

EXE 019: RISK MANAGEMENT

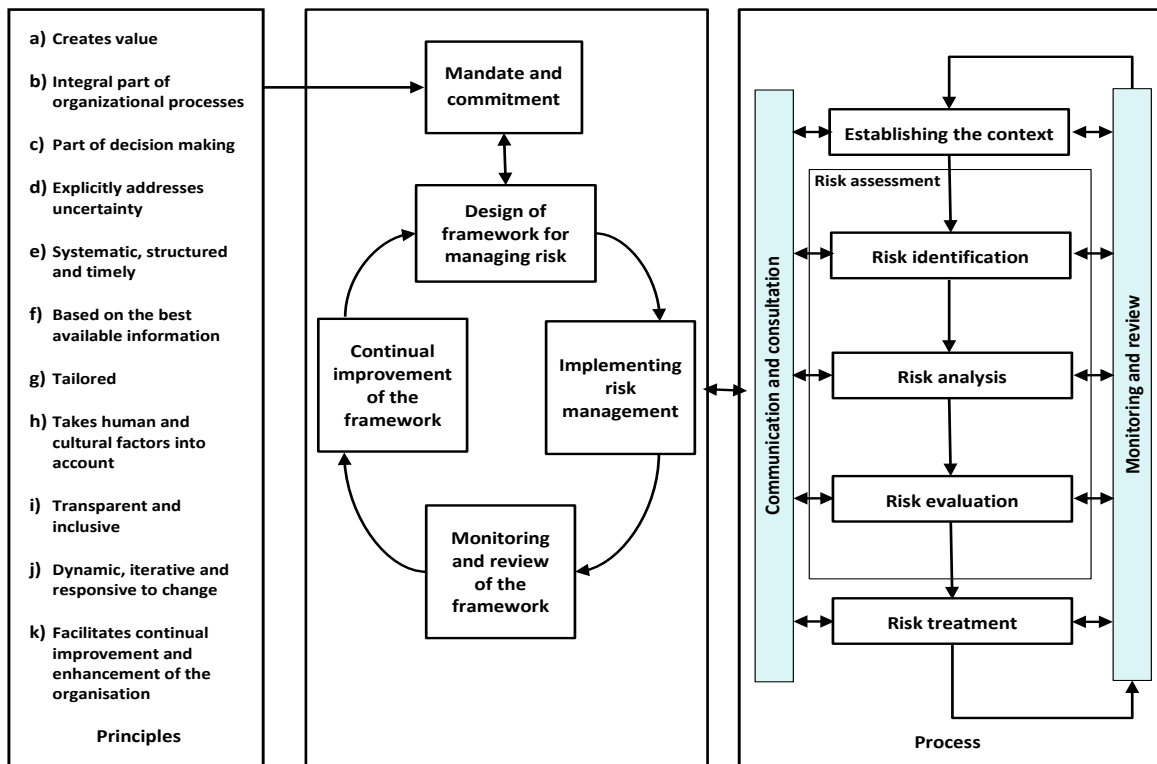
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Objective

This Policy and the Shire’s Risk Management Procedures manual form the Risk Management Framework for the Shire of Esperance (“the Shire”). They set out the Shire’s approach to the identification, assessment, management, reporting and monitoring of risks. All components of these documents are based on Australia/New Zealand Standard ISO 31000:2009 Risk Management.

It is essential that all areas of the Shire adopt these procedures to ensure:

- Strong corporate governance.
- Compliance with relevant legislation, regulations and internal policies.
- Integrated Planning and Reporting requirements are met.
- Uncertainty and its effects on objectives is understood.



Risk Management Process (Source: AS/NZS 31000:2009)

Purpose

The Shire of Esperance's ("the Shire") Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire's strategies, goals or objectives.

Policy:

It is the Shire's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the Strategic, Operational, Project and Line Management responsibilities and where possible, be incorporated within the Shire's Integrated Planning Framework.

Council shall determine the Risk Management policy for the Shire. The Shire's Executive Management Team will communicate the Risk Management Policy and Objectives and determine Procedures for the implementation of Risk Management, as well as direct and monitor practice and performance.

Every Councillor, employee, volunteer and contractor within the Shire is recognised as having a role in risk management, from the identification of risks, to implementing risk treatments and shall be invited and encouraged to participate in the process.

Consultants may be retained at times to advise and assist in the risk management process or management of specific risks or categories of risk.

Definitions (from AS/NZS ISO 31000:2009):

Risk	Effect of uncertainty on objectives. Note 1: An effect is a deviation from the expected – positive or negative. Note 2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).
Risk Management	Coordinated activities to direct and control an organisation with regard to risk.
Risk Management Process	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Risk Management Objectives:

- Optimise the achievement of our vision, mission, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.
- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.

- Enhance organisational resilience.
- Identify and provide for the continuity of critical operations.

Risk Appetite:

The Shire has defined its risk appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are subject to ongoing review in conjunction with this policy.

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

Roles, Responsibilities & Accountabilities:

The CEO is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures Operational Document.

Monitor & Review:

The Shire will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.

This policy will be kept under review by Council and will be reviewed biennially.

Appendix A – Risk Assessment and Acceptance Criteria

Shire of Esperance Measures of Consequence							
Rating (Level)	Safety / Health (Physical)	Safety / Health (Psychological)	Financial Impact	Service Interruption	Compliance	Reputational	Environment
Insignificant (1)	Negligible injuries/ First aid injuries	Temporary, no leave taken, short term with full recovery	Less than \$5,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Contained, reversible impact managed by on site response
Minor (2)	Medical type injuries (<= 9 days lost time)	Sick leave, short term impact, recovery 1-3 weeks	\$5,001 - \$50,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Substantiated, low impact, low news item	Contained, reversible impact managed by internal response
Moderate (3)	Medical type injuries (10 days - 3 months lost time)	Significant non-permanent, longer term illness, recovery 1-6 months	Up to \$500,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Contained, reversible impact managed by external agencies
Major (4)	Medical type injuries (> 3 months lost time)	Longer term illness, severe trauma, extended incapacity	Up to \$1.5M	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	Death, permanent severely disabling illness, e.g. Post-Traumatic Stress Disorder	More than \$1.5M	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Uncontained, irreversible impact

Shire of Esperance Measures of Likelihood				
Level	Rating	Description	Frequency	Project Frequency
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year	Greater than 90% chance of occurrence
4	Likely	The event will probably occur in most circumstances	At least once per year	60% - 90% chance of occurrence
3	Possible	The event should occur at some time	At least once in 3 years	40% – 60% chance of occurrence
2	Unlikely	The event could occur at some time	At least once in 10 years	10% - 40% chance of occurrence
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years	Less than 10% chance of occurrence

Shire of Esperance Risk Matrix						
Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Shire of Esperance Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW (1-4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE (5-9)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH (10-16)	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
EXTREME (17-25)	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

Shire of Esperance Existing Controls Ratings		
Rating	Foreseeable	Description
Effective	There is little scope for improvement.	Controls are fully in place, are being well addressed / complied with, are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested
Adequate	There is some scope for improvement.	Controls are in place, are being addressed / complied with and are subject to periodic review and testing
Inadequate	A need for corrective and / or improvement actions exist.	Controls do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time

.....Policy Ends