

# Risk Management

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## Risk Management

### General

1. The Shire of Broome (SoB) recognises that risk management is fundamental to the organisation achieving its strategic and operational objectives, and that it plays an integral role in day-to-day management and decision making at all levels in the organisation.
2. To enable the Executive (and to a lesser extent Council) to decide on the nature and extent of the risks it is prepared to take to meet its strategic objectives, the organisation must have an appropriate risk management program to identify and manage risk on an ongoing basis. This policy sets out the organisation's approach to risk management, including its approach to identifying and managing risk, the responsibilities of the Council, management and staff within the organisation in relation to risk management, and the resources and processes dedicated to risk management. Everyone has a role to play in the management of risk within SoB, whether as a Risk Owner, a Control Owner, right down to the need for every employee to follow procedures and processes without deviation.
3. The application of effective enterprise-wide risk management practice as a part of the strategic planning and monitoring systems of an organisation ensures that investment decisions are founded on evidence-based decision making and are linked to the strategic directions of the organisation. Good risk management discipline and practice, stress tests the objectives and goals of the SoB, and are to be embedded throughout the organisation.
4. Risk management is viewed as central to SoB's management process, having relevance and linkage to the Integrated Planning and Reporting Framework (Strategic Community Plan, Corporate Business Plan, Annual Budget and associated informing strategies) performance, quality and safety.
5. Effective risk management requires Executive Management and all SoB staff to understand the business risks in their area as part of their day-to-day activities. All staff have a role in managing risk and therefore it is important that all employees of the SoB are familiar with the SoB Risk Management Program.
6. Council is committed to the effective management of risks and ensuring that sufficient resources are available to manage risks within the organisation. Those allocated responsibility for managing risks or being accountable for critical controls must ensure appropriate monitoring and reporting occurs through Council's existing management reporting and governance framework.
7. The effective management of risks plays an important role in shaping Council's strategic direction as outlined in the Council's Strategic Community Plan and thereby contributes to evidence-based decision-making and the successful delivery of Council's objectives.

## Purpose

8. The purpose of the risk management policy is to provide information and guidance regarding the management of risk to support the achievement of the strategic and operational objectives, protect staff and business assets and ensure financial sustainability.
9. This Policy provides the over-arching guidance for the SoB risk management program.
10. The Policy and the associated Risk Management Plans are aligned with AS/NZS ISO 31000 2018.

## Policy Owner, Approver and Review Requirements

11. The policy owner is the Manager Governance, Strategy & Risk, and it is to be reviewed biennially or when there is any significant change to Council's strategic environment. The Council is the Approver for the Policy.

## Why Risk Management is Important to the Shire of Broome

12. It is not possible to eliminate all risk, however organisations that actively identify and manage risks are more likely to be better prepared to respond quickly to take advantage of an opportunity or to re-focus effort when things go wrong.
13. Accordingly, risk management within SoB is about managing uncertainty and creating an environment where surprises are minimised. When our management of risk goes well it often remains unnoticed. When it fails, the consequences can be significant and high profile.
14. From a Shire of Broome perspective, effective risk management can:
  - a) Prevent loss of life/injury;
  - b) Prevent damage to reputation;
  - c) Protect assets/resources;
  - d) Manage legal liability;
  - e) Prevent disruption to SoB operations; and
  - f) Prevent financial loss, including theft and fraud.
15. Risk management will improve SoB's performance by identifying and then mitigating events/incidents that would hinder the achievement of its objectives. The management and communication of risks needs to be an integral part of existing processes and procedures to realise maximum benefit.
16. The key benefit of the application of a robust risk management program, however, is to provide decision makers with the information necessary to make **risk informed decisions**.

## Management Commitment

17. The SoB Executive is fully committed to the maintenance of an effective risk management program. In implementing this policy, the Council and Executive is committed to ensuring:
  - a) That risk management is an integral part of Council planning and decision-making processes.

- b) There is a consistent approach to the management of risks across SoB.
  - c) Clear roles, responsibilities and accountabilities are defined.
  - d) All staff with risk management roles and responsibilities are provided with the necessary authority to undertake these responsibilities.
  - e) All staff with risk management roles and responsibilities are provided with the necessary skills to undertake these responsibilities.
  - f) The resources necessary to achieve the policy outcomes are allocated.
  - g) Communication within SoB's stakeholder community in relation to the identification and management of risk is promoted and encouraged.
  - h) We are honest with ourselves and with others in relation to the risk exposures and challenges faced by SoB.
18. We also accept that, on occasions, even with sound risk management practices, things may go wrong. On such occasions, we will take the opportunity to review the reasons for the failure and endeavour to further strengthen controls to reduce the likelihood of a reoccurrence.
19. In making this commitment, Council will be well placed to meet our vision and will ensure the credibility and reputation of the organisation within our stakeholder community is of the highest order.

## Approach

20. The approach taken by SoB is to centralise the management of strategic and enterprise (operational) risks in order to ensure they are managed holistically, that there are no control gaps, and that duplication is significantly reduced.
21. There will be three distinct areas of focus for the Risk Management Program within SoB, as shown in the diagram below:



22. This Policy covers all these areas of focus.
23. The development and implementation of the risk management program will contribute significantly to the effective governance of SoB. The visibility of risks will provide the Council with a detailed understanding of the SoB risk profile and will assist greatly in decision making.
24. By taking a prudent but positive approach to risk management it will enable the SoB to improve services to the community, improve identification of opportunities as well as threats and vulnerabilities and improve our organisational resilience, operational effectiveness and efficiency.
25. The effective implementation and ongoing maintenance of the risk management program, therefore, requires commitment and leadership from all levels of management within SoB. Council's expectation is that this commitment and leadership will be provided.

## Strategic Risk

26. Strategic Risks are defined in the context of SoB as risks where the causes/ contributing factors are outside the control of Council but, if they were to occur, they may be serious enough to require a revision of the Shire's Strategic Community Plan.

## Enterprise (Operational Risk)

27. Enterprise (Operational) Risks are those where the causes are either inside or outside the control of SoB, but, if they occur, they will impact on the achievement of the current Strategic Community Plan and Corporate Business Plan strategies.
28. The most important point to note is that there is no such thing as a safety risk, or a reputation risk, or a financial risk etc. they are just risks. These risks, if they materialise, will have multiple consequences, so categorising them as either one type of risk or another significantly detracts from the ability to manage these risks holistically.
29. To that end, there will be no separate risk management plans, or registers, for different "categories" of operational risk (e.g. safety, fraud, IT etc). All enterprise risks will be managed centrally in one register.

## Project Risk

30. The management of risk in Projects requires a unique approach, given the significant difference in context. The assessment of project risk requires consideration of schedule, cost and performance within the context of the project so, utilising the enterprise risk context (e.g. Consequence Matrix) is not appropriate.
31. There will, however, be inputs to the management of Enterprise Risks from Projects.

## Goal and Sub-goals

### Goal

32. The goal of the risk management program within SoB is:

***To ensure that the risks facing Shire of Broome are appropriately managed in order to:***

- ***protect the interests of the organisation and its many stakeholders;***
- ***assist in the decision-making process; and***
- ***minimise disruption to critical business functions***

33. This goal is further divided into sub-goals.

### Sub-Goals

34. As this Policy is incorporating a range of risk environments, the following are the sub-goals for the risk management program within SoB:
  - a) To ensure that SoB is, where possible, protected and/or prepared from threats arising from the external environment.

- b) To maintain a working environment for all employees, contractors and visitors that minimises the risks to their health and safety.
- c) To prevent fraud where possible, detect fraud as early as practicable and when discovered, demonstrate a zero tolerance to fraudulent behaviour through appropriate response.
- d) To protect the information, systems and assets that support the operations of SoB.
- e) To ensure organisational resilience through the maintenance of critical business functions during and after disruption related events.
- f) To ensure that all information provided to critical stakeholders is accurate, complete and provided in a timely manner.
- g) To ensure all Projects delivered by SoB are safe and fit for their intended purpose.
- h) To ensure that SoB operations do not adversely affect the environment.

## Application

35. This Risk Management Policy applies to all SoB activities, including:
- a) When conducting any planning activity (strategic, operational or project);
  - b) When assessing specific work health and safety implications or concerns;
  - c) When assessing and managing fraud;
  - d) When conducting significant procurement activities;
  - e) When undertaking business continuity and disaster recovery planning; and
  - f) When assessing protective security requirements.
36. This Policy must be read in conjunction with the applicable SoB Risk Management Plans.

## Policy Statements

37. The following policy statements are to be adhered to by all SoB personnel with roles and responsibilities in the SoB risk management program:
- a) Risk is to be considered in any planning process undertaken within SoB.
  - b) The criteria to be used for risk assessments are those detailed in the applicable SoB Risk Management Plan. These plans supersede any risk plans that have been developed previously.
  - c) Accountability for activities within the SoB Risk Management Program will be allocated to those with the levels of authority necessary for decision making.
  - d) All SoB risks are to be recorded and updated within SoB's centralised risk register.
  - e) All personnel with roles and responsibilities within the Risk Management Program are to receive appropriate training
  - f) Those allocated responsibility for managing risks or being accountable for critical controls are to establish and maintain appropriate monitoring and reporting mechanisms.
  - g) Risks are to be reported to the Audit and Risk Committee and the Council quarterly in accordance with the templates within the applicable Risk Management Plan.
  - h) Adjustments to the risk register, including addition of risks, removal of risks and/or changes to risk level are to be endorsed by the Audit and Risk Committee prior to being submitted for approval by the Council.

38. By implementing these policy statements, Council will have a much greater chance of achieving the objectives captured in the Strategic Community Plan. Furthermore, it will provide the Council with visibility of the entire SoB risk profile.

## Measuring Adherence to the Policy

39. The following are the performance measures for this policy:

Policy Requirement	Performance Measure	KPI/Target	Data Gathering
Risk is to be considered in any planning process undertaken within SoB.	% of planning activities where risk has been considered and documented in planning documents	100%	Review of plans completed for SoB planning activities
The criteria to be used for risk assessments are those detailed in SoB Risk Management Plans, which supersedes <b>all</b> risk plans that have been developed previously.	% of risk assessments conducted utilising criteria detailed in the Risk Management Plans.	100%	Review of risk assessments completed for SoB activities for alignment to the Risk Management Plans.
Accountability for activities within the Risk Management Plans will be allocated to those with the levels of authority necessary for decision making.	% of personnel assigned roles and responsibilities within the Risk Management Plans that have the necessary level of authority/delegation to undertake the role	100%	Comparison of authority and delegations against accountabilities
All SoB risks are to be recorded and updated within SoB's centralised risk register.	Number of risk registers being used within Departments outside of the centralised risk register	0	Data mining for risk registers across SoB
All personnel with roles and responsibilities within the Risk Management Plans are to receive appropriate training	% of staff with responsibilities within the risk management plans that have received training	100%	Personnel database
Those allocated responsibility for managing risks or being accountable for critical controls are to establish and maintain appropriate monitoring and reporting mechanisms.	% of risks and critical controls with established monitoring and reporting mechanisms	100%	Review of control assurance activities
Risks are to be reported to the Council quarterly using the format specified in the Risk Management Plans.	% of Council reports that include reports on the status of risks	100%	Review of Council Reports
	% of Council reports that are presented in accordance with the format provided in the Risk Management Plans	100%	

Policy Requirement	Performance Measure	KPI/ Target	Data Gathering
Adjustments to the risk register, including addition of risks, removal of risks and/or changes to risk level are to be endorsed by the Audit and Risk Committee prior to being approved by the Council.	% of changes to the risk register that have been endorsed by the appropriate authority	100%	Review of changes to risk register against authorisation

## Measurement of Performance of the Risk Management Program

40. The performance of the risk management program will be measured against three distinct criteria:
- Compliance with this policy (as detailed above);
  - Maturity of the risk management program; and
  - The contribution risk management is making to the achievement of SoB's objectives detailed in the Strategic Community Plan.
41. The full detail of the performance measures for the risk management program are detailed in the applicable Risk Management Plan.

## Roles and Responsibilities for Risk Management within the Council

42. The following is a broad overview of the roles and responsibilities for the governance of the risk management program. Detailed roles and responsibilities relating to the management of risks are contained within SoB's Risk Management Plans.

<b>Council</b>	<p>The Council is ultimately accountable for the management of the risk exposures within SoB. Specifically, the Council:</p> <ul style="list-style-type: none"> <li>Define Council's risk appetite</li> <li>Establish Council's risk criteria</li> <li>Manage strategic risks and review actions to address risks</li> <li>Promote a risk management culture within Council</li> </ul>
<b>Audit and Risk Committee</b>	<p>The Audit and Risk Committee is to:</p> <ul style="list-style-type: none"> <li>Review the effectiveness of the SoB risk management program</li> <li>Regularly monitor risks as part of a standing item on the consideration of governance issues</li> <li>Monitor performance of the program against established KPI's</li> <li>Monitor the effectiveness of critical controls</li> <li>Provide reports to the Council on audit findings and ensure any recommendations are implemented where agreed</li> </ul>

## Associated Documents (Under Development)

43. The following are the associated documents that should be read in conjunction with this Policy:
- Shire of Broome Risk Management Plan – Strategic Risks
  - Shire of Broome Risk Management Plan – Enterprise (Operational) Risks
  - Shire of Broome Risk Management Plan – Project Risks

- d) Shire of Broome Strategic Risk Register
- e) Shire of Broome Enterprise Risk Register

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