Risk & Opportunity Management Framework

Adopted:

Shire of Wyndham East Kimberley
20 Coolibah Drive, Kununurra WA 6743

www.swek.wa.gov.au

1. POLICY

The Risk & Opportunity Framework details how risk is managed at the Shire of Wyndham East Kimberley.

Risk assessments will be carried out using the risk management process of the Australian Standard for Risk AS ISO: 31000:2018 Risk Management - Principles and Guideline.

2. RISK MANAGEMENT FRAMEWORK BENEFITS

This framework provides a consistent process that enables continual improvement in decision making, and insight into organisational risks and their impacts. This Risk Management Framework aims to:

☐ Minimise human, environmental and organisational harm and loss in Service Delivery
☐ Comply with legal and regulatory requirements and
☐ Increase the likelihood of the Shire of Wyndham East Kimberley achieving its Strategic and Operational goals.

3. DEFINITIONS (AS ISO 31000:2018)

☐ **Risk management:** culture, processes and structures directed towards realising potential opportunities whilst managing adverse effects.
☐ **Risk**: effect of uncertainty on objectives. *Note: Future uncertain events may have a positive or negative impact.*
☐ **Likelihood**: chance/probability/frequency of an event occurring.
☐ **Consequence**: outcome of an event.
☐ **Hazard:** the source of the risk.
☐ **Risk analysis**: systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.
☐ **Risk Treatments**: the provision of policies, standards and procedures or actions to eliminate or minimise adverse risks.
☐ **Residual risk**: remaining level of risk after risk treatment.
☐ **Risk tolerance**: level of risk/residual risk that the Shire is willing to accept for every day work, projects or events.
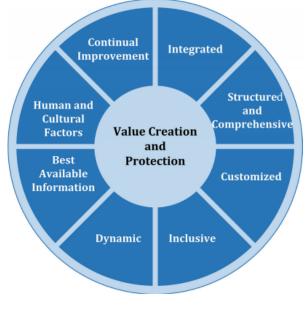
4. STAFF RESPONSIBILITIES

The Shire of Wyndham East Kimberley Risk and Opportunity Management Framework identifies the following responsibilities for all staff:

☐ Ensuring that risks in the work area are identified and managed.
☐ Proactively working with supervisors in reducing risk in your work area.
☐ Escalating risk where necessary.

5. PRINCIPLES

Effective risk management requires the elements of value creation and protection, which can be achieved by the integration of several features as identified below (AS ISO 31000: 2018):
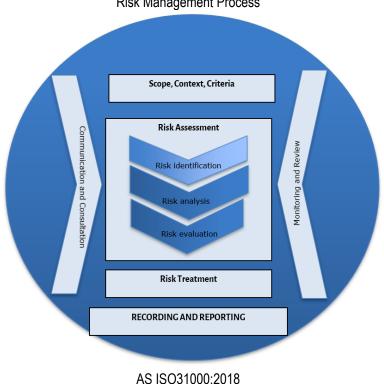
A) **Integrated:** Risk Management is in integral part of all organisational activities.
B) **Structured and Comprehensive:** A structured and comprehensive approach to risk management contributes to consistent and comparable results.
C) **Customised:** the risk management framework and process are customised to the organisation and proportionate to the organisations external and internal context.
D) **Inclusive:** Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered.
E) **Dynamic:** Risks can emerge, change, or disappear. Risk management should also take into account uncertainties.
F) **Best Available information:** Information should be based on historical and current information, as well as future expectations.
G) **Human and Cultural Factors:** Human behaviour and culture should influence all aspects of risk management.
H) **Continual Improvement:** Risk management is continually improved through learning and experience.

AS ISO31000:2018

6. RISK MANAGEMENT PROCESS

As part of preparing to undertake daily business tasks, planning and implementing projects and events or coordinating the delivery of business unit services, it is imperative that all staff recognise risks that may impact their deliverables to both internal and external stakeholders. The Risk Management Process can be summarised by the below diagram:
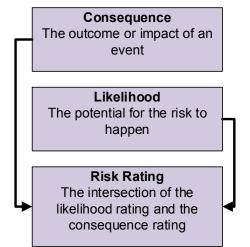
Risk Management Process

AS ISO31000:2018

Risk Management Process Overview

A) **Communicate and Consult:** Provide, share and obtain information with internal and external stakeholders during all stages of the risk management process.

B) **Scope, Context, Criteria:** Define both internal and external factors to the Shire that may have an effect on the risk management process such as risk source and risk type.

C) **Identify Risks:** Recognise and adequately describe risks in their day-to-day business routines.

D) **Analyse Risks:**

The process of Analysing Risk Process for the Shire of Wyndham East Kimberley is achieved by combing the consequence and likelihood of a risk to achieve a risk rating or the intersection of consequence and likelihood rating displayed in the Risk Matrix:

Consequence
The outcome or impact of an event

Likelihood
The potential for the risk to happen

Risk Rating
The intersection of the likelihood rating and the consequence rating

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Consequences:

Risk Category / Level	Severe	Major	Moderate	Minor	Insignificant
Service Delivery Interruption (see Business Continuity Plan)	More than 24 hours, indeterminate prolonged interruption of services, non – performance.	11 to 24 hours, prolonged interruption of services, additional resources, and performance affected.	5 to 10 hours, medium term, temporary interruption, backlog cleared by additional resources.	2 to 4 hours, Short term, temporary interruption, backlog cleared < 1 day.	Less than 2 hours, No material service interruption.
Community	Major/multiple disruptions to the widespread community.	Substantiated disruptions to the wider spread community.	Significant disruption to the nearby community.	Minor disruptions to the nearby community.	Little or no disruption to the community.
Environment	Major breach of legislation or extensive environmental damage requiring third party investigation.	Significant breach of legislation/significant contamination or damage requiring third party assistance.	Environmental damage requiring restitution or internal clean-up.	Minor impact to the environment.	Little impact on environment.
Financial	More than $150,000	$50,000 to $150,000	$20,000 to $50,000	$5,000 to $20,000	Less than $5,000
Legal & Compliance	Custodial sentencing for responsible officers, multiple class actions and high end penalties.	Major litigation & class action against Council and responsible officers. Prosecution and fines imposed.	Serious breach of regulations, with investigation and report by 3rd party. Prosecution and fines imposed.	Minor legal implications, non-compliance and breach of regulations.	Minor regulation breach.
Operational	Non-achievement of all organisations deliverables.	Non-achievement of major organisation deliverables.	Significant delays to achieving deliverables.	Inconvenient delays in achieving deliverables.	Small impact on Shire deliverables.
People Health & Safety	Death(s) or severe permanent injuries, mass hospitalisation, Post-traumatic Stress Disorder.	Extensive injuries requiring hospital admission, severe trauma, extended incapacity	Onsite medical treatment by ambulance personnel longer term illness, recovery 1 to 6 months.	First aid treatment required by first aid officer, sick leave, short term impact, recovery 1	No injuries or injuries but not requiring first aid treatment, no leave taken.
Property	Extensive property damage resulting in prolonged period of recovery.	Significant property damage requiring external resources.	Localised damage rectified by internal and external arrangements.	Localised damage rectified by internal arrangements.	Inconsequential or no damage to property.
Reputation	Substantiated public embarrassment, very high multiple impacts, high widespread multiple news profile.	Substantiated public embarrassment, high impact news profile, third party actions.	Substantiated public embarrassment, moderate impact, and moderate news profile.	Substantiated low impact, low news profile.	Unsubstantiated, low impact, low profile, no news item.

Risk Categories: The Shire of Wyndham East Kimberley has defined its critical success factors and consequences in terms of impact on delivering the Shire's strategic, operational and project functions:

- □ **Service Delivery Interruption:** The interruption and non-performance of functions by the Council.
- □ **Community:** Community risk arises from inadequate or unclear communications of Council activities and plans to the local community members or a lack of consultation between Council and ratepayers.
- □ **Environment:** Environmental risks arise from poor or inadequate practices and systems when working in the environment.
- □ **Finance:** Financial and Budgetary risks arise from the misuse and/or poor management of annual budget, government grants and funding.
- □ **Legal and Compliance:** Legal implications and breaches, including fines and custodial sentencing and compliance with legislation and Local Laws.
- □ **Operational:** Operational, which includes resourcing risks arise from failed day-to-day business practices, processes, systems and personnel.
- □ **People Health and Safety:** Occupational Safety and Health (OSH) of our own staff and that of our contractors, volunteers and members of the public. These risks arise from failing to adhere to the Shire's OSH Policy and failure to report and manage known s.
- □ **Property:** Damage to Council property arising from mismanagement, vandalism and lack of security.

Level of Impact: The definitions below relate to the consequence table:

- □ **Insignificant:** Possible impact at a business unit or project level but no impact on organisation.
- □ **Minor:** Minimal impact on business unit or project and minor impact on organisation.
- □ **Moderate:** Considerable loss to project, business unit and/or and moderate impact on the organisation.
- □ **Major:** Significant impact on both project and/or organisation operations.
- □ **Severe:** Project or business unit failure with significant or catastrophic impact on organisation.

Likelihood Ratings:

LIKELIHOOD TABLE				
Level	**Description**	**Examples**	**Operational Frequency**	**Project Frequency**
A	Almost Certain	Expected to occur in most circumstances	More than once in 12 months	Greater than 90% chance of occurrence
B	Likely	Will probably occur in most circumstances	At least once in 12 months	60% - 90% chance of occurrence
C	Possible	Should occur at some time	At least once in three years.	40% - 60% chance of occurrence
D	Unlikely	Could occur at some time	At least once in ten years	10% - 40% chance of occurrence
E	Rare	May occur, only in exceptional circumstances	Less than once in fifteen years.	Less than 10% chance of occurrence

Risk Rating Matrix:

LIKELIHOOD		CONSEQUENCES				
		1	2	3	4	5
		INSIGNIFICANT	MINOR	MODERATE	MAJOR	SEVERE
5	ALMOST CERTAIN	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
4	LIKELY	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
3	POSSIBLE	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
2	UNLIKELY	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
1	RARE	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

E) Risk Evaluation: Based on the risk rating, evaluating the risk will take into account the Shire's risk tolerance rating and the return on investment in managing the risk.

RISK ACCEPTANCE CRITERIA * From the risk's rating, is the Management/Executive/Council willing to accept this risk? * Who will be responsible for accepting the level of risk?				
Level of Risk	Description	When is the risk acceptable?	Who is responsible*	Timeframe for Action
Low (1-4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures.	Responsible Officer *(as per risk register)*	Review controls every 6 months or As per risk register
Medium (5–9)	Monitor	Risk acceptable by observing, assessing and improving current controls and Council procedures.	Responsible Officer *(as per risk register)*	Review controls every 3 months or As per risk register
High (10 –16)	Urgent Attention Required	Risk acceptable by establishing and implementing new controls.	Executive Directors and CEO	Controls implemented within two weeks of reporting Review controls every month
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.	Audit & Risk Committee and Council	Controls implemented within 1 week of reporting Review of controls every 2 weeks

F) Risk Treatments: Introduce the appropriate risk control measure.

Risk treatment options: For example: for people, health and safety use the hierarchy of controls below:

- ☐ **Eliminate the Hazard:** Engage specialist contractor for large tree pruning.
- ☐ **Substitute the Hazard:** Replace ladder with scissor lift, substitute solvent-based paint with water based paint.
- ☐ **Engineering Controls:** Reverse alarms/lights fitted to plant, exhaust ventilation to remove fumes.
- ☐ **Administrative Controls**: Job rotation, work instructions, safety inspections.
- ☐ **Personal Protective Equipment (PPE):** Hearing protection devices, respirators, hard hats.

When considering an **opportunity risk (positive outcome)** four main categories can be used. A positive outcome presents an opportunity, which can be defined as *"a favourable or advantageous circumstance or combination of circumstances"*.

- ☐ **Accept or tolerate the risk:** Accepting of an opportunity is used in the same manner as accepting a risk
- ☐ **Improve:** Current resources are allocated to increase the likelihood of being in a position to realise an opportunity.
- ☐ **Exploit:** Additional resources are allocated to ensure that the opportunity becomes a certainty. *Example: The preparation of a business plan to lobby for external funding.*
- ☐ **Transfer:** Transfer the opportunity to a more specialised team and/or organisation that will ensure potential is maximised.

G) Monitor and Review: This stage of the process will assess the implemented treatments to ascertain their effectiveness and alignment to the Shire's risk tolerance ratings. The review may be in the form of self-assessments of risk registers and treatment plans and internal quality assurance audit of the risk management process.

7. RISK REVIEW & REPORTING STRUCTURE

A) Registers

To ensure that risk is reviewed and reported on at a Service, Directorate and Organisational Level, risk registers are recorded using a standardised risk assessment register, based on best practice to identify:

- ☐ Risk Category
- ☐ Detailed Description of Risk (Context)
- ☐ Likelihood
- ☐ Impact or Consequence
- ☐ Risk rating
- ☐ Risk Mitigation Plan
- ☐ Risk Owner
- ☐ Expected Completion date
- ☐ Status and status updates

Business Unit Risk Register

Each Business Unit is able to produce a register. The register are developed in response to the identification of local risks that may affect the delivery of their immediate service. These registers are systematically reviewed by the monthly directorate meeting. Risk escalation should occur once it is established that the current and planned mitigation cannot reduce the level of risk exposure below a low category level.

Directorate Risk Registers

Each Directorate is able to produce a register. The register is developed in response to risks identified through incidents, serious incidents, complaints and risks to achieving the goals set out in the Corporate Business Plan. They are also risks, which are residual risks from business units, which are described above. Directorate Risks are reviewed at Executive Management meetings monthly or as escalation to Council is required.
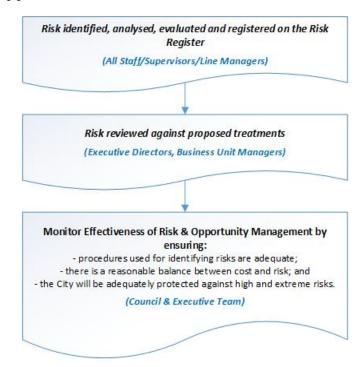
Corporate Risk Register/s (Strategic and Operational Risk)

The Corporate Risk Register/s are the aggregation of the business unit and Directorate registers escalated as described above. It also includes further risks identified by Executive Management, the Audit (Finance and Risk) Committee and Council. Strategic and Operational Risks will separate the Corporate Risk Register. Risks are to be reviewed by the Audit (Finance and Risk) Committee every Quarter with a report forwarded to the Shire Council.

B) Reporting

Risk reporting demonstrates that key risks are effectively managed and controlled to either mitigate their impact or exploit their outcomes as opportunities for growth. The following model and timeframes form an appropriate reporting guideline;

Risk identified, analysed, evaluated and registered on the Risk Register
(All Staff/Supervisors/Line Managers)

Risk reviewed against proposed treatments
(Executive Directors, Business Unit Managers)

Monitor Effectiveness of Risk & Opportunity Management by ensuring:
- procedures used for identifying risks are adequate;
- there is a reasonable balance between cost and risk; and
- the City will be adequately protected against high and extreme risks.
(Council & Executive Team)

C) Risk Reporting Categories: Reporting of risks in the Shire of Wyndham East Kimberley will come under two main organisational functions.

☐ **Strategic:** Risks that effect the achievement of the Organisation vision and objectives in the Strategic Plan.
☐ **Operational:** Risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

D) Risk Review Time Line:

☐ **Monthly:** Managers report to their respective Executive Director.
☐ **Monthly:** Executive Directors report **high** and **extreme** risks to the Executive Management Team (EMT).
☐ **Quarterly:** EMT report **high** and **extreme strategic** risks to the Audit and Risk Committee.

E) Recording: All risk management reports, registers or correspondence relating to risk should be recorded in line with the State Records Act 2000.