



**District Council of Cooper Pedy**

# **RISK MANAGEMENT POLICY & FRAMEWORK**

## Table of Contents

<b>Risk Management Policy</b> .....	3
<b>Risk Management Framework</b> .....	4
1. Purpose_.....	4
2. Introduction.....	4
3. Scope .....	5
4. Definitions.....	5
5. Legislation & References.....	6
6. Roles & Responsibilities .....	6
7. Defining the Risk Management Process.....	9
8. The Risk Management Process.....	11
Risk Categories .....	12
Risk Assessment.....	12
<b>Risk Review Tables</b> .....	15
Consequence Table      Appendix 1.....	15
Likelihood Table .....	16
Risk Priority Matrix      Appendix 2.....	17
Managing Risk          Appendix 3.....	18
Risk Assessment Table    Appendix 4.....	19
Risk Management Action Plan Template    Appendix 5.....	20

## Risk Management Policy

The Chief Executive Officer, Senior Management and Elected Members of the District Council of Coober Pedy recognize the importance and value of risk management and the ongoing benefits to its community.

Consequently, the District Council of Coober Pedy is committed to a policy of Risk Management to protect its employees, assets, liabilities and its community against potential losses and to minimize uncertainty in achieving its goals and objectives.

Our commitment to risk management is not only about identifying what could go wrong and being prepared should it occur, it is also about identifying and evaluating opportunities that present themselves from time to time. It is an integral part of the continuous improvement process embraced by Council.

In order to achieve these objectives a Strategic Risk Management Framework has been developed for the Council within the context of its strategic directions.

The aim of this Framework is the development of an organisational ethos and operating culture which achieves the integration of systematic Risk Management Processes into all management activities, both at a strategic and operational level.

The objectives of the Framework include:

- achieving Council's goals, programs, targets and hence its Vision with a commercially and politically acceptable level of risk;
- ensuring all staff understand and fully accept their risk identification and control responsibilities;
- ensuring all staff implement appropriate risk management processes *naturally* as part of their daily work;
- establishing a best practice model for corporate governance and risk management for local government in South Australia.

## RISK MANAGEMENT FRAMEWORK

### 1. PURPOSE

The District Council of Coober Pedy ("the Council") is committed to an integrated approach to risk management to protect its employees, assets, liabilities and community against potential exposures, to minimise uncertainty in achieving its goals, objectives and to maximise opportunities to achieve Council's Strategic Plan.

The purpose of this Framework is to provide details of the requirements and processes supporting the Council's 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 operational process across all Business Units of the Council.

### 2. INTRODUCTION

The Risk Management Policy is supported by the Council's Risk Management Framework. Other Council policies and procedures related to risk management also support the Framework (eg WHS and Procurement).

The Risk Management Framework and methodology is based on **AS/NZS ISO 31 000: Risk Management – Principles and Guidelines**. The Framework will ensure effective integration into organisation processes so that risk management not only protects value, but creates value.

The management of risk will enable Council to:

- Meet strategic objectives;
- Encourage proactive management of strategies to identify and manage risks;
- Promote a positive risk management culture integrated across the organisation;
- Ensure a continuous improvement regime across the Council;
- Establish an effective method for decision making and planning;
- Improve operational effectiveness and efficiencies throughout the organisation;
- Establish the roles and responsibilities of risk management throughout the organisation.

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

### 3. SCOPE

The scope of the Risk Management Framework aims to apply to the following categories:

**Strategic** – Risks associated with high level goals that align to Councils Strategic, Annual and Business Plans. May affect Council's corporate objectives;

**Operational** – Risks associated with departmental functions and daily operations;

**Project** – Risks associated with Project Management;

**Compliance** – Risks associated with regulatory/legislative requirements.

### 4. DEFINITIONS

**Risk:** Effect of uncertainty on objectives

**Event:** Occurrence of a particular set of circumstances

**Risk Appetite:** The amount of risk an organisation can take on in order to peruse its objectives

**Risk Owner:** Staff member with the accountability and authority to manage a risk

**Risk Management:** Coordinated activities to direct and control an organisation with regard to risk

**Risk Management Framework:** Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management

**Establishing the Context:** Defining the external and internal parameters to be taken when managing risk

**External Context:** External environment in which the organisation seeks to achieve its objectives

**Internal Context:** Internal environment in which the organisation seeks to achieve its objectives

**Risk Assessment:** overall process of risk identification, risk analysis and risk evaluation

**Likelihood:** Chance of something happening

**Consequence:** Outcome of an event affecting objectives

**Risk Rating:** Risk priority based on consequence and likelihood assessments

**Risk Register:** Register of all identified risks, their consequences, likelihood, rating and treatments

**Residual Risk:** Risk remaining after risk treatment

## **5. LEGISLATION AND OTHER REFERENCES**

- Local Government Act 1999
- Civil Liability Act 2003
- WHS Act 2010
- AS/NZS ISO 31 000: *Risk Management – Principles and Guidelines*

## **6. ROLES AND RESPONSIBILITIES**

It is important that there are well defined roles for the effective management of risk across Council's structure.

Management and staff must be familiar with the application of the risk management process across their areas of responsibility.

A description of roles and responsibilities is defined below.

### **Council Role**

- To facilitate resources and guidance in relation to the Risk Management Policy and Framework and associated Procedures;
- To review and consider any report or recommendations regarding the Risk Management Framework.

### **Chief Executive Officer**

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 Procedure. The CEO will maintain and be responsible for the effective management of all types of risk across Council's operation.

#### **The CEO will ensure:**

1. An effective risk management framework is applied across Council functions;
2. Adequate resources are made available for the planning and implementation of such a system;
3. Managers have the necessary knowledge and skills to effectively fulfil their risk management responsibilities and are accountable for risks arising from the activities of their departments;
4. Annual risk management planning is undertaken.

### **Managers**

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.

### **Managers will ensure and be responsible for:**

1. The direction, methodology and implementation of the risk management Policy/Framework;
2. Reporting on the maintenance of the risk management Policy/Framework;
3. The Implementation of risk management programmes within the department;
4. That appropriate training will be applied across the organisation to carry out their risk management responsibilities;
5. Ensuring risk management action plans are developed for activities or responsibilities of the department;
6. Annual risk management planning is undertaken.
7. Co-ordinating the design of an appropriate risk management process for their Departments;
8. Ensuring that they identify risk for activities or responsibilities within their departments;
9. Developing action plans to mitigate and control risk;
10. The inclusion of risks to the Council's risk register;
11. Identifying and re-evaluating risks annually;
12. Applying Council's risk management process to risks associated with any planned new activity or proposal being presented to Council.

### **Employees (and Contractors)**

Employees and Contractors 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.

### **Employees are responsible for:**

1. Identifying and reporting risk in their areas of responsibility;
2. Assisting to identify ways of controlling those risks (as part of the established risk management process);
3. Taking action attributed to them by an action plan;
4. Ensuring they remain alert to and report any risks to which the Council is exposed which they might identify while carrying out their normal duties.

## **The Audit Committee**

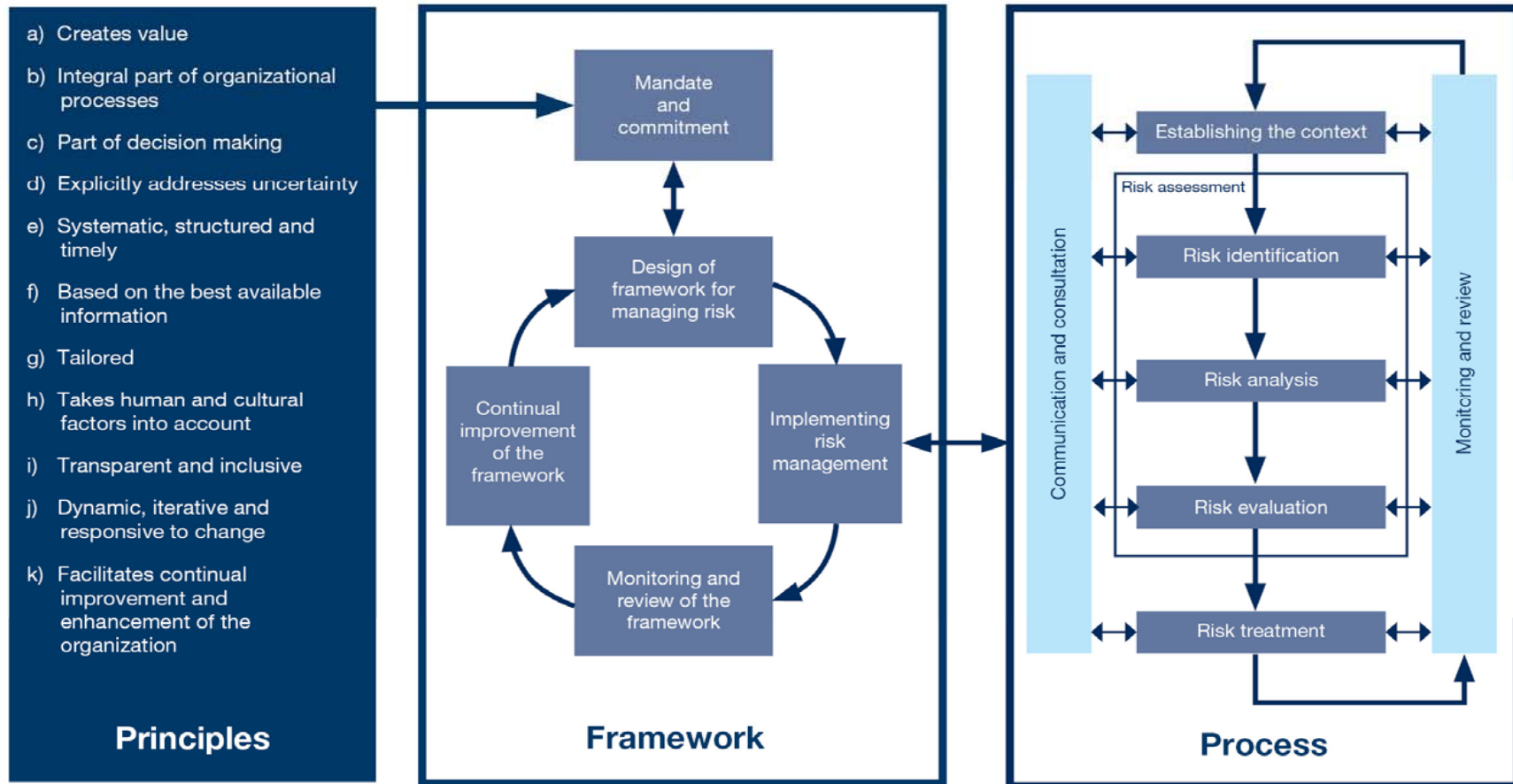
The functions/role of the Audit Committee include:

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.



7. AS/NZS ISO 31 000: 2009: *RISK MANAGEMENT – PRINCIPLES AND GUIDELINES*

Defining the Risk Management Process



## **PRINCIPLES (AS/NZS ISO 31000)**

### **Risk Management:**

- Creates Value
- Is an integral part of all organisational processes
- Is part of decision making
- Addresses uncertainty
- Is systematic, structured and timely
- Is based on best available information
- Is tailored
- Takes human and cultural factors into account
- Is transparent and inclusive
- Is dynamic, iterative and responsive to change
- Facilitates continual improvement of the organisation

## **FRAMEWORK REQUIREMENTS (AS/NZS ISO 31000)**

### **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.

### **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

### **Implementation of Risk Management**

- Implementing the Framework for managing risk

### **Monitoring and Review of the Framework**

- Measure against indicators
- Measure effectiveness of the Framework

### **Continual Improvement of the Framework**

- How the Framework can be improved
- Nurture the risk management culture

## 8. THE RISK MANAGEMENT PROCESS (AS/NZS ISO 31000)

**Risk management** is the term applied to a logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities.

The Standard defines Risk Management as:

*Coordinated activities to direct and control an organisation with regard to risk*

The Standard states that Risk Management refers to the architecture (principles, framework and process) for managing risks effectively.

Local Government Authorities are operating in an environment of on-going economic, political and corporate change. Councils are required to manage exposures, to innovate and maximise opportunities in a complex and evolving environment. Risk Management is an essential tool of corporate governance to be utilised across all Business Units of Council.

Risk management can be applied at many levels in an organisation. It can be applied at the strategic level and at operational levels. It may be applied to specific projects, to assist with specific decisions or to manage specific recognised risk areas.

### **Council will:**

- Establish the context for the risk management process;
- Identify risks which could expose Council or the general community;
- Identify measures in place to treat and control risks;
- Identify the likelihood of certain events taking place;
- Identify the consequences of those events;
- Rate the identified risks;
- Identify alternative measures to treat the identified risk;
- Develop action plans, assign responsibilities and timeframes to the implementation of those actions;
- Record risks and associated action plans within a risk register;
- Measure and monitor the entire process.

### **Establishing the Context**

Risk Management is considered in the context of an organisation's external and internal environment, its objectives and stakeholder relationships. This enables efficient identification of risks to achieve overall business objectives. The external context may include political, legal, regulatory and social environment. The internal context may include the organisation's culture, processes, structure and strategy.

Risk is not limited to one category or factor. Risk exposure can be varied and come from a number of sources. It is important that Council establishes and defines groups of risks into categories. This will assist with the risk identification process.

<b>RISK CATEGORIES</b>		
<b>Category</b>	<b>Description</b>	<b>Business Unit Responsibility</b>
<b>Asset / Infrastructure</b>	Managing assets – including condition assessment, replacement and planning new assets	Assets & Capital Works
<b>Financial / Audit</b>	Risks associated with budgetary requirements and allocation. Eg Tax obligations. Grants or operational budgets not being met	Finance
<b>Customer relations / service delivery</b>	Meeting the current and changing expectations of customers	Customer Service
<b>Environment</b>	The risks arising from the management of the environment when applying Council services and functions	Environment
<b>Human Resources</b>	Risks associated with recruitment and retention of employees and workforce planning. Includes payroll and HR issues	HR
<b>Compliance/legal</b>	Compliance with legislative and policy framework	Governance
<b>Political/Reputation</b>	Risks associated with the delivery of State/Local Government legislation and meeting Council's overall strategic goals	CEO/COUNCIL
<b>Safety &amp; Welfare</b>	Risk associated with the safety and welfare of employees and contractors of Council.	OHS/Procurement

### **Risk Assessment (See Appendix 1-3)**

***Risk assessment is the overall process of risk identification, risk analysis and risk evaluation***

#### **Risk Identification**

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**

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. The Tables attached in **Appendix 1** are Council's tools for expressing the Likelihood, Consequence and Level of risk.

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 Consequence Tables and applying the descriptor levels to the Risk Priority Matrix (**See Appendix 2**)

## Risk Evaluation

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 tolerance of the risks borne by parties other than the organisation that benefits from the risk.

### 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. 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 (see Appendix 3).

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 & Review

Monitoring and Review must be a 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 Coober Pedy**

The 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**

Council will maintain a Corporate Risk Register which will include risks that have been identified from each Business Unit.

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

## **Priority based Monitoring and Reporting (See Appendix 3)**

- **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.

## **Risk Management Actions**

Risk Action Plans are to be utilised for identified risks. Each risk action is allocated a reference (see Appendix 5)

## APPENDIX 1 – CONSEQUENCE & LIKELIHOOD TABLES

### 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.

## 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**

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

## APPENDIX 3: MANAGING RISK

RISK LEVEL	MANAGING RISK – PRIORITY RATING
EXTREME	<ul style="list-style-type: none"> <li>• Add risk to Council's Risk Register</li> <li>• Escalate risk issue immediately to City Manager / Executive Management/Risk Management area</li> <li>• City Manager / Executive Management to:               <ul style="list-style-type: none"> <li>○ Refer risk to risk owner</li> <li>○ Identify and develop treatment strategies for immediate action</li> <li>○ Monitor and review actions/strategies</li> <li>○ Provide direction and information to relevant stakeholders</li> </ul> </li> </ul>
HIGH	<ul style="list-style-type: none"> <li>• Add risk to Council's Risk Register</li> <li>• Escalate risk issue to Executive Management/Risk Management area</li> <li>• Executive Management to:               <ul style="list-style-type: none"> <li>○ Refer to risk owner</li> <li>○ Identify and develop treatment strategies with appropriate timeframes</li> <li>○ Monitor and review actions/strategies to manage risk to an acceptable level</li> <li>○ Provide direction and information to relevant stakeholders</li> </ul> </li> </ul>
MODERATE	<ul style="list-style-type: none"> <li>• Add risk to Council's Risk Register</li> <li>• Manage within Business Unit.               <ul style="list-style-type: none"> <li>○ Identify and develop treatment strategies with appropriate timeframes</li> <li>○ Monitor and review actions/strategies to manage risk to an acceptable level</li> </ul> </li> </ul>
LOW	<ul style="list-style-type: none"> <li>• Undertake localised risk management &amp; actions (if required)</li> <li>• Review within the Business Unit parameters</li> </ul>

**APPENDIX 4: RISK ASSESSMENT TABLE**

Risk Statement	Risk Category	Existing Controls	Inherent/Initial Risk Rating	Additional Treatment Strategy required	Residual Risk Rating	Responsibility	Timeframe

## APPENDIX 5: RISK MANAGEMENT ACTION PLAN TEMPLATE

<b>Item:</b>		<b>Ref:</b>	
<b>Risk:</b>		<b>Risk Rating</b>	
<i>Failure to ....</i>			
<b>Recommendation:</b>			
<b>Proposed action:</b>			
<b>Resource requirements:</b>			
<b>Responsibilities:</b>			
<b>Timing:</b>			
<b>Reporting and monitoring required:</b>			
<b>Co-ordinator:.....</b>			
<b>Date:.....</b>		<b>Reviewer:.....</b>	
<b>Date:.....</b>		<b>Date:.....</b>	