

District Council of Barunga West
Integrated Risk Management Framework
2016-2020

Lifestyle for the Future





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INTRODUCTION

In order to achieve Strategic Management Plan objectives the District Council of Barunga West must be prepared for risk. This Risk Management Plan & Framework has been developed in support of the District Council of Barunga West Risk Management Policy, with the intention of improving and enhancing existing risk management process and practices throughout the organisation and ongoing benefit toward the community.

District Council of Barunga West is committed to ensure Risk Management is an integral element of the wide range of activities undertaken by and on behalf of Council.

This Framework is based on best practice principles strongly influenced by AS/NZS ISO 3100:2009 Risk Management Principles and Guidelines with the intent it is to be practiced by all District Council of Barunga West Elected Members, Staff Members, Contractors, Community Groups and Volunteers engaged in Council business, assisting in the definition of responsibilities and accountabilities of individuals and committees involved in Risk Management processes.

2 PURPOSE

The District Council of Barunga West is committed to an integrated approach to risk management. The intent is to protect employees, assets, liabilities and community against potential exposures, minimise uncertainty in achieving goals, objective and to maximise opportunities to achieve Councils Strategic Plan. The guidelines within are not definitive, however outline how risk management is to be conducted in order to embed risk management into the District Council of Barunga West business processes and activities.

The purpose of the Framework is to provide details of the requirements and processes supporting the Councils Risk Management Policy.

The implementation of the Framework will:

- Ensure a consistent approach to the risk management process across Council
- Establish a structured process for undertaking the risk management process to identify, assess and control/treat risks.
- Encourage the integration of risk management into the strategic and operation process across all Business Units of the Council.

The goal is not to eliminate all risks, but rather to manage risks involved in Councils functions and services and to maximise opportunities whilst minimising potential negative exposures.



3 OBJECTIVES

Risk management is not just about responding to expected events. It is about developing, and maintaining a culture that can respond to and withstand, unforeseen risk events and unanticipated outcomes.

To achieve this, District Council of Barunga West needs:

- Flexibility
- Responsiveness
- Robust processes
- Identification
- Response to emerging risks
- Ability to withstand unforeseeable events
- Capacity to capitalise on new opportunities

Risk management informs all aspects of the Council functions, including:

Risk Categories		
Category	Description	Business Unit Responsibility
Asset/Infrastructure	Managing assets – including condition assessment, replacement and planning new assets	Assets & Capital Works
Financial	Risks associated with budgetary requirements and allocation. Tax obligations. Grants	Finance
Customer/service delivery	Meeting the current and changing expectations of customers	Customer Service
Environment	The risks arising from the management of the environment when applying Council services and functions	Environment
Human Resources	Risks associated with recruitment and retention of employees and workforce planning	HR
Compliance/legal	Compliance with legislative and policy framework, Work Health & Safety Injury Management Plan	Governance
Political/Reputation	Risks associated with the delivery of State/Local Government legislation and meeting Council’s overall strategic goals	CEO/COUNCIL



Source of Risk	Example	Potential impact on
Leadership and Corporate Governance	Change of key leadership personnel, strategic planning, relationships, corporate image, ethical conduct, communication, segregation of responsibilities	<div style="border: 1px solid black; padding: 5px; text-align: center;"> People Councils Reputation Business Performance Finance </div>
People	Retention/loss of key personnel, management activities and controls, succession planning, industrial relations, skills training, relationships, communication, ethics, work life balance	
Business Continuity	Continuity of supply of essential goods or services, records & information management, machinery maintenance & replacement, industrial action, utilities interruption, computer breakdown, contingency planning emergency management	
Business Activity	Customer service, customer relationships, marketing & promotion, workplace injury/illness/wellbeing, physical security, property damage or loss/acquisition, environment, resources/assets management.	
Political	Change of government, legislative changes, community expectations, communications	
Natural Disaster	Flood, storm, lightening, fire	
Financial	Planning & management, insurance, initiatives & new services, fraud	
Contractual & legal	Contract management, professional liability, public liability, statutory compliance, errors and omissions, commercial & legal relationships	
Harmful actions	Sabotage, vandalism, terrorism, arson, theft/misappropriation	

4 ROLES AND RESPONSIBILITIES

Council Role	<p>To facilitate resources and guidance in relation to the Risk Management Policy and associated document.</p> <p>To review and consider any report or recommendations regarding the Risk Management Framework.</p>
The Audit Committee	<p>The functions/role of the Audit Committee include:</p> <ol style="list-style-type: none"> 1. Reviewing annual financial statements; 2. Reviewing the adequacy of Council – wide risk management systems; 3. Proposing, and providing information relevant to, a review of Councils Strategic/Annual Business Plans; 4. Proposing and reviewing, the exercise of powers under Section 130A of the LG Act; 5. Liaising with Council’s Auditor; 6. Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices.
Chief Executive Officer	<p>The CEO is responsible for ensuring that Council is not exposed to unnecessary or uncontrolled risks and that a suitable risk management process is established, implemented and maintained in accordance with the Risk Management Framework. The CEO will maintain and be responsible for the effective management of all forms of risk across Council’s operation.</p>
Management Team	<p>Managers will ensure that the Council’s assets and operations together with public liability risks are adequately protected through appropriate risk management plans and programmes. They will ensure the provision of a safe and healthy work environment and the implementation of prudent work practices.</p>
Risk Team	<p>The Risk Team incorporates the Manager Organisational Development, Risk Officer internally; and also includes the Regional Risk Coordinator and the Mutual Liability Scheme externally. This team is in place to answer enquires and be an integral part of the Risk Mitigation process.</p>
Workers	<p>Workers will perform their duties and functions in a safe manner, adhering to safe work practices and ensuring that they are familiar with the Council’s Risk Management Framework. All individuals will play a part in managing risk at Council, including having access to Council’s risk management processes and risks from the risk register.</p>

Risk Framework Requirements (AS/NZS ISO 31 000)

	REQUIREMENT	COMMITMENT
1.	Mandate and Commitment	Risk Management requires a strong and sustained commitment by management of the organisation as well as strategic and rigorous planning to achieve commitment at all levels.
2.	Design of Framework for Managing Risk	Understanding the organisation and its context Establishing a Risk Management Policy Accountability Integration into organisational processes Resources Internal Communication and Reporting Mechanism External Communication and Reporting Mechanisms
3.	Implementation of Risk Management	Implementing the Framework for managing risk
4.	Monitoring and Review of the Framework	Measure against indicators Measure effectiveness of the Framework
5.	Continual Improvement of the Framework	How the Framework can be improved Nurture the risk management culture

5. RISK APPETITE

District Council of Barunga West operates in an environment of unlimited actual and potential risk. Our risk attitude and tolerability must be prudent in defining the risk that it will ordinarily accept.

Risk appetite is the willingness of person/s or organisational levels to accept or avoid risk. In any group of people there are risk takers and risk avoiders. It is important to identify differing risk tolerances.

Risk appetite can be explained as 'how much risk does the Council need to take on in order to attain appropriate or sought after return. The total impact of the risk the Council is prepared to accept in pursuit of achieving its strategic objectives.

Risk appetite therefore stems from the heart of how we do our business.

Risk appetite has two components:

Risk Tolerance:- How much risk can the Organisation choose to accept?

Risk Capacity:- How much risk can the Organisation afford to take?

The ability to take on risk is determined by more than just a capacity to absorb losses. The ability to manage risk is based on skills, experience, systems, controls and infrastructure. Understanding risk appetite will help the Organisation in the efficient allocation of risk management resources across a risk portfolio and enable the pursuit of opportunities as boundaries can be defined around opportunity seeking behaviour.

6 UNDERSTANDING RISK

Managing risks is often about knowledge. When we lack knowledge on a matter, there is greater uncertainty which can translate into greater risk exposure or less than optimal opportunity. Understanding the relevance and reliability of information will assist in managing the risk.

In general, risk exposure can be grouped into three (3) risk categories:

- **External Risk** arises when external forces can affect the Corporations performance or make its choices regarding strategies, operations, customers and supplier relationships, organisation structure or financing.
- **Internal Risk** arises when internal processes do not achieve the objectives they were designed to achieve in supporting the Corporations business model. For example, this could be dissatisfied customers and inefficient operations.
- **Information for Decision Making Risk** arises when information to support decisions is incomplete, out of date, inaccurate, late or simply irrelevant to the decision making process.

When understanding risk, it is also important to understand how it fits with the Council objectives. Is the risk impacting on strategy, operations or compliance?

Strategic Risks can be defined as the high-level risks that potentially affect the achievement of the Council's overall outcomes, objectives and reputation. They typically relate to more than one Portfolio/Program and their treatment can require a whole-of-organisation, One Team approach.

Operational Risks can be defined as something that impacts on our ability to manage existing operations on behalf of Council. Operational risk has the potential that an issue, event or decision will impact on routine financial, people, reputation, environmental and service delivery resources.

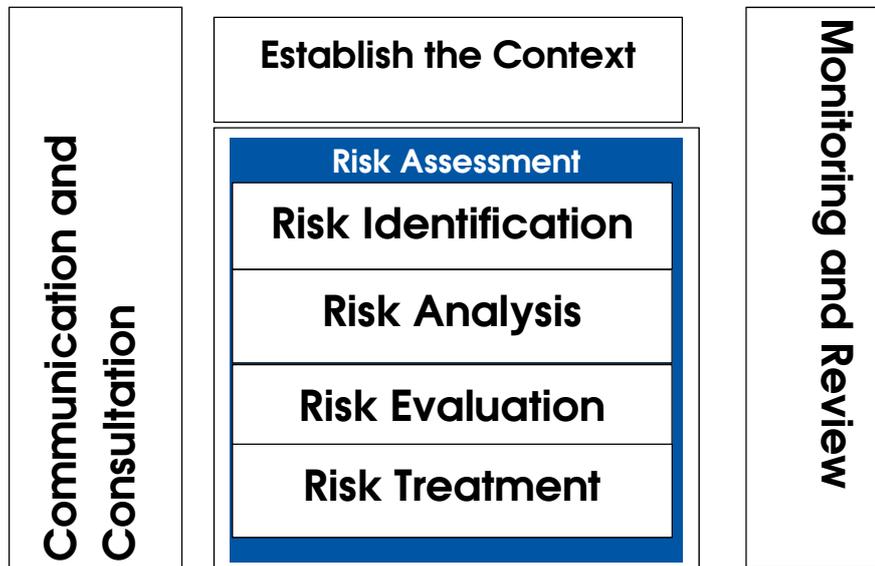
Compliance Risk can be defined as those risks that may impact on the Council meeting its statutory requirements and policy and delegations.

7 RISK ASSESSMENT PROCESS

To successfully undertake a risk rating process, the ISO 31000 Risk Management Standards outline a process to follow. This process includes the following five steps which are demonstrated in the following diagram.

- **Communication & Consultation** - Communicate and consult with relevant internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- **Establishing the Context** – Establish the external, internal and risk management context in which the rest of the process will take place. Criteria against which risks will be evaluated should be established and the structure of the analysis defined.
- **Risk Assessment** – Identify, analyse and evaluate the risks using the tool and techniques provided in this Framework and the Risk Management Operating Guideline.
- **Risk Treatment** - Develop and implement risk treatment options that outline the expected benefit to be gained, performance measures/constraints, responsible persons, proposed actions, reporting and monitoring requirements, resources and timing.
- **Monitoring and Review** - Ensure monitoring and review responsibilities are clearly defined within the risk treatment plan. This is the opportunity to look at lessons learnt, detecting change in the external and internal context, ensuring controls and treatment measures are effective and identify emerging risks. It is necessary to monitor the effectiveness of all steps of the risk management process. If circumstances change, risk priorities and treatments may need to be altered.

Risk Management Process



Risk Assessment is the overall process of risk identification, risk analysis and risk evaluation.

Risk Identification is about identifying sources of risk, areas of impact, events, opportunities, failure to innovate and their causes and potential consequences. The aim is to generate a list of risks based on those impacts or events. It is important to identify risks with not pursuing an opportunity. All significant causes and consequences should be considered.

Risk Analysis involves developing an understanding of a risk. It provides an input to risk evaluation and to decisions on whether risks need to be treated, and the most appropriate risk treatment strategies and methods. Tables attached are Councils tools for expressing the Likelihood, Consequence and Level of Risk. (See appendices).

In some cases more than one numerical value or descriptor may be required to specify consequences and their likelihood for different times, places, groups or situations.

A 'risk rating' can be obtained by using the Likelihood and Consequences Tables and applying the descriptor levels to the Risk Priority Matrix.

Risk Evaluation is the process used to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation. Decisions should take account of the wider context of the risk and include consideration of the risk appetite of the risks borne by parties other than the organisation which benefits from the risk.

Risk Treatment involves selecting one or more options for modifying risks, and implementing those options. Once implemented, treatments provide or modify the controls. An action should be implemented to treat certain risks.

Council will tolerate a certain “acceptance” level of risk. Any risk that is rated low or moderate should be monitored and reviewed in line with relevant Business Unit processes and systems.

Treatment options can include:

- Avoiding the risk;
- Taking the risk to pursue an opportunity;
- Removing the risk source;
- Changing the likelihood of the situation;
- Changing the consequence of the situation;
- Sharing the risk (contracting, partnering with another organisation);
- Retaining the risk by informed decision (Tolerating the risk)

Monitoring and Review must be formal part of the risk management process and involves regular checking or surveillance. The monitoring and review process will:

- ensure that implemented controls are effective;
- Provide further information to improve risk assessment;
- Allow for the identification of emerging risks.

District Council of Barunga West

Managers will monitor the effectiveness of the risk management process and will ensure prudent monitoring of the following:

- All Extreme and High rated risks;
- Treatment options employed;
- Tolerance effectiveness;
- Risk Management Policies and processes are complied with;
- Resource application

Risk Register the Council will maintain a Corporate Risk Register which will include risk that has been identified from each Business Unit. The Risk Register is located in Deloitte Control Track <https://www.controltrack.com.au/uni/login.do>

The Risk Register will be maintained by identified Risk Champions of the Council.

Priority based Monitoring and Reporting;

- **E or H is Extreme or High** rated risks will require immediate management attention and will be monitored on agreed timeframes.
- **M or L is Moderate or Low** rated risks will be monitored within the relevant Business Unit.
- **All** identified risks will be monitored at least annually

Appendix 1 - Likelihood Table

LIKELIHOOD			
Level	Descriptor	Description	Likelihood (%)
A	Almost Certain	Expected to occur at times of normal operations (more than once per year)	95% chance
B	Likely	Will occur at some stage based on previous incidents	75% to 95% chance
C	Possible	Not expected to occur but could under specific circumstances	25% to 75% chance
D	Unlikely	Conceivable but not likely to occur under normal operations (no previous occurrence)	5% to 25% chance
E	Rare	Only occurs in exceptional circumstances	< 5% chance

Appendix 2 – Risk Priority Matrix and Consequence Table

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

Appendix 2 – Consequence Table

CONSEQUENCE						
Level	Descriptor	Financial	People	Reputation	Environmental	Service Delivery
5	Insignificant	Negligible Financial Loss (> \$10k) No real disruption to business	No Injury/First Aid only. No impact on morale	No Media or Political Attention. Some local complaints	Minor Instance of environmental damage. Can be reversed immediately	Interruption to a service – no impact to Customers/business
4	Minor	Minor Financial Loss (\$10k – 50k) Minor financial disruption. Minor Variation to Budget for Financial Year	Minor Medical attention. Negligible impact on morale	Some Local Media or Political Attention. Community Concern – little adverse effect	Minor impact to environment. Can be reversed in the short term	Minor interruption to a service with minimal impact to customers/business
3	Moderate	Moderate Financial Loss (\$50k - \$200k). Moderate impact to business operations. May impact beyond current financial period	Significant Injury requiring medical attention. Short Term effect on morale and business	Significant Media Attention. Significant Public interest. Potential for adverse local media or potential attention	Moderate impact to environment. Localised damage that has potential to spread and reversed with intensive efforts	Moderate Interruption to service delivery. Customer impact up to 48 hrs. Partial BCP action may be needed
2	Major	Major Financial Loss (\$200k - \$500k) Major impact on Business Operations. Multiple financial year impact.	Serious Long Term Injury. Temporary disablement. Significant impact on morale and business	Regional or State wide media Attention. Public interest. Long term effect on reputation	Severe Loss of environmental amenity, Danger of continuing environmental damage.	Major interruption to service delivery, Customer impact 7 – 14 days. Full or partial BCP action may be needed.
1	Catastrophic	Significant Financial Loss (> \$500k) Loss of Business Operation. Multiple Financial Year Impact	Major Injury/disablement or death. Long term effect on morale and performance of business	Potential National Media attention. Prolonged Media or Political Attention. Irreparable damage to Reputation	Major loss of environmental amenity – irrecoverable environmental damage	Major interruption to delivery of all or most services for more than 14 days. Full BCP action required.