

Policy P695 Risk Management

Strategic Direction	Leadership
Responsible Business Unit/s	Governance
Responsible Officer	Manager Governance
Affected Business Unit/s	All Business Units

Policy Objectives

This policy provides a strategic approach to risk management to raise awareness across the City ensuring sound risk management practices are integrated across current and future practices, processes, and systems. It aims to deliver consistent and effective assessment and management of risks in all corporate planning and decision-making activities and operational processes. The City's risk management approach aims to manage risk activities by anticipating, understanding, and mitigating risks to an agreed acceptable level.

Policy Scope

This policy is applicable to all officers and Council Members of the City.

Definitions

Risk: Effect of uncertainty on objectives (AS/NZS ISO 3100:2018).

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. (AS/NZS ISO 3100:2018)

Risk Management Framework – Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation (ISO Guide 73:2009 Risk Management).

Policy Statement

1. The City is committed to developing and implementing a Risk Management Framework (the Framework) in accordance with the risk management standard AS/NZS ISO 31000:2018 (the standard).
2. The Framework reflects the principles contained within AS/NZS ISO 31000:2018 for the management of risk throughout the life of any process, activity, asset, operation, or project of the City.
3. The City is committed to developing and maintaining appropriate documentation to guide the implementation of risk management throughout the organisation.
4. Risk management will be aligned to the Strategic Community Plan 2021 – 2031.
5. The objectives of this policy are to:
 - Promote a culture of risk awareness and active management of risks;
 - Protect the City by systematically identifying risks and managing them appropriately;
 - Ensure Council is provided with reliable information to support decision-making and planning;
 - Reduce the potential costs of risk by reducing liability, preventing litigation, and improving loss control; and
 - Assign responsibilities for managing risks.

Risk Appetite

The City has a conservative risk appetite with an established risk tolerance in nine (9) agreed outcome categories. We recognise that in some circumstances it is not possible or desirable to eliminate all risk and through accepting some degree of risk we can seize opportunities, promote and support innovation.

Our risk appetite is the level and type of risk we are willing to accept to achieve our objectives. It describes our attitude towards risk taking and helps us to understand what constitutes acceptable risk taking in our day-to-day work and in achieving our strategic objectives as detailed in the Strategic Community Plan 2021-2031.

The identification and assessment of risks is carried out in accordance with the requirements of the Risk Management Framework 2021 and acceptance of each individual risk in accordance with the below detailed Risk Assessment and Acceptance tables. Risks are escalated in accordance with the requirements of the Risk Management Framework and the Risk Acceptance Criteria.

Risk Assessment and Acceptance Criteria

Measures of Likelihood			
Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances (>90% chance)	More than once per year
4	Likely	The event will probably occur in most circumstances (>50% chance)	At least once per year
3	Possible	The event should occur at some time (>10% chance)	At least once in 3 years
2	Unlikely	The event could occur at some time (>5% chance)	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances (<3% chance)	Less than once in 15 years

(Source –Department of Local Government – Risk Management Resources March 2013)

Measures of Consequence

City of South Perth Measures of Consequence								
Rating (Level)	Health / Injury	Financial Loss	Service Interruption	Legislative Breach	Reputational Damage	Property Damage	Environmental Damage	
Insignificant (1)	Near miss. Minor first aid injuries	Less than \$50,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential damage.	Contained, reversible impact managed by on site response	
Minor (2)	Medical type injuries	\$50,001 - \$500,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non-compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	
Moderate (3)	Lost time injury <30 days	\$500,001 - \$1,000,000	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	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	
Major (4)	Lost time injury >30 days	\$1,000,001 - \$10,000,000	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	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	
Catastrophic (5)	Fatality, permanent disability	More than \$10,000,000	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 news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact	

Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		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)

(Source –LGISWA Risk Matrix)

Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
EXTREME	Unacceptable	Risk only acceptable with effective 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
HIGH	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	Executive / CEO
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Business Unit Manager
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Business Unit Manager

(Source –LGISWA – Risk Acceptance Criteria)

Existing Control Ratings		
Rating	Foreseeable	Description
Effective	There is <u>little</u> scope for improvement.	Processes (Controls) operating as intended and aligned to Policies / Procedures. Subject to ongoing monitoring. Reviewed and tested regularly.

Existing Control Ratings		
Rating	Foreseeable	Description
Adequate	There is <u>some</u> scope for improvement.	Processes (Controls) generally operating as intended, however inadequacies exist. Limited monitoring. Reviewed and tested, but not regularly.
Inadequate	There is a <u>need</u> for improvement or action.	Processes (Controls) not operating as intended. Processes (Controls) do not exist or are not being complied with. Have not been reviewed or tested for some time.

Legislation / Local Law Requirements

Local Government Act 1995

Local Government (Audit) Regulations 1996

Other Relevant Policies / Key Documents

AS/NZS ISO 31000:2018 – Risk Management

City of South Perth Risk Management Framework

M695 Risk Management