



COMMITTED TO A
SUSTAINABLE
PENINSULA

RISK MANAGEMENT STRATEGY 2013-2016



As presented and endorsed by the Mornington Peninsula Shire's Audit Committee at its meeting of 20 February, 2013 and subsequent adoption by Council at its meeting of 25 March, 2013

Table of Contents

| | | |
|------------|---|-----------|
| 1. | DEFINITIONS..... | 1 |
| 2. | MORNINGTON PENINSULA SHIRE COUNCIL RISK MANAGEMENT STRATEGY .. | 2 |
| 3. | COUNCIL'S RISK APPETITE | 2 |
| 4. | COUNCIL COMMITMENT | 3 |
| 5. | CORPORATE PROFILE..... | 3 |
| | 5.1 The Corporate Direction – A Sustainable Peninsula | 3 |
| 6. | ROLES AND RESPONSIBILITIES FOR RISK MANAGEMENT..... | 3 |
| | 6.1 The Responsibility for Managing Risk | 3 |
| | 6.2 Role of the Council | 4 |
| | 6.3 Role of the Audit Committee..... | 4 |
| | 6.4 Role of the Internal Auditor..... | 4 |
| | 6.5 Role of Chief Executive and Directors | 4 |
| | 6.6 Role of Manager – Governance and Corporate Support..... | 5 |
| | 6.7 Role of Risk & Insurance Coordinator and Team Leader Workplace Health & Safety and WorkCover..... | 5 |
| | 6.8 Role of Managers | 6 |
| | 6.9 Role of All Staff | 6 |
| | 6.10 Role of Staff who Engage or Manage Contractors | 6 |
| | 6.11 Role of Contractors..... | 7 |
| 7. | RISK MANAGEMENT (ORGANISATION) CONTEXT AND RISK PROFILE | 8 |
| | 7.1 Areas of Risk Exposure..... | 8 |
| | 7.1.1 Strategic Risks..... | 8 |
| | 7.1.2 Operational Risks | 9 |
| | 7.1.3 Compliance Risks..... | 11 |
| | 7.1.4 Reporting Risks | 12 |
| 8. | COUNCIL'S APPROACH TO RISK MANAGEMENT | 12 |
| | 8.1 Australia/New Zealand Standard for Risk Management..... | 12 |
| | 8.2 AS/NZS 31000:2009 Steps | 13 |
| | 8.3 AS/NZS 31000:2009 Principles..... | 14 |
| | 8.4 Tools of Council's Risk Approach..... | 15 |
| | 8.5 The Approach..... | 15 |
| 9. | PRACTICAL APPLICATION TO RISK MANAGEMENT..... | 16 |
| | 9.1 Recording and Assessing Risk Exposures | 16 |
| | 9.2 Risk Treatment | 17 |
| | 9.3 Reporting of Risk Exposures..... | 17 |
| | 9.4 Monitoring and Review..... | 17 |
| 10. | ACTIONS – APPLICATION TO RISK MANAGEMENT | 18 |

Table of Contents (Cont'd)

11. OVERVIEW OF THE INTEGRATED RISK MANAGEMENT PROCESS 19

 Step 1 – Identify Sources of Risk..... 19

 Step 2A – Analyse the Risk Consequences..... 19

 Step 2B – Analyse the Risk Likelihood 21

 Step 3 – Evaluate the Risk..... 21

 Step 4 – Treat the Risk..... 21

 Step 5 – Action Planning, Monitor and Review 22

12. RISK MANAGEMENT KNOWLEDGE AND SKILLS DEVELOPMENT 22

 12.1 Raising Awareness 23

 12.2 General Awareness..... 23

 12.3 Periodic, Specific Awareness 23

 12.4 Methods to Ensure Consistent Application of the Risk Management
 Strategy across the Council..... 24

 12.5 Methods to Ensure Consistent Leadership and Commitment through the
 Application of Risk Management..... 24

13. BUSINESS CONTINUITY PLANNING 24

14. INSURANCE MATTERS..... 25

 14.1 Insurance Premium and Data Requirements..... 25

15. IMPLEMENTATION OF RISK MANAGEMENT STRATEGY..... 26

16. KEY LINKAGES AND REFERENCES 26

1. DEFINITIONS

The following definitions apply to this strategy:

| | |
|---------------------------|---|
| Risk | The effect of uncertainty on objectives. |
| Risk Management | Coordinated activities to direct and control an organisation with regard to risk. |
| Risk Appetite | The amount and type of risk that an organisation is prepared to pursue, retain or take. |
| Consequence | The outcome or impact of an event, and in particular, the most probable worst-case scenario. |
| Likelihood | A general description of probability or frequency, in particular, the probability within the Mornington Peninsula Shire Council that the event will be at the nominated consequence value in the Risk Matrix descriptors. |
| Risk Controls | An existing process, policy, practice or other action that acts to minimise risk (this may include insurance). |
| Mitigating Actions | Additional processes, policies, devices, practices or actions that act to further minimise risk. |
| Acceptable Risk | A risk where current controls minimise risk sufficiently so that the Shire deems that mitigating actions are not required. |
| Inherent Risk | The potential consequence and likelihood of a risk occurring in an environment without controls. |
| Residual Risk | The potential consequence and likelihood of a risk event occurring after consideration of the effectiveness of treatment/controls in place to mitigate the risk. |

2. MORNINGTON PENINSULA SHIRE COUNCIL RISK MANAGEMENT STRATEGY

This document describes the risk management strategy and framework (the Strategy) of the Mornington Peninsula Shire Council (the Shire). The Strategy outlines the risk appetite of the Shire and the systematic method used to identify, analyse, evaluate, treat, monitor and communicate key risks associated with Council responsibilities in order to minimise unexpected losses and maximise opportunities. The Strategy is aligned with the international standard on risk management adopted as AS/NZ ISO 31000:2009 *Principles and Guidelines* (ISO 31000). The Strategy takes into account the context of Council responsibilities and objectives as stated in the MPSC Strategic Plan 2009-2013.

The Shire recognises that to be effective, risk management must become part of the Shire's culture, integrated into the Shire's corporate and business plans and everyday activities, rather than being viewed or run as a separate program. Further, risk management must become the responsibility of every employee, contractor, volunteer and elected member of the Council.

A Risk Management Strategy was adopted by Council in May 2009. It was developed to focus the management of risk at both strategic and operational levels. It aimed to ensure that the concept of risk management became fundamental to the organisational culture through the philosophy of risk minimisation for each and every activity undertaken by the Shire.

This Risk Management Strategy is the continuation of the previous risk strategy's direction.

3. COUNCIL'S RISK APPETITE

Risk appetite is defined as the Council's willingness to accept risk in pursuit of its objectives. The establishment of Council's statement on risk appetite is intended to guide employees in their actions and ability to accept and manage risks.

Council is periodically updated on the effectiveness of the management of key Council potential risk exposures, through reports to the Audit Committee. The risk appetite of Council is reflected by the combination of the severity ratings within the Consequence table and the Likelihood table, which provides an inherent risk rating.

The key determinants of risk appetite include, but are not limited to:

- Council and community expectations;
- The income potential from accepting risks relative to income from risk-free activities (the risk/reward trade off);
- Capital availability; and
- Adequacy of risk management systems.

Refer to the Risk Management Policy and Risk Appetite Statement.

4. COUNCIL COMMITMENT

The Mornington Peninsula Shire Council is committed to ensuring that risks are identified and treated in a timely way through this Strategy.

5. CORPORATE PROFILE

5.1 The Corporate Direction – A Sustainable Peninsula

Effective risk management requires a thorough understanding of the context in which Council operates. To that end, the identification/validation of our corporate goals is a critical first step in the risk management process.

This Strategy has regard for, and acknowledges the vision, mission, values and sustainability principles as set out in the *Mornington Peninsula Shire Community Plan*.

6. ROLES AND RESPONSIBILITIES FOR RISK MANAGEMENT

6.1 The Responsibility for Managing Risk

The Shire Executive Team (being the Chief Executive Officer and Directors) has overall responsibility for the monitoring and reporting of risk management in the Council.

For practical purposes, this responsibility is supplemented and administered through the Manager – Governance and Corporate Support (Public and Property Risk) and the Manager – Team Support and Development (Occupational Health and Safety Risk).

All employees and service providers are responsible for effective risk management practices and ensuring that line managers are informed of risks associated with Council operations. Each Manager is accountable for implementing this Strategy and the Risk Management Policy in his or her area of responsibility.

Direct responsibilities of the Executive include:

- Implementing the Risk Management Strategy and monitoring its effectiveness across the Council; and
- Providing leadership to the task and maintaining a 'risk aware' workforce.

Administrative responsibility is devolved to the Manager – Governance and Corporate Support (Public and Property Risk) and the Manager – Team Support and Development (Occupational Health and Safety Risk) to:

- Make recommendations to Executive and Council and/or provide direction and advice to Management on matters arising out of risk management reports, performance reports or other risk matters that come before them; and
- Monitor compliance with the Council Risk Management Policy and Risk Appetite Statement through regular reporting of risk issues.

6. ROLES AND RESPONSIBILITIES FOR RISK MANAGEMENT (Cont'd)**6.2 Role of the Council**

The Council is responsible for endorsing and adopting the Council's Risk Management Strategy and Policy; endorsing the Council's risk appetite, monitoring Council's risk profile and ensuring Council's risk management systems are effective.

6.3 Role of the Audit Committee

The Audit Committee is responsible for overseeing the risk management process across Council. The Audit Committee Charter sets out the details for levels of monitoring required by the Committee. The Committee receives periodic reports on the status of the Risk Management Strategy and Policy from the Manager – Governance and Corporate Support. The Committee also receives reports from the Internal Auditor based on the approved internal Audit Strategy/Plan.

6.4 Role of the Internal Auditor

Internal Audit provides an independent review function to Council. As an integral part of each Internal Audit review, the Internal Auditor will review the risk management practices within the area under review and report to the Executive, Audit Committee and Council on issues arising from these reviews. The Internal Auditor will evaluate, test and report on the design and effectiveness of internal controls that are in place to manage the key risks of Council. The issues will include the adequacy of internal controls, the segregation of duties within the Shire organisation and the use and accountability of staff who have delegated responsibilities on behalf of Council.

6.5 Role of Chief Executive and Directors

Chief Executive is responsible for:

- Establishing and maintaining a climate of risk awareness and intelligence;
- Developing and maintaining governance mechanisms that effectively monitor risks and their management; and
- Set requirements for risk management based on AS/NZS ISO 31000:2009.

Directors are responsible for:

- Ensuring compliance of their department with the Risk Management Strategy and the Risk Management Policy and the promotion of a positive risk and compliance culture that embraces the philosophy of the Risk Management Strategy;
- Identifying, evaluating, assessing, treating and monitoring the key risks that might potentially prevent them from achieving their objectives and their Management Plan;
- Integrating risk management into all aspects of their business; and
- Ensuring that risk management practices and treatments are:
 - Consistent with Council requirements;
 - Monitored to ensure that management strategies remain effective; and
 - Commensurate with the level of risk exposure.

6. ROLES AND RESPONSIBILITIES FOR RISK MANAGEMENT (Cont'd)

'Organisational Risk' will generally be shared across a range of Shire officers. For example:

- The Chief Executive and Manager – Communications will be principally responsible for risk in terms of corporate reputation and political exposure (assisted by Directors and others);
- The Manager – Governance and Corporate Support will be principally responsible for matters of governance and compliance; and
- The Manager Finance/Principal Accounting Officer will be principally responsible for matters of financial exposure.

6.6 Role of Manager – Governance and Corporate Support

The Manager – Governance and Corporate Support is responsible for:

- Implementing and ensuring ongoing compliance with the Risk Management Policy and process across Council; and
- Ensuring that the risk profile of Council is periodically reviewed, updated and reported to the Audit Committee.

6.7 Role of Risk & Insurance Coordinator and Team Leader Workplace Health & Safety and WorkCover

The two Coordinators (Public and Property and Occupational Health and Safety) are not responsible for managing risk for the Shire – all team members (but particularly Managers and Team Leaders in their respective areas) share that responsibility.

The Coordinators' specific responsibility is for:

- Establishing and gaining agreement on the strategic direction the Shire will follow in managing its risk exposure;
- Providing advice to staff on matters of risk;
- Maintenance and monitoring of the risk assessment system (Risk Wizard) ensuring that there is regular reporting of risks and regular, pro-active risk management by business units etc;
- Liaising with the 'peak bodies' in their respective areas (i.e. insurers, WorkSafe etc);
- Recognising trends in risk exposure or risk management practice and bringing this to the attention of staff; and
- Recommending and implementing training programs that are seen as needed.

Unlike the Public and Property and OH&S areas, there is not one specific person responsible for 'Organisational Risk' exposures.

6. ROLES AND RESPONSIBILITIES FOR RISK MANAGEMENT (Cont'd)**6.8 Role of Managers**

Risk assessment is a core element of strategic and business planning, and a precursor to specific outcomes such as major procurement, major projects and change programs.

Risk Management is therefore an integral component of all daily business activities and each Manager is responsible for reviewing and updating the risk assessment for each part of their operations on at least an annual basis. Notwithstanding, any time an operational risk is identified, the operational risk assessment should be updated within Risk Wizard and if necessary, a mitigating risk treatment plan enacted.

Managers are also responsible for ensuring that any active Risk Treatment Plans are included in their Annual Business Plan for actioning as appropriate.

6.9 Role of All Staff

Every staff member is responsible for ensuring that his or her work environment and practices reflect good risk management and OH&S standards in order to protect their own health and safety as well as the health and safety of others.

The responsibilities of staff members include:

- Observing and informing Managers or Team Leaders of any specific public risk;
- Maintaining an awareness of risks (current and potential) that relate to their area of responsibility;
- Actively support and contribute to risk management initiatives;
- Using a documented risk management process to eliminate or minimise OH&S risks where appropriate;
- Complying with OH&S instructions, policies and procedures;
- Using and maintaining safety devices and personal protective equipment correctly;
- Being familiar with emergency and evacuation procedures and complying with the instructions given by emergency response personnel such as fire wardens and first aiders; and
- Report all accidents, incidents and near misses.

6.10 Role of Staff who Engage or Manage Contractors

The responsibilities of Shire staff that engage or manage contractors include ensuring that:

- The prequalification process is completed prior to awarding the contract;
- The primary contractor completes the Shire's contractor induction;
- The primary contractor provides an OH&S plan for contracts over \$250,000;
- A comprehensive Job Safety Analysis (JSA) is completed by contractors;

6. ROLES AND RESPONSIBILITIES FOR RISK MANAGEMENT (Cont'd)**6.10 Role of Staff who Engage or Manage Contractors (Cont'd)**

- The equipment and materials used by contractors are safe and used in a manner that does not pose a risk to the contractors or to MPS staff, volunteers and the public;
- Contact is maintained with the contractor, providing job supervision and inspection of the quality of the work; and
- Contractors have statutory compensation and liability insurance.

6.11 Role of Contractors

The Shire regards public safety and OH&S as a shared responsibility between the contractor, their employees or sub-contractors, and the Shire itself.

Therefore, it is the responsibility of contractors to ensure that:

- They are competent to do the job asked of them;
- They have the qualifications, training, experience and certificates of competency that will be needed for the job;
- They have the OH&S knowledge required for the job;
- They have statutory compensation and liability insurance;
- They maintain the premises/area in which they work in a safe and healthy manner for themselves and for the staff, volunteers and the public;
- They employ safe tools and systems of work to do the work;
- Electrical power tools are regularly inspected and tagged in accordance with AS3760;
- Material Safety Data Sheets (MSDS) are provided for all chemicals;
- Instructions and supervision from the contracting company are adequate;
- Close supervision is required particularly in the case of young or inexperienced workers; and
- They communicate regularly with their Shire contract supervisor:
 - Methods of work are approved by the contract supervisor; and
 - They raise any issue that is or may become a health, safety or core business concern.

7. RISK MANAGEMENT (ORGANISATION) CONTEXT AND RISK PROFILE



The context figure above, for managing risks within the Shire, needs to be undertaken with a complete understanding of the environment in which Council operates.

Decisions about managing risk need to take into account Council's internal and external environment.

The Vision and Mission in the Strategic Plan are the foundation on which all operational business plans are based and is therefore a logical starting point for the development of this strategy.

7.1 Areas of Risk Exposure

7.1.1 Strategic Risks

Strategic risks for the Shire are those that:

- Are significant risks that affect the longer term interests of Council and the community;
- Are of a higher level, possibly affecting the future service delivery; and
- May have an organisational wide focus or impact.

Strategic risks can also be defined as the by-product of strategic procedures, such as the strategic plan and often involves the 'unknown'. Strategic risks can result not only in financial loss or penalty but also in loss of reputation or major political loss.

Strategic risks are not aligned to individual units or business plans.

Examples of Strategic Risks include the following:

- An ageing community and the challenges of healthy ageing;
- Climate change issues (bushfires/cliff collapse/increased erosion/drainage etc.);

7. RISK MANAGEMENT (ORGANISATION) CONTEXT AND RISK PROFILE (Cont'd)**7.1 Areas of Risk Exposure (Cont'd)****7.1.1 Strategic Risks (Cont'd)**

- Waste management;
- Keeping the Mornington Peninsula 'green' (retaining the 70:30 split);
- Fire safety, vegetation management;
- Public transport on the Mornington Peninsula;
- Internal controls or 'control culture';
- Managing stakeholder expectations;
- Customer service delivery;
- Asset and resource management; and
- Major projects.

7.1.2 Operational Risks

Operational risks for the Shire are those that:

- Relate directly to the delivery of services, including the quality and appropriateness of services;
- Relate to the effective and efficient use of Council's resources; and
- Can have a day to day impact on specific Shire operations

Without being comprehensive, our particular operational risk exposures were nominated within recent Liability Mutual Insurance and JMAPP Insurance audits as:

Public and Property (examples only):

- Footpath maintenance – footpaths lifting and causing a tripping hazard;
- Road maintenance – pot holes and road shoulder wearing and causing potential traffic hazards;
- Tree management – general exposure through limbs dropping;
- Playground management;
- Recreation Reserve management and facility allocations;
- Property maintenance;
- Professional advice/approvals;

7. RISK MANAGEMENT (ORGANISATION) CONTEXT AND RISK PROFILE (Cont'd)**7.1 Areas of Risk Exposure (Cont'd)****7.1.2 Operational Risks (Cont'd)**Public and Property (Cont'd):

- Project design and construction;
- Food safety procedures;
- Working with Children;
- Waste Transfer Stations; and
- Community events.

Whilst there are no specific 'external audits' of OH&S or organisational risks, the following (as acknowledged in the Operational Risk Register) may be generally considered examples:

OH&S (examples only):

- Long distances travelled between work environments;
- Home Care staff working in isolation;
- Chemicals used in operating environments;
- Manual handling techniques; and
- Unsuitability of venues for some tasks.

Corporate (examples only):

- Inability to fund the maintenance replacement and renewal of infrastructure assets;
- Escalating costs of service delivery;
- Reductions in investment and deterioration of working capital ratios;
- Failure of Council to comply with legislative and regulatory provision such as unsafe or inappropriate work practices;
- Corporate governance;
- Community engagement;
- Employee training, education and competency testings;
- Managing community services;
- Managing human resources;
- Information management and technology; and
- Contracting and purchasing.

7. RISK MANAGEMENT (ORGANISATION) CONTEXT AND RISK PROFILE (Cont'd)**7.1 Areas of Risk Exposure (Cont'd)****7.1.2 Operational Risks (Cont'd)**Project Risks

A final element is the context of project risk.

A project may be undertaken by the Council, such the construction of a major community facility or a potential project may be considered. A project risk may also involve the works of a third party, not for or on behalf of Council, but simply an impact on the environment within which the Council operates; an example of this may be a major subdivision.

In each case, there may be risk exposures that Council should be aware of and be prepared to either tolerate, transfer, terminate or treat.

The Capital Works Evaluation Process recognises the importance of mitigating risk, in that a project proposed to address a particular risk exposure is given a 'bonus' rating because it is seeking to address a risk exposure.

The Capital Works Construction Program sees a risk assessment undertaken for works being undertaken by the contractor.

Finally, the take-over of Subdivision assets sees those assets subject to a risk assessment prior to the future care and maintenance being taken over by the Shire.

7.1.3 Compliance Risks

Risks that relate to the resources used to meet the requirements of relevant legislation and regulations. Council is subjected to legislation and regulations which range from issues such as equal employment opportunities and anti-discrimination to specific technical requirements. Breaches of the following legislation may lead to risk exposures for Council:

- Accident Compensation Act 1985;
- Building Act 1993;
- Disability Discrimination Act 1992;
- Emergency Management Act 1986;
- Equal Opportunity Act 2010;
- The Fair Work Act 2009;
- Local Government Act 1989;
- Occupational Health and Safety Act 2004;
- Planning and Environment Act 1987; and
- Road Management Act 2004.

7. RISK MANAGEMENT (ORGANISATION) CONTEXT AND RISK PROFILE (Cont'd)

7.1 Areas of Risk Exposure (Cont'd)

7.1.4 Reporting Risks

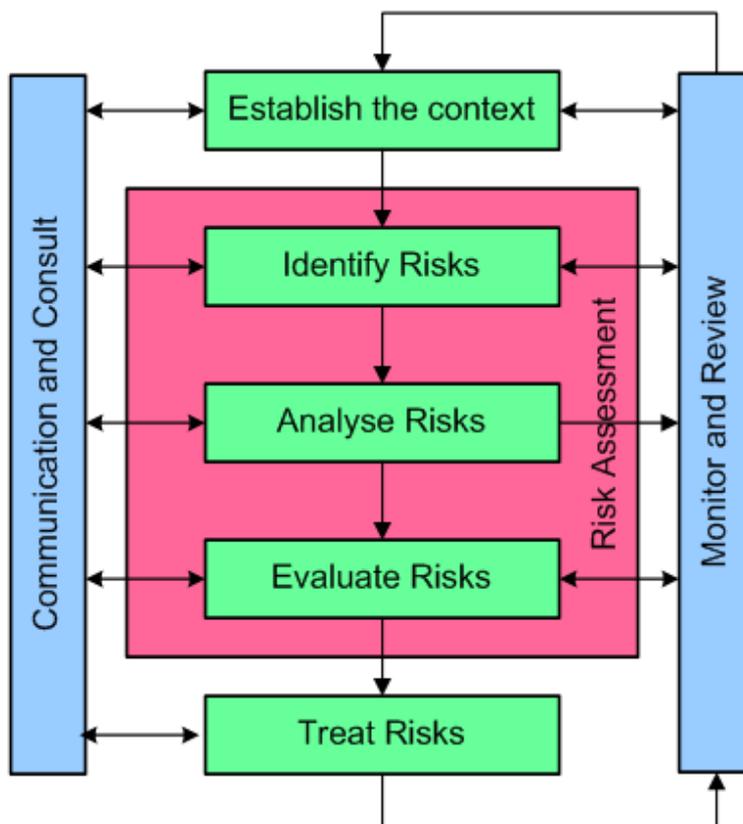
Reporting Risks relate to ensuring the reporting process provides timely, accurate and relevant information and the resources used in making of informed strategic, business and operational decisions. These include, but are not limited to, the following:

- Strategic Plan;
- Community Plan;
- Financial Plan;
- Management Plan;
- Business Plans; and
- Business Continuity Plan.

8. COUNCIL'S APPROACH TO RISK MANAGEMENT

8.1 Australia/New Zealand Standard for Risk Management

The Australia/New Zealand Standard for Risk Management (AS/NZS ISO 31000:2009) provides a 'ready-made' strategy that enables a consistent and comprehensive approach to risk management across the Council, and we generally follow this approach.



8. COUNCIL'S APPROACH TO RISK MANAGEMENT (Cont'd)**8.1 Australia/New Zealand Standard for Risk Management (Cont'd)**

The risk management procedures outlined in the Standard requires the following procedures be undertaken:

- Establishing our context and culture (for identifying and managing risk, i.e. our risk environment);
- Identifying our risks (strategic and operational);
- Analysing the identified risks;
- Assessing or evaluating the risks;
- Treating or managing the risks;
- Monitoring and reviewing the risks and the risk environment regularly; and
- Continuously communicating and consulting with stakeholders.

8.2 AS/NZS 31000:2009 Steps

In summary, the Standard defines these steps as:

Establish the Context

Establishing context is about setting the parameters or boundaries around the organisations risk appetite and risk management activities. This involves establishing the strategic, organisational and risk management context in which the rest of the process will take place. It requires consideration of the external factors such as social, cultural, political and economy, and the alignment with internal factors such as strategy, resources and capabilities. Criteria against which risk will be evaluated should be established and the structure of the analysis defined.

Risk Assessment**Identify Risk**

By a well structured systematic process, identify what, why and how adverse things can arise as the basis for future analysis. Identify sources of risk, areas of impacts, events (including changes in circumstances) and their causes and potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives.

Analyse Risk

Risk analysis involves developing an understanding of the risk. Risk analysis provides an input to risk evaluation and to decisions on whether risks need to be treated and on the most appropriate risk treatment strategies and methods. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences and the likelihood that those consequences can occur. Factors that affect consequences and likelihood should be identified.

Consequence and likelihood may be combined to produce an estimated level of risk.

8. COUNCIL'S APPROACH TO RISK MANAGEMENT (Cont'd)**8.2 AS/NZS 31000:2009 Steps (Cont'd)**Evaluate Risk

Compare estimated levels of risk against the pre-established criteria. This enables risks to be ranked so as to identify management priorities. If the levels of risk are low, then risk may fall in to an acceptable category and treatment may not be required. The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation.

Risk Treatment

Risk treatment involves selecting one or more options for modifying risks and implementing those options. Once implemented, treatments provide or modify the controls. Accept and monitor low priority risks. For other risks, develop and implement a specific management plan, which includes consideration of funding.

Monitoring and Review

Monitor and review the performance of the risk management system and changes that might affect it. Both monitoring and review should be a planned part of the risk management process and involve regular checking. Responsibilities for monitoring and review should be clearly defined. The results of monitoring and review should be recorded and reported as appropriate.

Consultation and Communication

Communicate and consult with staff and external authorities as appropriate at each stage of the risk management process.

8.3 AS/NZS 31000:2009 Principles

A major enhancement to ISO 31000 is the addition of 11 explicit principles to guide risk management practice. The principles are:

- Risk management creates and protects value;
- Risk management is an integral part of organisational processes;
- Risk management is part of decision making;
- Risk management explicitly addresses uncertainty;
- Risk management is systematic, structured and timely;
- Risk management is based on the best available information;
- Risk management is tailored;
- Risk management takes human and cultural factors into account;
- Risk management is transparent and inclusive;
- Risk management is dynamic, iterative and responsive to change; and
- Risk management facilitates continual improvement and enhancement of the organisation.

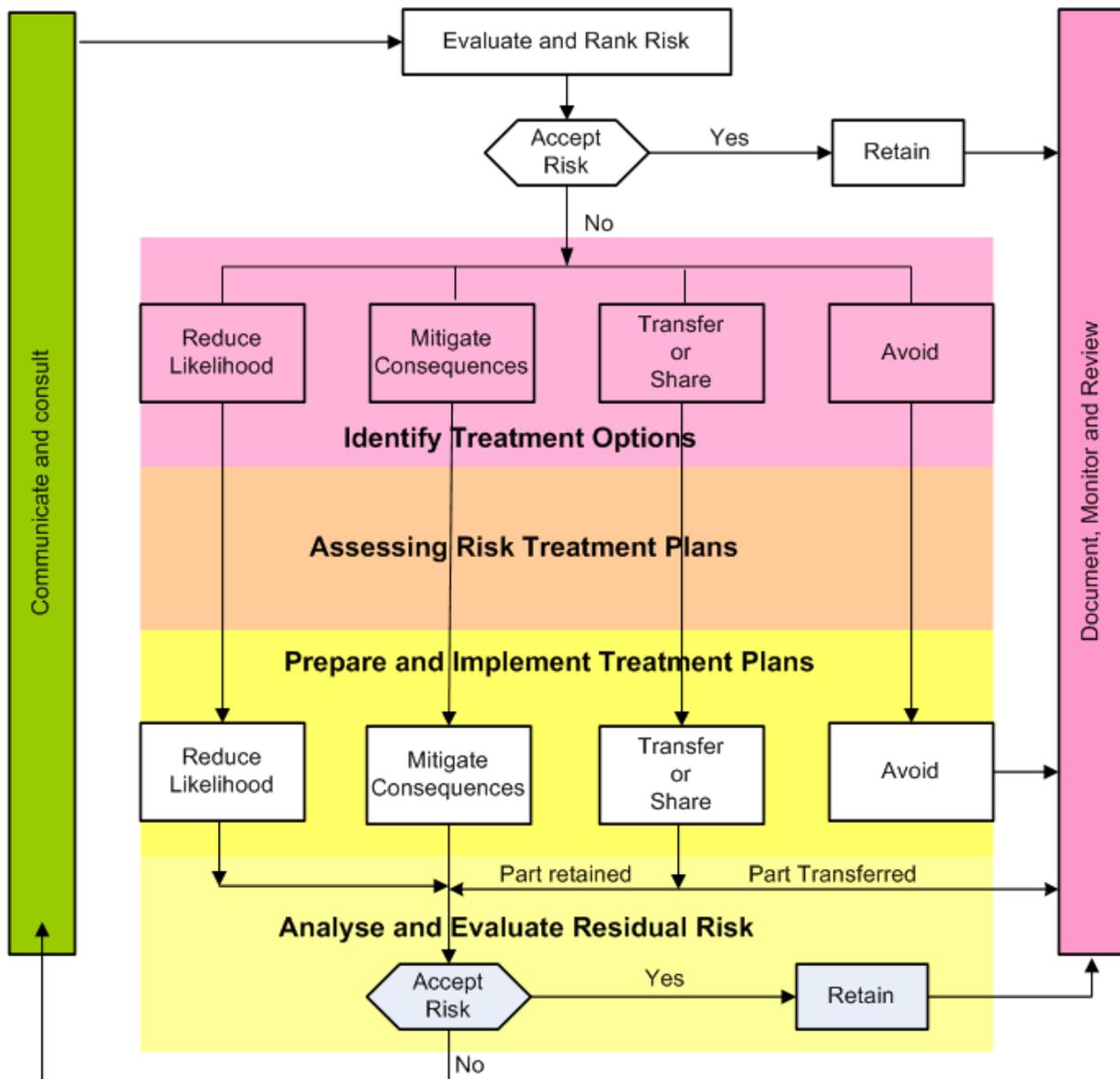
8. COUNCIL'S APPROACH TO RISK MANAGEMENT (Cont'd)

8.4 Tools of Council's Risk Approach

The strategy to assist us in managing risk relies on a number of component tools:

- Risk Wizard – The core software which allows us to record, categorise, assess and report on observed or perceived risk;
- Business Continuity Operational Plan – Our plan for response and recovery from a disaster scenario; and
- Occupational Health and Safety Risk Strategy – A separate Incident Register is maintained. Whilst there will be a range of general OH&S risk issues reflected in the Operational (and/or Strategic) Risk Register, at this stage it is functionally better to keep a separate register of potential OH&S risks or incidents; this better suits reporting requirements.

8.5 The Approach



8. COUNCIL'S APPROACH TO RISK MANAGEMENT (Cont'd)

8.5 The Approach (Cont'd)

Effective risk management is based on a structured approach to the management of risk that emphasises a proactive rather than a reactive response.

Management of risk will be addressed in the following order:

- Eliminate the risk wherever possible;
- Transfer the risk, in full or in part, by ensuring that contractors carrying out work for the Shire carry the appropriate public liability insurance;
- Reduce the risk by undertaking hazard analysis, process improvement and risk audits, and developing procedures relating to all the Shire's activities;
- Ensure the Shire carries adequate insurance for the risks remaining; and
- If significant risk cannot be reduced or eliminated, consider avoiding the activity.
- Guided by Council's defined Risk Appetite, Council may choose to accept the risk.

9. PRACTICAL APPLICATION TO RISK MANAGEMENT

9.1 Recording and Assessing Risk Exposures

Council uses the Risk Wizard software as a basis for recording and assessing risk and treatments for all aspects of risk assessment.

The link between risk assessment and business planning is very important.

Risk Management forms part of the Council planning processes. **Treatment strategies for risks assessed as unacceptable are to be incorporated into the relevant business plans.** Progress in the management of the treatments of these risks will be monitored continually by the Executive Team with recommendations provided by Internal Audit and where requested, advice from the Risk Management specialists.

Within Risk Wizard, each perceived risk is to be recorded by business unit and the responsible Officer. This recording should be at Manager and Team Leader level. Each perceived risk is also categorised into a number of different views of risk; this allows a 'multiple view' of risk.

Each perceived risk is assessed in a two part process – Stage 1 records:

- The risk;
- The cause of the risk;
- The initial assessment of likelihood and consequence; and
- The risk type (strength/weakness/opportunity/threat).

Depending on the likelihood and consequence, Risk Wizard has a matrix which can consistently determine the risk rating.

9. PRACTICAL APPLICATION TO RISK MANAGEMENT (Cont'd)**9.1 Recording and Assessing Risk Exposures (Cont'd)**

Stage 2 of the assessment process allows officers to:

- Review the effectiveness of existing controls;
- Review and modify (if appropriate), likelihood and consequence in light of current controls;
- Consider a risk treatment (tolerate/treat/terminate/transfer); and
- If treating the risk, record the treatment strategy.

9.2 Risk Treatment

Importantly, the final decision in the revised risk assessment is a conscious decision to manage the risk in some way, i.e.:

- Tolerate the risk (i.e. accept that the current controls are sufficient to mitigate the perceived risk);
- Treat the risk (i.e. mitigate the risk through the development of a Risk Treatment Plan);
- Terminate the risk (i.e. eliminate the risk by e.g. closing down the operation, or the building); and
- Transfer the risk (i.e. insure against the risk occurring).

9.3 Reporting of Risk Exposures

A range of reports are then available to Managers, highlighting the strategic or operational risks in their area, the key people responsible, (for example) the high risk exposures etc.

9.4 Monitoring and Review

Monitoring of risk management for each area of risk is the responsibility of each Manager.

Monitoring of risk management will include:

- The analysis of claims listed in the monthly reports (if required, more detail on these claims can be obtained from the Risk and Insurance Coordinator);
- Reviewing documentation developed under this strategy;
- Ensuring inspections are undertaken as outlined; and
- Ensuring the risk treatment plans are updated.

10. ACTIONS – APPLICATION TO RISK MANAGEMENT

1. On an 'as needed' basis and at least twice annually, (Low risks assessed annually, Medium risks assessed twice annually and Extreme/High risks assessed quarterly), every business unit will:
 - Review its Operational and Strategic Risks to re-examine :
 - a. The existing controls;
 - b. The likelihood of an incident;
 - c. The consequences of the risk materialising; and
 - d. Establish the level of risk.
 - Ensure all Operational and Strategic Risks are entered or updated in the Risk Wizard software;
 - Develop any Risk Treatment Plans required where a risk treatment is proposed;
 - Ensure that all Risk Treatments are also recorded in the Annual Unit Business Plan; and
 - Seek funding, if required, in the budget process for the treatment of risk.
2. On an 'as required' or monthly basis, every business unit will:
 - Analyse any claims listed for the unit in the monthly report;
 - Review documentation developed under this strategy; and
 - Ensure any actions required under risk treatment plans or inspections of incidents or risks are undertaken.
3. All Capital Works Projects greater than \$500,000 in value will, on assessment, have a specific risk assessment undertaken.
4. All proposals for Major Projects with an estimated value of greater than \$5m will, on evaluation, have a specific risk assessment undertaken.

11. OVERVIEW OF THE INTEGRATED RISK MANAGEMENT PROCESS

Step 1 – Identify Sources of Risk



Step 2A – Analyse the Risk Consequences

What are the consequences of this incident occurring? Consider what could reasonably happen. Look at the descriptions and choose the most suitable consequence.

11. OVERVIEW OF THE INTEGRATED RISK MANAGEMENT PROCESS (Cont'd)

Step 2A – Analyse the Risk Consequences (Cont'd)

| Severity | \$ value | Health & Safety | Natural Environment | Social/Cultural | Community / Govt / Reputation | Legal |
|---------------|-----------------|---|---|--|---|--|
| Insignificant | <\$10K | No/minor medical treatment | Minor effects on biological / physical environment | Minor medium term social impacts on local population, mostly repairable | Minor adverse local paper or media attention or complaints | Minor to moderate legal issues, non-compliances and breaches of legislation |
| Minor | \$10K to \$100K | Reversible disability requiring medical treatment | Moderate short term effects but not affecting ecosystem functions | Temporary social issues and damage to items of cultural significance | Attention from media and/or heightened concern by local community. Government criticism | |
| Moderate | \$100K to \$1M | Moderate irreversible disability or impairment (<30%) to 1 or more persons | Significant environmental harm with mid-term recovery | On-going social issues and moderate damage to items of cultural significance | Significant adverse national media, public or government attention | Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fines possible |
| Major | \$1M to \$10M | Single fatality and/or severe irreversible disability (>30%) to 1 or more persons | Severe long term environmental harm | Severe social issues and significant damage to items of cultural significance | Serious public or media outcry. International coverage, public embarrassment, or high multiple impacts. | Major breach of regulation and major litigation |
| Catastrophic | Above \$10M | Multiple fatalities or significant irreversible effects to >50 persons | Long term or permanent damage to the environmental viability of the impact area | Long term social issues and total permanent loss of items of cultural significance | | Significant prosecution and fines. Very serious litigation including class action |

11. OVERVIEW OF THE INTEGRATED RISK MANAGEMENT PROCESS (Cont'd)

Step 2B – Analyse the Risk Likelihood

What is the likelihood of this incident happening? Consider this without new or interim controls in place. Look at the descriptions and choose the most suitable likelihood.

| Name | Description |
|----------------|--|
| Almost Certain | Event will occur on an annual basis or more |
| Likely | Event has occurred several times in your career (once every 3 years) |
| Possible | Although not common, the event has occurred in your career (once every 10 years) |
| Unlikely | Heard of something like this occurring (once in 30 years) |
| Rare | Conceivable, but most unlikely (once every 100 years) |

Step 3 – Evaluate the Risk

Take step 2A rating and select the correct column. Take step 2B rating and select the correct column. Circle the risk score where the two ratings cross on the matrix below.

| Consequence | Insignificant | Minor | Moderate | Major | Catastrophic |
|----------------|-------------------|-------------------|-------------------|------------------|------------------|
| Likelihood | | | | | |
| Almost certain | Moderate 11.00 | High 16.00 | High 20.00 | Extreme 23.00 | Extreme 25.00 |
| Likely | Low 7.00 | Moderate 12.00 | High 17.00 | High 21.00 | Extreme 24.00 |
| Possible | Low 5.00 | Moderate 9.00 | High 15.00 | High 19.00 | Extreme 22.00 |
| Unlikely | Low 2.00 | Low 4.00 | Moderate 10.00 | High 14.00 | High 18.00 |
| Rare | Low 1.00 | Low 3.00 | Low 6.00 | Moderate 8.00 | High 13.00 |

Step 4 – Treat the Risk

The responsible manager will undertake a risk/cost benefit analysis when treating risks. Treating risks involves planning an action, placing a priority on the action and implementing the action. Putting priorities on the actions is necessary so that the most important risks are dealt with first and any resources that are necessary are committed and available.

11. OVERVIEW OF THE INTEGRATED RISK MANAGEMENT PROCESS (Cont'd)**Step 4 – Treat the Risk (Cont'd)**

Treatment of the risk may be implemented by one of the following processes:

1. Reduce the likelihood e.g. provide appropriate controls.
2. Mitigate the consequences e.g. remove or reduce the risk.
3. Transfer or share the risk e.g. to a third party/contractor or insurer.
4. Avoid the risk e.g. cease the activity.

OR

5. Accept the risk e.g. where the financial loss is insignificant.

Treatment of the risk by *risk transfer* may include a requirement that the contractor manages the risk and accepts liability or Council obtains suitable insurance cover within its insurance program

Step 5 – Action Planning, Monitor and Review

This is an essential and integral step in the process for managing risk and the effectiveness of controls over time to ensure changing circumstances do not alter risk priorities and/or weaken the operation of the controls. Few risks remain static.

| RISK ACTION PLAN | | |
|------------------|-----------------------------------|------------------|
| Risk Rating | Actioned (team) | Reviewed (owner) |
| Extreme | Eliminate or mitigate immediately | Quarterly |
| High | Within one month | Quarterly |
| Moderate | Within three months | 6 Monthly |
| Low | Action not required | Annually |

12. RISK MANAGEMENT KNOWLEDGE AND SKILLS DEVELOPMENT

The knowledge and skill development component of the Risk Management Strategy is aimed at increasing the understanding and skills of managers, team leaders and their staff for the application of their risk management accountabilities and responsibilities.

As the approach to risk management matures other learning related activities will be provided.

The initial learning strategy has been 'built up' over time and targeted increased awareness of risk management for all managers, team leaders and staff of the Council commensurate with their responsibilities.

A useful tool for awareness raising has been the Annual LMI and JMAPP reviews. Using these as a tool for discussion, the objective was to emphasise risk avoidance from day one.

12. RISK MANAGEMENT KNOWLEDGE AND SKILLS DEVELOPMENT (Cont'd)**12.1 Raising Awareness*****Induction***

Staff Induction is currently used to emphasise the responsibilities of all staff to observe and report potential OH&S risks.

In terms of public risk, Induction emphasises that every staff member has a responsibility to themselves, their work colleagues and the community generally to avoid (and report) risk.

Risk Training

All staff have an annual Learning and Development Plan prepared, which when amalgamated then becomes the basis of the Corporate Learning and Development Program. Any specific training needs are noted through this process.

Additionally, a range of general risk management training opportunities are made available to staff as they become available. These are generally provided by third party trainers.

Specific OH&S training (including training for Health and Safety representatives) is facilitated through Team Support and Development.

12.2 General Awareness

The following approaches are already in place:

- All position descriptions emphasise risk management and OH&S as a corporate responsibility;
- Each team agenda will have risk management and OH&S as a discussion item;
- All safety meetings are minuted and minutes made available to staff; and
- Helpful hints on general issues of safety and risk management are publicised on OurSpace (innerweb).

Externally, the Shire uses Community Safety Week to advise the community on how it can assist by advising of any potential risk exposures.

12.3 Periodic, Specific Awareness

The following approaches are already in place or are currently being implemented:

- At least one Managers meeting annually will have a 'risk management' theme; and
- Any specific issues emanating from the various risk audits by Council's insurer that may involve skills acquisition will be referred to Team Support and Development for inclusion in corporate training budgets.

12. RISK MANAGEMENT KNOWLEDGE AND SKILLS DEVELOPMENT (Cont'd)**12.4 Methods to Ensure Consistent Application of the Risk Management Strategy across the Council**

The following approaches are already in place or are currently being implemented:

- Training will be provided on an 'as required' basis to management and staff with functional responsibilities for risk management within the Council;
- Training will focus on policies, procedures and the use of risk management templates;
- Use of Risk Wizard software is mandatory for all areas of Council;
- Each area undertaking a risk review at least twice annually; and
- Each area reviewing its Business Continuity Plan at least annually.

12.5 Methods to Ensure Consistent Leadership and Commitment through the Application of Risk Management

The following approaches are already in place or are currently being implemented:

- Council will host forums or activities on a needs basis, that enables staff and other experts to share their experiences and the knowledge required to achieve their outputs through the successful management of current and emerging risks. This may be through a learning/teaching environment;
- In addition, the Shire's Risk & Insurance Coordinator and Team Leader Occupational Health and Safety and Workcover assist with specialist advice and mentoring for the Officers as is deemed beneficial;
- The Shire's insurer, MAV, provides regular feedback on a range of risk matters;
- Other risk forums are infrequently held and we participate or are represented at these; and
- The Chief Executive Officer is a member of the MAV Board, and this provides not only a flow of relevant information, but also gives Council a firm focus on risk management.

13. BUSINESS CONTINUITY PLANNING

Business Continuity Planning is an integral part of the Council's Risk Management Strategy and is undertaken to ensure that stakeholders can rely on the continuation of services from the Council, even in times of crisis.

Council has developed a Business Continuity Operational Plan (BCP) that identifies the processes and resources required to ensure we can continue to meet critical objectives under a conceivable disaster.

13. BUSINESS CONTINUITY PLANNING (Cont'd)

Business Continuity Management (BCM) involves the following steps:

- Perform a risk and vulnerability analysis;
- Conduct a business impact analysis;
- Develop response strategies;
- Develop resource requirements; and
- Develop continuity plans.

The steps are similar to, or an extension of, those used during the risk assessment and treatment exercise.

By undertaking BCM analysis while completing a risk assessment, the processes and resources essential to the operations of the Council are identified. The risks associated with these processes and resources must therefore receive the highest level of priority for treatment, continuous monitoring and improvement.

The Council's BCP is reviewed annually as part of our overall risk management.

Because Information Technology is such an integral but complicated part of the overall BCP, the IT department have a separate but complementary BCP.

14. INSURANCE MATTERS

Insurance cover does not take the place of risk management and will not cover all risks of the Council.

Insurance is only one method of treatment of identified risks; nevertheless, it is an extremely important part of the Council's risk management strategy.

Because most of Council's high level insurable risk is transferred to re-insurers, there are stringent requirements for Council to meet in order for this cover to be effective. The main requirements relate to disclosure of all relevant information to the re-insurers at the time of renewal of the cover, and adequate and timely reporting of incidents and claims. These are discussed further below.

14.1 Insurance Premium and Data Requirements

On a bi-annual basis, Council's insurer will forward the insurance audit and self assessment document to Council for completion. The document is forwarded both in hard copy and electronically and is required to be completed and returned by February of the assessed year.

14. INSURANCE MATTERS (Cont'd)**14.1 Insurance Premium and Data Requirements (Cont'd)**

The self assessment asks for information regarding Council's risks, activities and assets used for determining the annual premium.

It is essential that any changes to Council's activities or assets are advised to our insurer as soon as possible so that any alteration to cover can be arranged and if necessary "sign off" from re-insurers be obtained.

15. IMPLEMENTATION OF RISK MANAGEMENT STRATEGY

Some of the keys to a successful implementation of risk treatment strategies are that risk management is recognised as an integral part of good management practice. To be most effective, risk management should be integrated into every area's philosophy, practices and strategic/operational business plans, rather than being viewed and practiced as separate programs. In other words, risk management should become the business and culture of everyone in the organisation, with its ownership extended to all staff.

It is important to establish a strong link between risk management and business planning activities. For this reason it is advisable that all projects, activities and programs have a built in risk management structure or matrix. An effective risk management strategy will help maximise potential gains and opportunities including the introduction of innovative/creative solutions, whilst minimising potentially negative impacts on service delivery.

16. KEY LINKAGES AND REFERENCES

The Risk Management Strategy has links to the following Council Policies and Strategies and should be considered in conjunction with:

- Staff Code of Conduct;
- Strategic Plan;
- Risk Management Policy and Risk Appetite Statement;
- AS/NZS ISO 31000:2009 Risk Management Principles and Guidelines;
- Management Guidelines;
- Business Continuity Plans;
- Fraud Control Plan;
- Fraud Prevention Policy;
- Health, Safety and Wellbeing Strategic Plan 2013-2015; and
- Internal Audit Program.