

RISK MANAGEMENT FRAMEWORK

December 2017

1. Introduction

The management of risk is an integral part of good management practice. The Organisation Wide Risk Management Policy was introduced in May 2006 with amendments endorsed by Council Resolution C1107/229 on 27 July 2011. A requirement of this policy is the establishment of the City's Risk Management Framework.

The Risk Management Framework incorporates all aspects of risk management and sets out the broad approach for the ongoing management of risks. The Framework consists of four (4) major components, with various lower level components within each. The four major components are:

- Risk Management Committee
- Risk Reference Tables
- Risk Management Operational Practice and Procedure
- Risk Register

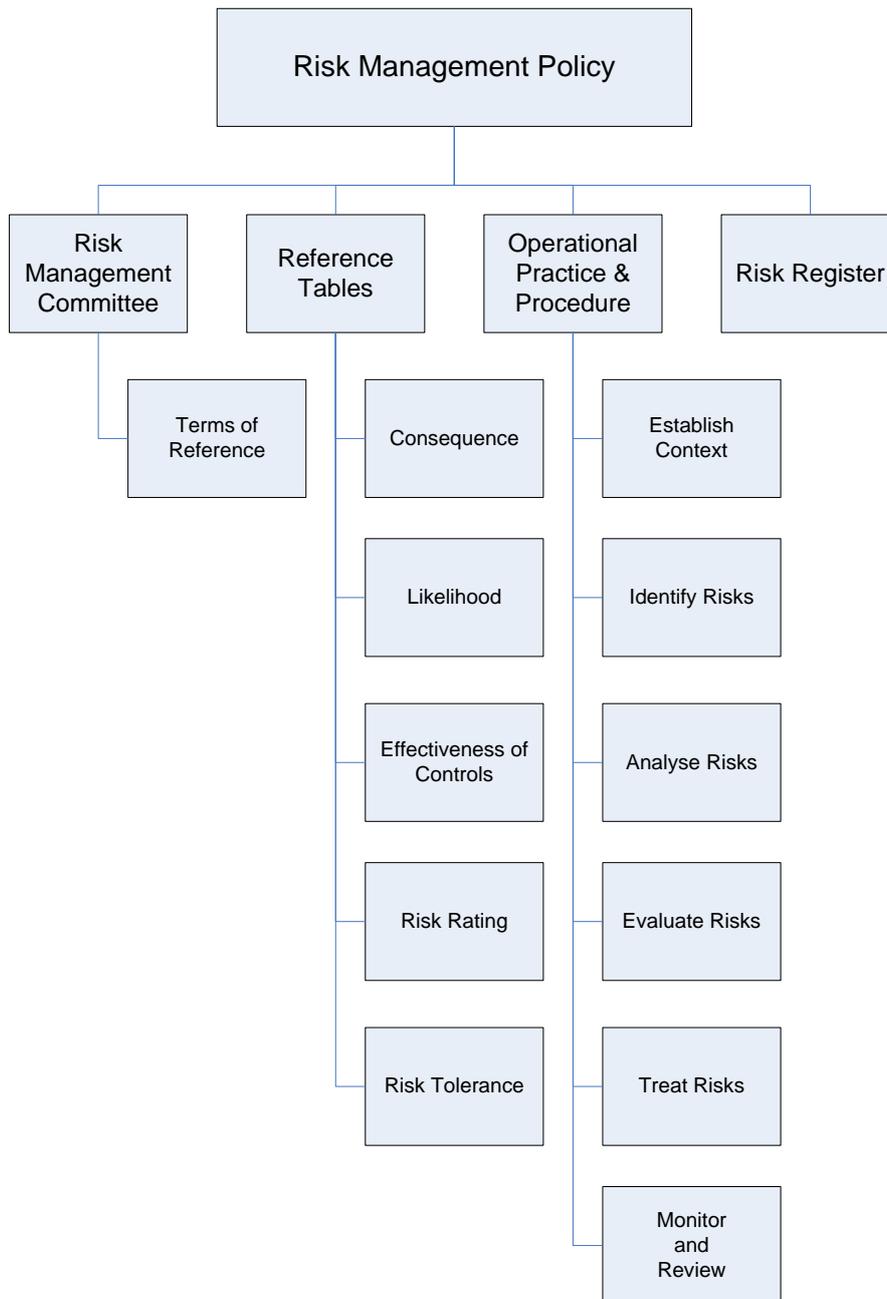
The Risk Management Committee will ensure an effective and efficient risk management system. They will achieve this through raising awareness about managing risks and coordinating relevant training.

Use of Risk Reference Tables is critical to provide a uniform measuring standard for risk and the means to aggregate and prioritise risks across the City. They also provide guidance on risk acceptance.

The Risk Management Operational Practice and Procedure does not encourage managers to be risk averse. In fact, it is designed to provide managers with a degree of confidence to be able to manage risk to an acceptable level. It defines the steps to be followed to measure the risk rating and determine if the risk should be accepted or treated.

The Risk Register is simply a tool to record all of the City's risks so that they may be managed more effectively. It is used to capture and report on the risk information captured through the process.

The high level view of the Risk Management Framework is as follows:



2. Definitions

Risk is the effect of uncertainty on objectives ... expressed in terms of a combination of the consequences of an event and the associated likelihood (AS/NZS ISO 31000: 2009).

Alternatively:

- The chance of something happening that will have an impact on the objectives
- The risk of loss resulting from inadequate or failed internal processes, people and systems or from external event. (Basel 2)

Risk Management is the coordinated activities to direct and control an organisation with regard to risk (AS/NZS ISO 31000:2009).

The **risk management process** is the 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 (AS/NZS ISO 31000:2009).

Strategic risks are risks identified, assessed and managed in association with the achievement of the Council's strategic vision or Objectives.

3. Risk Policy

The Risk Management Policy has been endorsed by Council confirming the City's commitment to manage risks in accordance with AS/NZS ISO 31000:2009.

4. Risk Management Committee

The Risk Management Committee was established, by the endorsement of the Organisation Wide Risk Management policy, to be the driving force of implementing a risk management culture within the City of Busselton. The Risk Management Committee Terms of Reference details the responsibility of the Committee and its relationships with other committees and groups.

5. Risk Reference Tables

The Risk Reference tables have been established for the purpose of providing guidance as to how risks are to be evaluated, assessed and accepted.

5.1. Consequence

A risk that eventuates may impact the City across a number of different categories. When analysing the consequence of a risk event, the risk owner needs to consider the level of impact in relation to one or more of these consequence categories defined in the consequence table below.

Rating	Insignificant	Minor	Moderate	Major	Catastrophic
Public Health	Minor injury or first aid treatment cases	Injury / disease causing medical treatment	Serious injury / disease causing hospitalisation	Death or life threatening injury or multiple serious injuries causing hospitalisation	Multiple deaths or multiple life threatening injuries or severe permanent disabilities
OSH					
Financial	< \$ 50k	\$ 50k to \$250k	\$ 250k to \$ 1m	\$ 1m to \$ 5m	> \$ 5m
Operational	Negligible impact to service delivery	Inconvenient delays with recovery within acceptable timeframe	Significant delays service delivery with unacceptable recovery time or inconvenient delays to major deliverables	Substantial delays to service delivery or Non achievement of major deliverables	Non achievement of key objectives
Reputational	Minor adverse local community comment or complaint	Minor media interest with low news profile, e.g. local paper	Public embarrassment, moderate news profile (including TV)	High news profile, third party action, Local Member inquiry	Widespread national news profile, formal government inquiry
Environmental	Brief pollution but no environmental harm	Minor/ transient environmental harm	Significant environmental harm with mid term recovery	Significant long term environmental harm	Catastrophic, long term environmental harm

5.2. Likelihood

The likelihood rating describes how likely it is that a risk will eventuate with the defined consequences. Likelihood can be defined in terms of probability or frequency, depending on the risk being considered.

Rating	Description	Frequency
Rare	May occur but only in exceptional circumstances	1 in 10,000 - 100,000 Less than once in fifteen years
Unlikely	Could occur at some time	1 in 1,000 to 10,000 At least once in fifteen years
Possible	Should occur at some time in the future	1 in 100 - 1,000 At least once in five years
Likely	Will probably occur in most circumstances	1 in 10 - 100 At least once a year
Almost Certain	Is expected to occur in most circumstances	> 1 in 10 More than once a year

5.3. Effectiveness of Controls

Controls are the measures that are currently in place that reduce the likelihood and/or the consequence of the risk. The effectiveness of the controls is an assessment of their adequacy.

Rating	Description
Adequate	Doing what is reasonable under the circumstances, i.e. what other similar organisations are doing.
Weak	Not doing some or all of the things that would be reasonable under the circumstances.

5.4. Risk Rating

The level of risk or the risk rating is determined by the consequence and likelihood. That is the risk rating is a function of consequence and likelihood.

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood	Almost Certain	M11	H16	E20	E23	E25
	Likely	M7	M12	H17	E21	E24
	Possible	L4	M8	M13	H18	E22
	Unlikely	L2	L5	M9	H14	H19
	Rare	L1	L3	M6	M10	H15

Where:

- L = Low Risk
- M = Medium Risk
- H = High Risk
- E = Extreme Risk

5.5. Risk Tolerance

Once the Risk Rating has been determined, the risk needs to be evaluated using the organisation's agreed risk tolerance.

Residual Risk Rating	Responsibility for Acceptance with Specific Controls	
	Weak	Adequate
Low	Responsible Officer	Responsible Officer
Medium	Director	Responsible Officer
High	Senior Management Group	Director
Extreme	Unacceptable	Senior Management Group

6. Risk Management Operational Practice and Procedure

6.1. Three Lines of Defence Model

The City of Busselton has implemented a Three Lines of Defence Model for risk management:

- Level 1: Business Units and Activity Teams have responsibility for managing the risks for their area and any wider ranging risks that are allocated to them.
- Level 2: The Risk Team and the Risk Management Committee assist Business Units and Activity Teams in assessing risks and providing education support which aids in development of a risk management culture. They may also monitor risks to ensure consistency of assessments throughout the City and to ensure controls are effective. The Risk Team may also challenge risk assessments for escalation.
- Level 3: As required by Local Government (Audit) Regulation Clause 17, the Audit Committee will receive reports from the CEO on the appropriateness and effectiveness of this risk management framework. This level audits levels one and two.

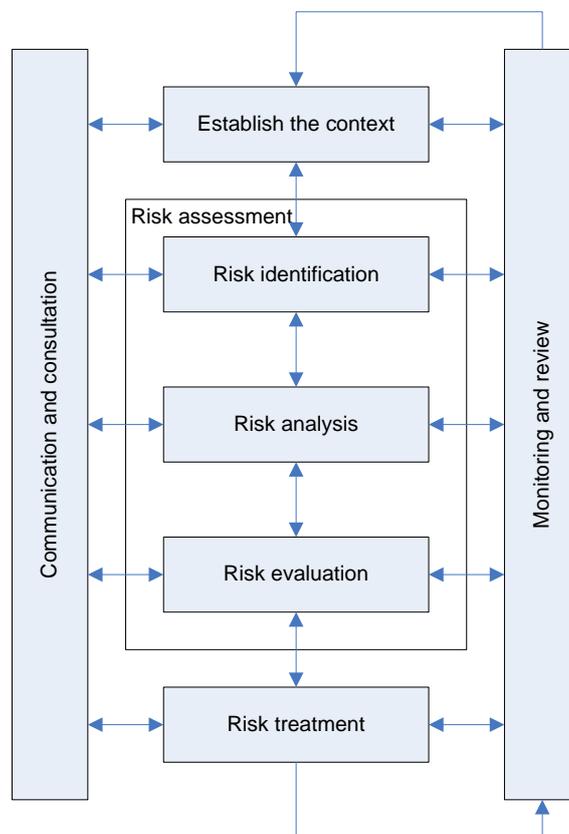


All three levels of the Three Lines of Defence Model need to work to have effective Risk Management.

6.2. Introduction

A simple risk management process has been established to encourage staff to make use of risk management as a tool to improve their work performance. Each risk will be allocated a Responsible Officer to ensure it is managed, including implementing mitigating treatment. This is usually the person who is directly responsible for the strategy, activity or function that relates to the risk. The Risk & OSH Officer is available to assist risk owners, wherever possible, in the management of their risks by assisting them in the risk assessment process.

The City of Busselton will adopt the following risk management process, which was developed using the AS/NZS ISO 31000:2009.



Risk Management Process (From AS/NZS ISO 31000:2009)

6.3. Establish the Context

Establish the strategic, organisational and risk management context in which the rest of the process will take place. Criteria against which risks will be evaluated are established and the structure of the analysis identified. Examples of contexts include, a business unit or specific project.

6.4. Identify the Risk

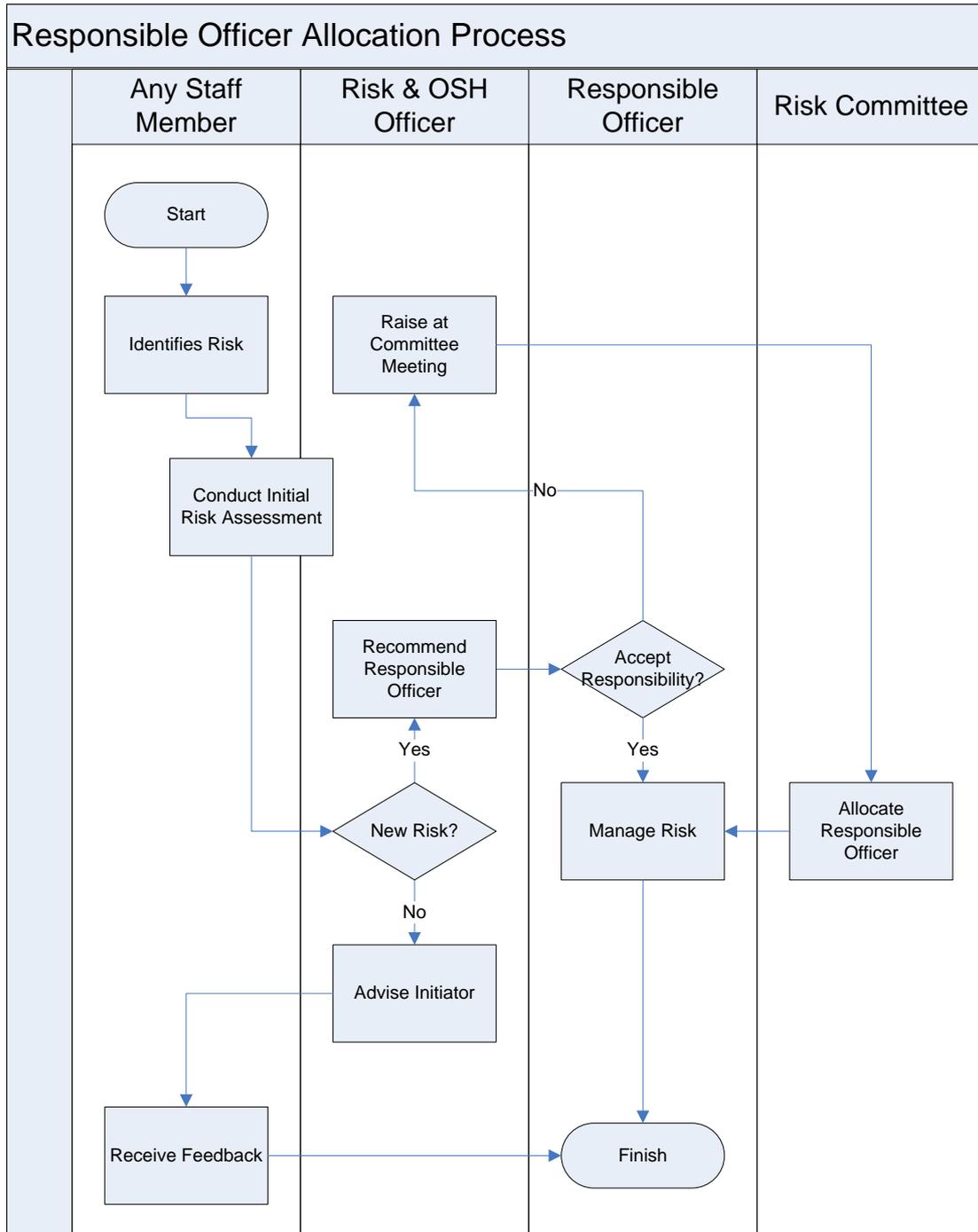
The purpose of risk identification is to identify what situations, events or circumstances might affect the achievement of the objectives of the City of Busselton.

Risks can be identified through various processes, with no single process being preferred for all contexts. Therefore an identification process will be selected depending on the situation. Some of the processes to be used include:

- Development or reviewing of strategic and operational business plans
- Project team risk brainstorming workshops and completion of project planning
- SWOT analysis at business unit meetings

- Safety inspections and incident investigations

Any staff member may identify and initiate the registration of a risk. To assign a Responsible Officer for each risk the following process will be used.



Management for a risk will be assigned to the staff member who is impacted by the risk or who has the greatest impact on the risk. The following will be used as a guide:

Risk Type	Minimum level of Responsibility
Strategic	Director

Risk Type	Minimum level of Responsibility
Operational	Manager
Project	Project/Contract Manager

6.5. Analyse the Risk

Risk analysis involves developing an understanding of the risk to provide an input to risk evaluation. Determine the existing controls and analyse risks in terms of consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequences and likelihood are combined to establish a risk rating. The risk rating may be determined under various situations, including:

- Initial/Inherent risk – the risk rating before controls are established or should all controls fail
- Revised/Residual/Current risk – the risk rating with all of the existing controls effective
- Future/Predicted risk – the risk rating once all future controls are implemented

6.6. Evaluate the Risk

Compare the risk rating against the risk acceptance criteria. This enables risk to be ranked so as to identify management priorities. If the risk rating is low, then the risk may fall into an acceptable category and treatment may not be required.

6.7. Treat the Risk

Accept and monitor low priority risks. All risks will be reviewed, however, usually only extreme or high risks will be treated. The treatment process involves identifying treatment options, evaluating options, selecting an option and implementing it. A treatment implementation date is determined to identify when the risk will be reviewed again. If a treatment cannot be implemented within the next six months the risk must be accepted with a notation that it is only being accepted in the short term. Once a treatment option is fully implemented it becomes a control and the risk should be able to be accepted.

When a treatment implementation date is reached a review of the risk assessment is required to determine if the risk is now acceptable. If the risk is still not acceptable the responsibility for the risk is to be escalated to the previous risk manager's supervisor.

6.8. Monitor and Review

Monitor and review the performance of the risk and the management of it. Monitoring a risk is an informal ongoing process used to immediately identify any changes. A review is a point in time, formal process that is recommended to be conducted annually. Risks with a high risk rating may be reviewed more frequently and risks with a low risk rating may be reviewed less frequently. The standard review frequencies are:

Risk Rating	Frequency
Extreme	Annual
High	Annual
Medium	2 Yearly
Low	3 Yearly

The Risk Team will also monitor risk assessments and controls to ensure risks are consistently assessed and controls are effective. They may also challenge the assessment of a risk, raising their concerns with the risk's owner. Where an agreement cannot be achieved the risk will be considered at a Risk Management Committee meeting to finalise the assessment.

6.9. Communicate and Consult

Communicating and consulting are to occur at each step of the risk management process to ensure all the participants understand, are involved in and contribute to the process. Consultation gives stakeholders the opportunity to influence decisions and ensures that all relevant viewpoints are taken into account in identifying and evaluating risks.

7. Risk Register

All significant risks are required to be registered in the City of Busselton risk register.

- Risks to achievement of an activity team's objectives and priorities that can be adequately managed by the team are not required to be added to the City's risk register.
- Risks inherent in the delivery of services and priorities should be registered.
- Risks to the organisation must be registered

Risks may be registered either individually or a single risk may be recorded for a group of like risks. Each risk owner is responsible for ensuring their significant risks are recorded in the risk register. The Integrated Risk Manager (IRM) system will be used for the City's risk register.

Further information on IRM is available in the online help screen or by contacting the Risk & OSH Officer.