
Related Shire Documents	
Related Legislation	*AS/NZS ISO 31000:2009*

OBJECTIVE

As a local government, the Shire of Northam has exposure to a range of risks that, if unmanaged, may have an adverse impact on the achievement of organisational objectives.

The Shire will implement an enterprise-wide risk management framework and systems to identify and manage potential risks to minimise adverse outcomes. The policy intent is to build a risk-mature environment where Council, management and employees take responsibility for risk management through systemic practices to:

- Safeguard the Shire people, assets, property, environment, reputation, finances and information;
- Promote an environment where risk management principles and practices are the tools to the achievement of organisational goals; and
- Provide the resources required to minimise adverse reaction to risks.

SCOPE

Organisational wide.

POLICY

The Shire of Northam is committed to managing risk in accordance with the principles, framework and guidelines detailed in *AS/NZS ISO 31000:2009* and will:

- Implement an Enterprise Risk Management Framework and Plan;
- Identify strategic, operational and project risks using systematic tools and based on the level of risk ensure effective Risk Treatment Plans are in place to minimise such risks;

- Ensure any item with a risk ranking of greater than 10, categorised as either a high or extreme risk and is apparent to be ongoing, be listed on the Shire's Risk Register;
- Align risk management systems and processes with current strategic and operational planning processes;
- Implement a range of risk management key performance indicators to monitor responsibility and accountability

Report, Monitor and Review

In accordance with Local Government (Audit) Regulations 1996, regular reporting of systems and procedures in relation to risk management will be submitted to the Shire's Audit and Risk Management Committee, and that committee will have the Shire's Risk Register as a standing agenda item.

Performance of Shire of Northam risk management will be measured against:

- % of High or Extreme Risks without mitigation strategies in place
  - Reported quarterly to Audit and Risk Management Committee
- % of risk mitigation strategies overdue
  - Reported quarterly to Audit and Risk Management Committee

Risk Criteria and Evaluation

Risk criteria also needs to be defined to evaluate the significance of risk. Factors to be considered include the following:

- The nature and types of causes and consequences that can occur and how they will be measured;
- How likelihood will be defined;
- The timeframe (s) of the likelihood and/or consequence (s);
- How the level of risk is to be determined;
- The views of stakeholders; and
- The level at which risk becomes acceptable or tolerable

Risk evaluation always involves the assessment of the likelihood (chance of something happening) and consequence (outcome of an event affecting objectives) of an event.

Risk Assessment Tool

Measures of Consequence

Level Description	Financial Impacts	Health & Safety	Reputation	Service Interruption	Compliance	Property	Environment
Insignificant (1)	<$10,000	Medical type injuries	Unsubstantiated, low impact, low profile, or no news item	No material service interruption	No noticeable regulatory or statutory impact	Inconsequential damage.	Contained, reversible impact managed by on site response
Minor (2)	$10,001 - $25,000	Lost Time Injury <30 days	Low impact, low news item	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Medium (3)	$25,001 - $250,000	Lost time Injury >30 Days	Substantiated, public embarrassment, moderate impact, moderate news profile	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
High (4)	$250,001 - $650,000	Long term disability / multiple injuries	Substantiated, public embarrassment, high impact news profile, third party actions	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Extreme (5)	> $650,000	Death or permanent disablement	Substantiated, public embarrassment, very high multiple impacts, high, widespread multiple news profile, third party actions	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Extensive damage requiring prolonged period of restitution. Complete loss of plant, equipment & building	Uncontained, irreversible impact

As defined by the Australian Standard, consequence is the outcome of an event affecting corporate objectives. The above identifies outcomes in seven main categories: health and safety; financial impact; service interruption; compliance; reputation; property; and environment. A level of 1 - 5 is applied based on the severity of the outcome, ranging from insignificant to catastrophic. Combined with measures of likelihood, measures of consequence form the evaluation of risks in the risk matrix (see below).

Measures of Likelihood

Description	Examples	Frequency
Almost Certain (5)	The event is expected to occur	More than once per year
Likely (4)	The event will probably occur	At least once per year
Possible (3)	The event could occur	At least once in five years
Unlikely (2)	The event could occur but probably won't	At least once in ten years
Rare (1)	The event is not expected to occur	Less than once in 20 years

Measures of likelihood form part of the risk matrix to determine the 'risk rank' and the 'level of risk'.

A level of 1 – 5 is applied based on the likelihood of an event occurring, ranging from rare to almost certain. The likelihood can be determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically such as probability or a frequency over a given time period.

Risk Appetite

Risk appetite is the amount of risk exposure, or potential adverse impact from an event, that the Shire of Northam is willing to accept in pursuit of its objectives. Once the risk appetite threshold has been breached, risk management controls and actions are required to bring the exposure level back within the accepted range.

The Shire of Northam has a level of risk appetite that it tolerates, consisting of low, medium, high and extreme risks, as detailed in the below table:

Risk rating	Minimum treatment required	Description
Extreme	Reject and avoid or mitigate	Immediate action required in consultation with Chief Executive Officer of Executive Manager to either avoid the risk entirely or to reduce the risk to a low, medium or high rating. Council decision, or at a minimum advice, required

High risk	Accept and mitigate	These risks need to be mitigated with actions as required and managers need to be assigned these risks
Medium risk	Accept	Manage by specific monitoring or response procedures
Low risk	Accept	Manage by routine procedures

Risk Matrix

Consequence / Likelihood	Insignificant (1)	Minor (2)	Medium (3)	Major (4)	Extreme (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)

The risk matrix will determine a risk ranking and level of risk based on the measurement of the likelihood and consequence of a particular event. Any event with a risk ranking of 'high' or 'extreme' will be recorded in the Shire's Risk Register and reported to the Audit and Risk Management Committee on a periodic basis. These events require regular monitoring and risk treatment actions which may involve the following:

- Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
- Accepting risk in order to pursue an opportunity;
- Removing the risk source;
- Changing the likelihood;
- Changing the consequences;
- Sharing the risk with another party or parties (including contracts and risk financing); and
- Retaining the risk by informed decision

Risk treatments that deal with negative consequences are sometimes referred to as risk mitigation, risk elimination, risk prevention and risk reduction. Risk treatments will be particularly important where existing controls are deemed to be inadequate.

Sources of Risk Identification

- Identified organisational risks
- Various plans and strategies (refer to the Corporate Business Plan for a list of Council-endorsed plans)
- Major projects
- Council agenda items