RISK MANAGEMENT POLICY

Responsible Department:	Corporate and Commercial Services
Responsible Section:	Governance and Risk
Responsible Officer:	Manager Governance and Risk

Objective

- The purpose of this policy is to express council's commitment to implementing organisation-wide risk management principles, systems and processes that ensure the consistent, efficient and effective assessment of risk in all council's planning, decision making and operational processes.
- This Risk Management Policy communicates Council's commitment to managing enterprise-wide risks and establish clear responsibilities to ensure that all levels of Council, management and staff are aware of and responsible for the management of risk.

Scope

This policy applies to all Council officials, including elected representatives (Councillors) and / or Administrators, staff, contractors and volunteers across all Council activities and processes.

Introduction

- The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives.
- Narrabri Shire Council understands that large, unmitigated risks can adversely impact its stakeholders and its ability to achieve strategic, operational, financial and regulatory objectives.
- Risk management involves coordinated activities to direct and control the organisation with regard to risk. It is a systematic process that involves establishing the context of risk management, identifying risks, analysing risks, addressing risks, monitoring risks and communication and consultation.
- Risk management explicitly addresses uncertainty but, whilst it is based on the best available information, does not eliminate all risk. The application of risk management thinking, principles and practices aims to help Council deliver quality services, improve decision-making, set priorities for competing demands/resources, minimise the impact of adversity and loss, ensure regulatory compliance and support the achievement of objectives.
- Managing risk is based on the principles, framework and process outlined in AS ISO 31000:2018. Some of these components already exist within Council, however, they need to be adapted and improved so that managing risk is efficient, effective and consistent.

Policy

1. Mandate and Commitment

1.1. Narrabri Shire Council is committed to the formal, systematic, structured and proactive management of risks across the organisation.

1.2. Council recognises that whilst risk is inherent in all its activities, the management of risk is good business practice, creates value, is integral to sound corporate governance and in some instances, a mandatory legal requirement. In particular, effective risk management can lead to better decision-making and planning as well as better identification of opportunities and threats.
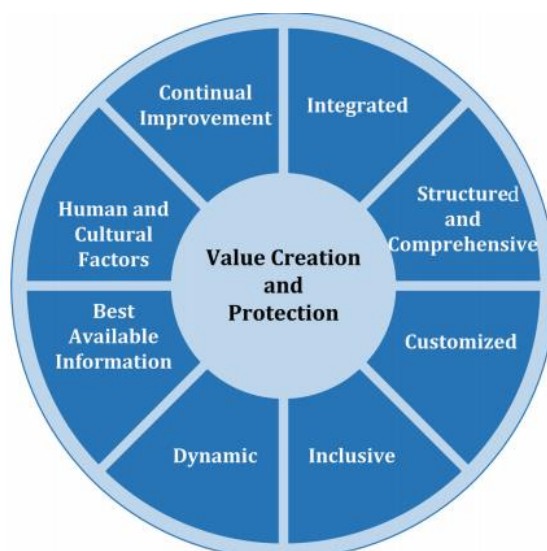
2. Risk Management Framework

2.1. Council provides critical services and infrastructure to the Community and its visitors to Narrabri Shire. Council also has service agreements and contractual obligations with government and non-government agencies and organisations and has its own strategic goals and objectives that it seeks to achieve on behalf of the Narrabri Shire community.

2.2. It is therefore incumbent on council to understand the internal and external risks that may impact the delivery of these services, contracts and strategic objectives and have processes in place to identify, mitigate, manage and monitor those risks to ensure the best outcome for council, staff and the community. It is also our responsibility to ensure the efficient, effective and ethical use of resources and services by ratepayers, residents, staff and visitors.

2.3. Council has developed a risk management framework consistent with AS ISO 31000:2018 to assist it to identify, treat, monitor and review all risks to its operations and strategic objectives and apply appropriate internal controls.

2.4. Council is committed to the principles, framework and process of managing risk as outlined in AS ISO 31000:2018 and commits to fully integrating risk management within the council and applying it to all decision-making, functions, services and activities of the council in accordance with our statutory requirements.

2.5. The principles outlined in AS ISO 31000:2018 below, provide guidance on the characteristics of effective and efficient risk management, communicating its value and explaining its intention and purpose. The principles are the foundation for managing risk and were considered when establishing the organisation's risk management framework and processes:

2.6. Council's risk management framework is a set of components that provides the foundations and organisational arrangements for designing, implementing, monitoring reviewing, and continually improving risk management throughout the organisation. The framework is based on the components outlined in AS ISO 31000:2018 below, that provided guidance on its characteristics:

2.7. Council is committed to maintaining an effective, efficient and tailored risk management framework that consists of:

(a) this policy;
(b) a risk management procedure;
(c) an annual risk management program;
(d) supporting policies that complement risk management such as fraud prevention, business continuity management, WH&S management systems and code of conduct;
(e) allocation of risk management responsibilities through relevant position descriptions;
(f) identifying and monitoring risks within the selected risk management computer system; and
(g) reporting risk status and effectiveness of controls to the Audit, Risk and Improvement Committee.

2.8. The framework will enable:

(a) a formal, structured approach to risk management that is appropriate to Council's activities and operating environment; and
(b) a risk management approach consistent with the principles of AS ISO 31000:2018.

3. Risk Appetite

3.1. Risk appetite is the amount and type of risk that Council is prepared to tolerate or accept in the pursuit of our objectives. It is expressed in the form of a risk appetite statement which covers a number of critical risk categories.

3.2. Council generally has no appetite for risks which are assessed as **Extreme** or **High** risks as defined in the related document *Risk Management Procedures*. In particular Council has no appetite for risks which will:

(a) have a significant negative impact on Council's long term financial sustainability result in major breaches of legislative requirements and/or significant successful litigation against Council;
(b) compromise the safety and welfare of staff, contractors and/or members of the community;
(c) cause significant and irreparable damage to the environment;
(d) result in major disruption to the delivery of key Council services;
(e) result in widespread and sustained damage to Council's reputation; and
(f) have a significant impact on Council's ability to recruit and retain staff.

3.3. Council provides critical services and infrastructure to the residents, ratepayers and visitors to Narrabri Shire. Council also has service agreements and contractual obligations with government and non-government agencies and organisations and has its own strategic goals and objectives that it seeks to achieve on behalf of the Narrabri Shire community. In order to provide these services Council must accept and take some level of risk. Council therefore has a **Medium** appetite for risks which need to be taken in order to:

(a) improve efficiency, reduce costs and/or generate additional sources of income; and
(b) maintain and, where necessary, improve/deliver improved levels of service to the community.

3.4. The level of risk that is acceptable will be assessed and determined on a case-by-case basis. The Risk Appetite table that follows provides an overall expression of Council's risk appetite. Council's risk appetite will be regularly reviewed and updated as required (at least annually).

Table 1: Council's current risk appetite statement is provided below:

Risk Category	Generally Within Risk Appetite	Generally Outside of Risk Appetite
Environmental Risks	Risk of minor and/or short-term environmental impact necessary in order to achieve Council's key objectives. Council has a medium appetite for managed risks associated with decisions that promote ecologically sustainable development.	**Risks which may have significant long term negative environmental consequences.** **Council has no appetite for risks which will cause significant and irreparable damage to the environment.**
Workplace Health and Safety Risks	Whilst Council will attempt to avoid or control all safety hazards as far as reasonably practicable it is acknowledged that minor incidents or injuries may occur in the course of undertaking normal business activities.	**Known and avoidable risks that could result in lost time injuries or illness or risks that have a long-term impact on staff health, wellbeing or morale.**
Strategic Risks	Risks that may result in the need for minor re-prioritisation of resources to enable objectives to be achieved. Council has a medium appetite in terms of the operational risk associated with the implementation of change and key strategic plans.	**Risks that may result in Council's ongoing viability being brought into question or multiple key objectives not being achieved.**

Risk Category	Generally Within Risk Appetite	Generally Outside of Risk Appetite
Compliance and Regulation	Nil.	**The Council recognises the need to place high importance on compliance and regulation and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.** **Council has no appetite for risks of non-compliance with legal, professional and regulatory requirements.**
Financial Risks	Calculated financial risks to deliver important infrastructure or improve service delivery that do not place Council's long term financial sustainability at risk.	**Council has no appetite for decisions which may have a significant negative impact on Council's long term financial sustainability or are highly speculative.** **Council has no appetite for risks of internal fraud, collusion, theft and associated losses and reputational damage.** **Council has no appetite for decisions that would cause council to become unable to pay its debts as and when they fall due.**
Human Resources	Minor unforeseeable or unpreventable incidents or issues that arise from dealing with a diverse workforce. Short term pressure on staff due to elevated turnover. Council has a low appetite for risks arising from inadequately trained staff or failed internal processes. Council recognises that its staff are critical to achieving its objectives and therefore the support and development of staff is key to making Council an inspiring and safe place to work. Council has a medium appetite for risks associated with decisions that involve staffing or culture to support transformational change and ensure Council's processes are continually improving.	**Reasonably foreseeable serious and preventable issues.** **Insufficient staff numbers or capabilities to provide critical services** **Council has no appetite for risks compromising staff safety and welfare.** **Council has no appetite for risks significantly impairing its ability to recruit and retain quality staff.**

Risk Category	Generally Within Risk Appetite	Generally Outside of Risk Appetite
Operational Activities	Risks that may result in minor disruption to critical Council services (less than 2 days) or short-term disruption to less critical services (less than 10 days). Council has a low appetite for operational risks arising from failure to meet customer commitments and/or suitability of advice. Council has a low appetite for third party partner (contractors) failure. Council has medium appetite for managed risks associated with improvements to service delivery. Council has a medium appetite for managed risks associated with improved efficiency of Council operations.	**Risks that disrupt critical Council services for beyond 2 days or less critical services beyond 10 days**
Reputational	Localised, short term negative publicity as a consequence of making decisions in an environment where there are competing priorities and interests.	**Long term sustained negative publicity that damages Council's reputation and takes a long time to repair.** **Council has no appetite for reputational risks associated with any form of official misconduct or criminal conduct.**
Public Safety and Wellbeing	Risks that result in some inconvenience to the community that is necessary in order to achieve Council's key objectives.	**Risks that may lead to serious loss, injury or illness to third parties.**
Information	Short term outages outside of Council's control.	**Council has no appetite for information and data security and/or privacy breaches.**

4. Implementing Risk Management

4.1. Council is committed to ensuring that a strong risk management culture exists where employees are risk aware, understand the consequences of their decisions and are confident to raise issues when necessary. In doing so Council will develop and maintain a risk management plan that:

(a) aligns risk management processes to Council's existing planning and operational processes;
(b) allocates sufficient funding and resources to risk management activities;
(c) provides staff with appropriate training in risk management principles;
(d) assigns clear responsibilities to staff at all levels for managing risk;
(e) embeds key controls to manage risks into business processes;
(f) establishes appropriate mechanisms for measuring and reporting risk management performance;
(g) communicates risk management policies, plans and issues to staff and other stakeholders;
(h) takes human and cultural factors into account; and
(i) is dynamic, iterative and facilitates continual improvement.

4.2. Procedures that support this policy, may be approved by the General Manager from time to time.

5. Policy implementation

5.1. Policy responsibilities:

(a) **Council** is ultimately responsible for adopting and committing to this risk management policy, identifying and monitoring emerging risks and fully considering risk management issues contained in Council reports.

(b) The **General Manager** is responsible for leading the development of an enterprise risk management culture across the organisation and ensuring that the Risk Management Policy and Plan are being effectively implemented.

(c) The **Audit Risk & Improvement Committee** is responsible to review and advise Council as to whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud and theft.

(d) The **Director Planning, Strategy and People** is the Risk Champion responsible for establishing the process for the management of risk throughout the Council.

(e) The **Manager Governance and Risk** is responsible for the provision of advice and service assistance to all areas on all risk management matters.

(f) The **Risk Coordinator** is responsible for providing independent assurance with respect to the effectiveness of the enterprise risk management framework and internal control.

(g) **Directors** are responsible for ensuring that the Risk Management Policy and Plan are being effectively implemented within their areas of responsibility.

(h) **Managers** at all levels, are the risk owners and are required to create an environment where the management of risk is accepted as the personal responsibility of all staff, volunteers, and contractors. Managers are accountable for the implementation and maintenance of sound risk management processes and structures within their area of responsibility in conformity with Council's risk management framework.

(i) **All staff** are required to always act in a manner which does not place at risk the health and safety of themselves or any other person in the workplace. Staff are responsible and accountable to be risk aware and for taking practical steps to minimise Council's exposure to risks including contractual, legal and professional liability in so far as is reasonably practicable within their area of activity and responsibility.

6. Training

6.1. Council's aim is to embed the principles of risk management into all training sessions and work with training providers to develop content that is tailored to the needs of the organisation.

6.2. All staff will receive basic risk management awareness training. Managers may extend this training to include key staff where these staff members have a role which includes managing risk. Managers should identify (ideally through the performance management process) those staff responsible for managing risks rated "High" and "Extreme" and ensure they receive training in managing risk appropriate to the severity of the risk being managed. Staff refresher courses will be identified and undertaken as required.

7. Review

7.1. Council is committed to continually improving its ability to manage risk. Council will review this policy and its risk management framework at least annually to ensure it continues to meet the requirements of the *Local Government Act 1993*, *Local Government (General) Regulation 2021*, and Council's requirements.

7.2. The General Manager and Director Planning, Strategy and People may approve non-significant and/or minor editorial amendments to this document that do not change the policy substance.

Related Documents

- AS ISO 31000:2018 Risk management - Guidelines
- Narrabri Council Risk Management Procedures
- Statement of Business Ethics Policy
- Privacy Management Policy
- Internal Management Reporting – Public Interest Disclosure Policy and Procedures
- Gifts and Benefits Policy
- Fraud and Corruption Policy
- Code of Conduct Policy

History

Minute Number	Meeting Date	Description of Change
181/2022	June 28, 2022	Adopted