# COUNCIL POLICY

# Risk Management

| Policy Number: | PO091 | | |
|---|---|---|---|
| **Strategic Plan Objective** | Goal 5 Responsible Governance<br>5.3 Meet all legislative requirements and compliance with Council's internal controls<br>5.5 Undertake Effective Risk Management | | |
| **Policy Owner:** | Chief Executive Officer | **Record Number:** | 19/20039 |
| **Responsible Officer:** | Governance Officer | **Minute Reference:** | |
| **Date Adopted:** | 10/04/2019 | **Next Review Date:** | 10/04/2023 |

## 1. POLICY OBJECTIVES

The Yorke Peninsula Council (Council) recognises that effective risk management is a critical part of good governance, leadership and continuous improvement.

The purpose of this policy is to provide an integrated and systematic risk management framework that ensures:

- risk management is integrated into all Council strategic and operational processes

- that Council maximises its opportunities, whilst minimising the negative impacts through effective risk management

- a formal and structured approach to the effective identification, analysis, evaluation, treatment, management, monitoring and reporting of risk, to assist Council in setting appropriate strategies, achieving objectives, making informed decisions and meeting community expectations

- appropriate escalation

This policy underpins the Council's commitment to sustainability and continuous improvement and to protecting the community, employees, assets and the organisation against potential losses.

## 2. SCOPE

This policy applies to all:

- Council business activities;
- Elected Members;
- Council Committee Members; and
- Workers.

## 3. DEFINITIONS

Definitions are provided in Attachment 1.

## 4. POLICY STATEMENT

### 4.1 Risk Management Principles

The international standard for Risk management - Guidelines (ISO 31000:2018) (the Standard) describes risk as "the effect of uncertainty (either positive, negative or both) on objectives".

The Standard is based on the following eight risk management principles, which underpin this policy and guide how risk is managed across the Council:

| Integrated | An integral part of all organisational processes |
|---|---|
| **Part of decision-making** | Aids decision-makers in making informed choices and identifying the most effective course of action |
| **Structured and comprehensive** | Contributes to efficiency and to consistent and comparable results |
| **Best available information** | Based on historical and current information, as well as on future expectations, taking into account any limitations associated with such information and expectations |
| **Customised** | Aligns with the internal and external context related to objectives |
| **Human and cultural factors** | Recognises that the behaviour and culture can significantly influence the achievement of objectives |
| **Inclusive** | Requires appropriate and timely involvement of stakeholders to enable their knowledge, views and perceptions to be considered |
| **Dynamic** | Anticipates, detects, acknowledges and responds to changes in Council's internal and external contexts, that result in new risks emerging and others changing or disappearing |
| **Continual improvement** | Learning and experience drives continuous improvement |

The benefits of effective risk management include:

- Better strategic planning;

- Limited costly surprises;

- Better outcomes;

- Better use of resources (people, funds and equipment);

- Transparent decision making;

- Enhanced decision-making, performance and accountability;

- Greater certainty and confidence;

- Better management of both new opportunities and losses;

- Better planning, organising, leading, coordinating and controlling activities;

- Maximised value from our assets, projects and business ventures; and

- Innovation.

It is not possible to eliminate all risks therefore the objective is to ensure that the risks involved in Council functions are appropriately managed.

## 4.2 Local Government Risk Services (LGRS)

Certain insurable risks have been transferred to a number of self-managed Schemes managed by Local Government Risk Services (LGRS) via payment of an annual contribution.  The Schemes are:

1. Local Government Association Mutual Liability Scheme (LGAMLS) for the purposes of Civil Liability coverage and claims management.

2. Local Government Association Workers Compensation Scheme (LGAWCS) for the purposes of Workers compensation coverage and claims management.

3. Local Government Asset Mutual Fund (LGAMF) for the purposes of asset and fleet coverage and claims management.

As a member of all the above Schemes and Fund, Council must ensure that risk management protocols are developed and appropriately endorsed and implemented across all departments.

## 4.3 Organisational Context

Local Government in South Australia operates under the Local Government Act (1999) (the Act).  The Act defines the roles, the aims and the objectives of Local Government.

Although the Act governs the functions of Councils in South Australia, there are many other Acts, Regulations, Codes of Practice and Standards that also apply.

Council's Strategic Management Plan aligns with the aims and objectives for Local Government and is the basis for all Council management plans and processes.  It provides a strategic overview and guide to the organisation.

Organisational risk management aims and objectives are established by this policy.

Today, local government authorities are operating in an increasingly complex environment of on-going economic, political and corporate change.

The external setting is multi-layered and includes:

- other tiers of government

- regional authorities

- community organisations

- community expectations

- legislative reform

- population demographics

These items impact significantly on the way in which we deliver services and interact with the community. Council must take into account these relationships and issues, in all of its decision making and risk management processes.

Good risk management is an essential element of maintaining balance between risk and reward – threat and opportunity – strategy and operations.

This risk management framework defines the scope, objectives, measures, roles, responsibilities, processes, tools and documentation for all organisational risk management activities.

The Elected Body will define Council's Risk Appetite, taking into consideration the nature and extent of the risks Council is willing to take in order to achieve its strategic objectives.

### 4.3.1 Leadership and commitment

The Elected Body and the Corporate Management Team (CMT) will demonstrate leadership and commitment, to ensure that risk management is integrated into all organisational activities by:

- ensuring that a risk framework policy and supporting documentation is developed and implemented

- allocating appropriate resources for risk management

- assigning roles, authorities, responsibilities and accountabilities with respect to risk management

### 4.3.2 Integration

Risk management is not an isolated function and, in order to maximise risk management benefits and opportunities, risk management will be integrated through Council's entire operations, which includes:

#### 4.3.2.1 Enterprise Risk Management

When setting organisational strategies, Council will identify the potential events that may affect the achievement of its objectives. Strategic and Organisational Risks will be identified by reference to both the external and internal environment.

Strategic and Organisational risks are monitored by the CMT, Council's Audit Committee and the Elected Body, with all risk assessments captured into Council's electronic Risk Register.

Operational Risks that arise from Council's day-to-day departmental functions and operations are monitored by managers and the CMT.

#### 4.3.2.2 Strategic and Business Planning/Decision Making

When undertaking strategic and business planning, (which includes long-term financial planning and annual budgeting,) the risks to meeting Council objectives and the effectiveness of systems that are in place to manage those risks, will be adequately considered.

Risk Management will be integrated into Council's decision making processes and the Council and Committee reports will include risk management considerations.

#### 4.3.2.3 Work Health and Safety

Work Health and Safety (WHS) is a critical component of Council's risk management system as it involves the risks that Workers face while carrying out work for/on behalf of the Council.

Council has implemented a WHS system to manage WHS risks to workers and related risks to members of the public, in accordance with the WHS Act (SA) 2012.

### 4.3.2.4 Service Delivery

Council's risk exposures vary according to the functions, facilities and services it provides and these will inevitably change over time. Council's planning processes will address both the risks associated with providing functions, facilities and services (such as capacity and resources) and also the risks arising from their delivery (such as public safety and community reaction).

### 4.3.2.5 Emergency Management

Council plans for and undertakes, prevention, preparedness, response and recovery activities to support its Workers and the community, in the event of emergencies and natural disasters. This process includes alignment and co-operation with lead agencies and other Councils in the region as well as providing information and training for Workers, to protect them from harm whilst responding to emergencies and natural disasters.

### 4.3.2.6 Business Continuity Plans

Council will ensure that critical business functions continue after a business interruption. Council will develop business continuity plans (BCPs), taking into consideration reasonably foreseeable risks and their potential impact on achievement of Council's objectives.

The BCPs will manage risk by limiting or reducing the impact of a disruption (such as due to a severe weather event or loss of key personnel), enabling the resumption of critical Council business functions/services following a disruption.

### 4.3.3 Risk Management System

Council's risk management system involves a set of eight steps that have been developed, based upon best practice risk management principles, to provide a structured and consistent approach to the effective identification, analysis, evaluation, treatment, management, monitoring and reporting of risk.

### 1. Communication and Consultation

Authentic communication and consultation with internal and external stakeholders is critical to the successful identification and management of risk.

### 2. Define the Scope, Context and Criteria

As the risk management system is applied at different levels throughout the organisation it is important to consider risks in context with Council's objectives, values and resources, along with any potential to impact other activities and external stakeholders.

### 3. Risk Identification

The process of identifying the events that have the potential to impact upon the achievement of Council's objectives is critical in protecting the community, employees, assets and the organisation against potential losses and maximising opportunities.

4. **Risk Analysis**

   Council will consider the risks identified and the effectiveness of any current controls utilising Council's Risk Matrix (Attachment 2) and Consequence tables (Attachment 3).

5. **Risk Evaluation**

   Risk priorities are determined based upon the outcomes of the risk analysis.

6. **Risk Treatment**

   One or more options for modifying the risks may be selected to reduce the risk of the consequence occurring or in the case of opportunities, ensuring that the consequences are realised.

7. **Recording and Reporting**

   Identified risks will be documented, monitored, reviewed, managed and reported via Council's Risk and Corrective Action Registers in order to build a risk profile for the Council.

8. **Monitoring and Review**

   The Risk Management Action Plan (the Plan) and other risk management activities will be regularly monitored by the CEO and reviewed by the CMT on a monthly basis to monitor, measure and evaluate risk management effectiveness.

   To ensure the continued relevance and value of risk management to the organisation, Council will adapt its risk management activities in response to review/audit processes, with a view to continually improving risk management suitability, adequacy and effectiveness.

### 4.3.4 Implementation

The Plan sets out the priority risk management projects to be implemented, along with timing and resource requirements, for the immediate calendar year.

Risk management project timing remains flexible and may change depending on organisational priorities. Additionally, the Plan will retain a level of flexibility to reallocate resources and defer or replace risk management projects based on risk issues that may emerge, to ensure Council is managing its risks appropriately.

### 4.3.5 Performance Management

Appropriate accountability, measures and reporting structures will be put in place to monitor the effectiveness of Council's risk management (at an individual and organisational level) and to assist in identifying gaps or emerging risks.

### 4.3.6 Internal Audit

Internal audit is an independent, objective monitoring and evaluation activity designed to add value and improve the organisation's operations.

Internal audit assesses the adequacy of select controls identified. Control issues identified through the internal audit process will inform this policy and the Plan and may result in the identification of new risks or more effective treatments for existing risks.

### 4.3.7 Roles and Responsibilities

Roles and responsibilities are provided in Attachment 4.

## 5. COMPLAINTS

Complaints relating to this policy can be made in writing to the CEO. Complaints will be managed in accordance with Council's Complaints Policy PO147.

## 6. REVIEW

This policy will be reviewed every four (4) years, in consultation with Workers and/or their nominated representative(s). The policy will also be reviewed as deemed necessary in consideration of any changes to legislation, relevant standards, codes and guidelines, audit findings, any corrective actions/controls arising from risk assessment and/or hazard/incident reports and stakeholder feedback.

## 7. TRAINING

Council is committed to supporting Workers in complying with this policy.

Training needs will be reviewed during induction and annually, during individual performance reviews and as necessary in consideration of any changes to legislation, relevant standards, codes and guidelines, audit findings, any corrective actions/controls arising from risk assessment and/or hazard/incident reports and stakeholder feedback.

## 8. RELATED COUNCIL POLICIES AND DOCUMENTS

PO005 Emergency Management Policy

PO027 Business Continuity Policy

PO063 Records Management Policy

PO133 Training Needs Analysis

PO147 Complaints Policy

PO156 Internal Financial Control Policy

PR098 Risk Management Procedure

Risk and Corrective Action Registers

## 9. REFERENCES AND LEGISLATION

The international standard for Risk management - Guidelines (ISO 31000:2018)

Local Government Act 1999

Civil Liability Act 1936

Work Healthy and Safety Act 2012

## 10. COUNCIL DELEGATION

| Details of Delegation: | Chief Executive Officer |
|---|---|
| **Delegate:** | |

## 11. VERSION HISTORY

| Version No. | Issue Date | Policy No | Description of Change |
|---|---|---|---|
| 1.0 | 14/4/2004 | PO091 | |
| 2.0 | 11/12/2013 | PO091 | |
| 3.0 | 11/03/2015 | PO091 | |
| 4.0 | 18/01/2017 | PO091 | |
| 5.0 | 10/04/2019 | PO091 | Aligned document to ISO 31000:2018. Completed review. |

## Definitions

| | |
|---|---|
| **Consequence** | The outcome of an event, being a loss, injury, disadvantage or gain. There may be a range of possible outcomes associated with an event. |
| **Controls** | An action that modifies risks and increases the likelihood that objectives and goals of an organisation will be achieved. |
| **Corrective Actions Register** | A register of treatment(s) to be applied to identified risks, consequence and likelihood ratings, following treatment and corresponding actions. |
| **Event** | Occurrence of a particular circumstance. |
| **Operational Risk** | Risks associated with the day to day departmental functions and activities that have the potential to impact service levels and day to functions and activities. |
| **Organisational Risk** | Risk associated with the higher level functions and activities that have the potential to impact the strategic direction of the organisation and service levels. |
| **Risk Analysis** | A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences. |
| **Risk Appetite** | Is the amount of risk an organisation is prepared to accept or avoid. Broad-based description of the desired level of risk that an entity will take in pursuit of its mission |
| **Risk Assessment** | An overall process of risk identification, risk analysis and risk evaluation. |
| **Risk Culture** | The behaviours that lead to how every person thinks about and manages risks. |
| **Risk Management** | Coordinated activities to direct and control an organisation with regard to risk. |
| **Risk Register** | A register of identified risks, their consequences, likelihood and ratings. |
| **Risk Tolerance** | An organisation's readiness to bear the risk after risk treatment/controls have been applied in order to achieve its objectives. |
| **Risk Treatment** | An action that is taken to manage a risk. |
| **Risk** | The effect of uncertainty (either positive, negative or both) on objectives. |
| **Stakeholder** | Person or organisation that can affect, be affected by, or perceive themselves to be affected by, a decision or activity. |
| **Strategic risks** | Risks that are external to the organisation that have the potential to cause a change in strategic direction of the organisation. |
| **Worker** | A person who carries out work in any capacity for the Council including:<br>a) An employee<br>b) A contractor or subcontractor<br>c) An employee of a contractor or subcontractor<br>d) An employee of a labour hire company<br>e) An outworker<br>f) An apprentice or trainee<br>g) A student gaining work experience<br>h) A volunteer |

**ATTACHMENT 2**

## Yorke Peninsula Council's Risk Matrix

| Risk Matrix Consequence and Reporting Action | | | | | | |
|---|---|---|---|---|---|---|
| | | Insignificant | Minor | Moderate | Major | Catastrophic |
| Likelihood | Almost Certain | Moderate | High | High | Extreme | Extreme |
| | Likely | Moderate | Moderate | High | Extreme | Extreme |
| | Possible | Low | Moderate | Moderate | Extreme | Extreme |
| | Unlikely | Low | Low | Moderate | High | Extreme |
| | Rare | Low | Low | Moderate | High | High |

| Risk Level | Residual Risk Appetite (action required to be taken once the Risk Level is established) | WHS Specific Residual Risk Appetite |
|---|---|---|
| Extreme (E) | **To be avoided.** Where possible exposure to the risk should be discontinued or provided appropriate controls and treatment strategies are in place. | Operation of plant/ **activity should not be allowed to continue** until appropriate controls and treatment strategies are in place. |
| High (H) | **May be acceptable** provided, where possible, appropriate controls and treatment strategies are in place. | Operation of plant/ **activity should not be allowed to continue** until appropriate controls and treatment strategies are in place. |
| Moderate (M) | **Acceptable** provided, where possible, appropriate controls and treatment strategies are in place. | **May be acceptable** provided appropriate controls and treatment strategies are in place. |
| Low (L) | **Acceptable** with review | **Acceptable** provided appropriate controls and treatment strategies are in place. |

| Risk Level | Reporting Requirements |
|---|---|
| Extreme (E) | Line management – Live Intranet reports<br>Department Director – Live Intranet reports<br>CMT – Manager People and Culture to provide monthly reports<br>WHS Committee - Manager People and Culture to provide reports at each meeting<br>Audit Committee - Manager People and Culture to provide reports at each meeting |
| High (H) | Line management – Live Intranet reports<br>Department Director – Live Intranet reports<br>CMT – Manager People and Culture to provide monthly reports<br>WHS Committee - Manager People and Culture to provide reports at each meeting |
| Moderate (M) | Line management – Live Intranet reports<br>Department Director – Live Intranet reports<br>WHS Committee - Manager People and Culture to provide reports at each meeting |
| Low (L) | Line management – Live Intranet reports<br>Department Director – Live Intranet reports<br>WHS Committee - Manager People and Culture to provide reports at each meeting |

## Consequence and Likelihood Tables

| Consequence Rating Table | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Description** | **Safety** | **Reputation** | **Legal & Regulatory** | **Environmental** | **Financial** | **IT/Records** | **Service Delivery** |
| **Catastrophic** | Death. Critically life threatening injury/ illness. | State-wide negative media coverage for 2 years or greater. Insolvency. | Criminal charges/ prosecution/ fines >$2mil. | Irreversible extensive, detrimental environmental damage/loss of environmental amenity. | >$2mil | Irreversible, extensive loss/ damage/ access to IT infrastructure/ data. | Complete loss of Critical Business Functions (as defined in BCP). |
| **Major** | Severe, potentially life threatening injury/illness i.e. loss of limb. | State-wide negative media coverage for 12 months up to 2 years. Council dismissed. | Criminal charges/ prosecution/ fines $1mil to <$2mil. | Extensive, detrimental environmental damage/loss of environmental amenity for >12mths. | >$1mil to <$2mil | Extensive loss/ damage/access to IT infrastructure/ data >3mths. | Loss of Critical Business Functions (as defined in BCP) >3mths. |
| **Moderate** | Non-life threatening injury/illness requiring hospitalisation. | State-wide negative media coverage for up to 12 months. Council dismissed. | Prosecution/ fines $250k to <$1mil. | Extensive, detrimental environmental damage/loss of environmental amenity for >1mth and <12mths. | >$250k to <$1mil | Extensive loss/ damage/access to IT infrastructure/ data <3mths. | Loss of Critical Business Functions (as defined in BCP) >1mth and <3mths. |
| **Minor** | Non-life threatening injury/illness requiring medical treatment by a doctor. No hospitalisation. | Extensive local media coverage. | Prosecution/ fines $100k to <$250k. | Limited environmental damage/loss of environmental amenity for <1mth. | >$100k to <$250k | Partial Loss/ damage/access to IT infrastructure/data | Loss of Critical Business Functions (as defined in BCP) <1mth. |
| **Insignificant** | Non-life threatening injury requiring first aid treatment. | Some local media coverage. | Prosecution/ fines <$100k. | Containable incident with minimal environmental damage/loss of environmental amenity. | <$100k | Minimal Loss/ damage/ access to IT infrastructure/data | Delayed or untimely service delivery to community. |

| Likelihood Rating Table | | | |
|---|---|---|---|
| **Likelihood** | **Description** | **Past Occurrences** | **Likelihood %** |
| **Almost Certain** | Expected to occur in most circumstances | Has occurred at least once within the past year | 95% or greater chance |
| **Likely** | Will probably occur in most circumstances | Has occurred at least once within the past two years | 75% to <95% Chance |
| **Possible** | Not expected to occur but could under specific circumstances | Has occurred at least once within the past two to five years | 25% to <75% Chance |
| **Unlikely** | Not expected to occur and no previous occurrences | Has occurred at least once within the past five to ten years | 5% to <25% Chance |
| **Rare** | Expected to occur only in exceptional circumstances | Has not occurred within the past ten years | <5% Chance |

## Roles and Responsibilities

| Roles | Responsibilities |
|---|---|
| Elected Body | • Ensure that risks are adequately considered when setting Council's strategies and objectives<br>• Ensure there is a systematic and effective approach to managing risk and opportunity across Council operations<br>• Ensure a risk management framework is implemented and delivers a consistent approach to risk management by assigning authority, responsibility and accountability, at appropriate levels within the organisation<br>• Apply risk management principles to decision making processes<br>• Comply with Council's Risk Management Framework and supporting documentation |
| Audit Committee | • Ensure a risk management framework is implemented and delivers a consistent approach to risk management by assigning authority, responsibility and accountability, at appropriate levels within the organisation<br>• Apply risk management principles to decision making processes<br>• Monitor and review the effectiveness of Council's risk management systems/processes<br>• Monitor and evaluate risk management activity<br>• Comply with Council's Risk Management Framework and supporting documentation |
| Chief Executive Officer (CEO) | • Apply risk management principles to decision making processes<br>• Ensure that Council's Risk Management Framework is implemented, communicated and monitored throughout the organisation<br>• Commitment to and promotion of the Risk Management Framework<br>• Promote a strong risk management culture, by providing firm and visible support for risk management, including ensuring appropriate accountability for the management of risk<br>• Ensure appropriate systems/processes are in place and implemented that deliver a consistent approach to risk management across Council operations<br>• Monitor and review the effectiveness of Council's risk management systems/processes<br>• Monitor and evaluate risk management activity<br>• Ensure that appropriate resources are allocated to managing risk<br>• Ensure 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<br>• Regularly monitor and review Council's strategic and organisational risks<br>• Comply with Council's Risk Management Framework and supporting documentation |

| Roles | Responsibilities |
|---|---|
| Corporate Management Team (CMT) | • Apply risk management principles to decision making processes<br>• Commitment to and promotion of the Risk Management Framework<br>• Promote a strong risk management culture, by providing firm and visible support for risk management, including ensuring appropriate accountability for the management of risk.<br>• Ensure appropriate systems/processes are in place and implemented that deliver a consistent approach to risk management<br>• Monitor and review the effectiveness of Council's risk management systems/processes<br>• Monitor and evaluate risk management activity<br>• Ensure that appropriate resources are allocated to managing risk<br>• Participate in monitoring and reviewing Council's strategic and organisational risks at least on a monthly basis<br>• Ensure that risk management is embedded into all critical functions and activities<br>• Comply with Council's Risk Management Framework and supporting documentation |
| Manager People and Culture | • Apply risk management principles to decision making processes<br>• Ensure that Council's Risk Management Framework is implemented, communicated and monitored throughout the organisation<br>• Commitment to and promotion of the Risk Management Framework<br>• Ensure appropriate systems/processes are in place and implemented that deliver a consistent approach to risk management across Council operations<br>• Ensure 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<br>• Monitor and review the effectiveness of Council's risk management systems/processes<br>• Regularly monitor and review Council's strategic, organisational and operational risks<br>• Provide CMT with a monthly report regarding the status of Council's strategic, organisational and operational risks<br>• Comply with Council's Risk Management Framework and supporting documentation<br>• Maintain the Risk Management Framework Policy and supporting documentation/systems to ensure currency, effectiveness and relevance<br>• Provide support and advice to Managers in the application and use of the Risk Management Framework<br>• Ensure relevant risk information is appropriately reported, escalated and disseminated |
| Managers | • Apply risk management principles to decision making processes<br>• Commitment to and promotion of the Risk Management Framework |

| Roles | Responsibilities |
|---|---|
| | • Promote a proactive risk culture<br>• Ensure that risk management is embedded into all critical functions and activities for which they are responsible<br>• Participate in monitoring and reviewing Council's strategic, organisational and operational risks<br>• Regularly monitor and review the risks for which they are responsible at least on a monthly basis<br>• Ensure Workers for whom they are responsible, comply with Council's Risk Management Framework and supporting documentation<br>• Empower staff to actively be involved in managing risk<br>• Provide support and advice to Workers, for whom they are responsible, in the application and use of the Risk Management Framework<br>• Comply with Council's Risk Management Framework and supporting documentation |
| Workers | • Comply with Council's Risk Management Framework and supporting documentation<br>• Apply risk management principles to decision making processes<br>• Identify risk in their daily activities and projects and participate in risk management<br>• Follow any reasonable instruction in relation to this policy<br>• Attend training when required |