



## Risk Management

Department/Unit	Governance & Risk	First Implemented	25 June 2019	Review Date	November 2027
Origin	Coordinator Governance & Risk	Reviewed	October 2023	Version	2
Authorising Officer	Endorsement by Council	Effective From	28 November 2023	TRIM Reference	E6104

### Purpose

The purpose of this procedure is to outline Mansfield Shire Council's (Council) overall intention and direction in relation to risk management. This document is intended to provide direction to staff in the management, identification, assessment and report of risk.

### Scope

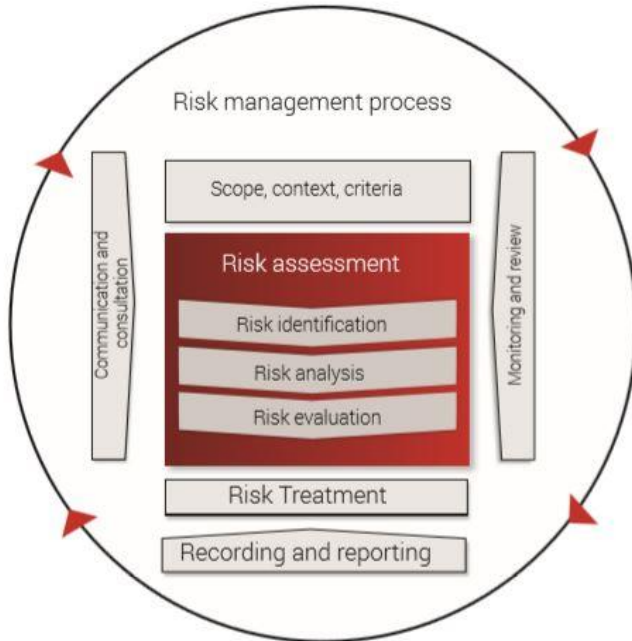
The following procedures are designed to ensure that all decisions relating to this policy are made in a consistent and open manner.

The international standards emphasise that for risk management to be effective it is important the risk management process is:

- ▶ Value creating
- ▶ An integral part of organisational processes
- ▶ Part of the decision-making process
- ▶ Systematic, structured and timely
- ▶ Able to address uncertainty
- ▶ Based on the best available information
- ▶ Tailored
- ▶ Transparent and inclusive
- ▶ Takes human and cultural factors into account
- ▶ Dynamic, repetitive and responsive to change
- ▶ Facilitates continual improvement and enhancement of the organisation

## Procedure

### 1. Risk Management Process



#### 1.1 Scope, Context, Criteria

Risks are categorised as either strategic, operational or project based – where the “Risk” is defined in terms of the **effect of uncertainty on objectives** as defined in the policy statement. The diagram below gives some examples of risks based on external and internal context.

External Context		Internal Context
<ul style="list-style-type: none"> <li>Economic conditions</li> <li>Ratepayer issues</li> <li>Political conditions</li> <li>Growth of Shire</li> <li>Funding</li> <li>Other agencies</li> </ul>	<p><b>Strategic Risks</b></p> <p>These are the risks associated with long term Council or Department objectives.</p> <p>May be identified from the Council Plan</p>	<ul style="list-style-type: none"> <li>Culture</li> <li>Structure</li> <li>Governance requirements</li> <li>Strategies &amp; Policies</li> <li>Systems</li> <li>Growth</li> </ul>
<ul style="list-style-type: none"> <li>Perception of ratepayers</li> <li>Reputation</li> <li>Councillor performance</li> </ul>	<p><b>Operational Risks</b></p> <p>These are the risks associated with normal business functions of Council Departments</p> <p>Maybe identified from Business Plans</p>	<ul style="list-style-type: none"> <li>Budget</li> <li>Skilled resources</li> <li>Processes</li> <li>Support services</li> <li>Compliance</li> </ul>
<ul style="list-style-type: none"> <li>Reputation</li> <li>Contractual</li> <li>Feasibility</li> <li>Economic</li> </ul>	<p><b>Project Risks</b></p> <p>These risks are associated with specific projects or undertakings made by Council. Any project will go through a life cycle incorporating conception, planning, scoping, contracting, design, construction, testing/commissioning, handover and operation. Project risks exist at every stage, and they need to be identified and managed.</p>	<ul style="list-style-type: none"> <li>Budget</li> <li>Project Management Skills</li> <li>Contract Management</li> <li>Processes</li> </ul>

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The context in which a risk exists is important particularly considering the relationship, perceptions and values of stakeholders as this shapes the risk appetite of the organisation.

### 1.1.1 External Context

Mansfield Shire is experiencing a period of growth and this is forecast to continue across areas such as population, residential property, property values and the general economy.

Ongoing residential subdivisions continue to increase Council's asset base as road and drainage infrastructure is handed over, and the volume of services required to new properties for waste and other services will continue to increase.

Council will continue to develop strategic plans for growth including:

- ▶ Open space
- ▶ Planning scheme reviews
- ▶ Road and infrastructure management
- ▶ Economic development

A popular retirement area, the Mansfield Shire's aged resident population is expected to continue to grow, putting pressure on aged services. Funding models and the availability of alternate service providers will be key factors in determining the level of services that continue to be delivered by Council in this area.

The demographics of the growth in each area of the Shire will be a driver for Council's future objectives. The funding sourced for the infrastructure and operational requirements for this growth will also be an influence in future plans. This will affect the Council plan and particularly the strategic risks of the organisation.

### 1.1.2 Internal Context

Local Government is a complex, multi business enterprise that has constant conflicts in allocating limited resources to build/maintain infrastructure and deliver community programs. In many instances, the community expectations are higher than what can be delivered. Internally risks in a strategic, operational and project context are driven in a finite funding environment with some ability to generate additional funding through government grants.

## 1.2 Risk Assessment

### 1.2.1 Risk Identification

Risks identified are documented in the Risk Register and ranked based on consequence and the likelihood of the consequence occurring. It is important when documenting a risk to identify what uncertainty exists (i.e. the event), the cause of this uncertainty and the effect of this event on objectives. In general, this will influence objectives around an aspect from the following areas:

- ▶ Reputational – impact to reputation or image or a perception in the wider community or to other Councils or to stakeholders of Council
- ▶ Outcome – the objective is specifically around the provision of a service, an output, its quality or timeliness of delivering this outcome.

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- ▶ Asset management – the impact is on the ability of the Council to ensure suitable, maintainable and sustainable assets are available into the future.
- ▶ Project Management – projects are delivered to a quality standard, on time and with value for money.
- ▶ Financial – the monetary cost of the objective
- ▶ Governance – the potential for a penalty if not compliant to a regulatory requirement (e.g. the Local Government Act or the OHS Act).
- ▶ People – safety, psychological wellbeing or social, physical or mental health impact of the objective, or the influence of people resources on the objective.
- ▶ Environment – impact on flora, fauna, air quality, water quality or land impact.
- ▶ Risk taking – the potential that being averse to risk-taking will impact of the future objectives of the Council..

Generally, it is best to align the risk with the aspect where it has the most impact. This means that the aspect which has the highest consequence and is most likely will influence the level of risk determined from the risk matrix.

### 1.2.2 Risk Analysis

There are five levels of consequence identified which are ranked from 1 to 5 based on whether the outcome of interaction is Negligible, Minor, Moderate, Major or Critical. Similarly, there are 5 levels of likelihood which vary from A to E with Certain, Likely, Possible, Unlikely and Rare as the categories. A matrix leads to the identification of the risk as Low, Medium, High and Very High. Additionally each cell in the matrix has a number representing the risk score. This number helps differentiate different risks within the one rank and can assist in prioritising the order in which risks should be addressed

Likelihood scales	Guidance: Likelihood of occurring within the risk realisation period taking into account existing controls
Almost certain	Will occur in most circumstances with a high level of known incidents recorded / experienced
Likely	Could occur in most circumstances with regular incidents known recorded / experienced
Possible	Might occur at some time with occasional yet random incidents recorded / experienced
Unlikely	Could occur at some time with a few infrequent yet random incidents recorded / experienced
Rare	May occur only in exceptional circumstances incidents are highly unheard of recorded / experienced

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## 1.2.3 Risk Evaluation

Based on the outcomes of the risk analysis, the purpose of risk evaluation is to decide:

- ▶ whether a risk needs treatment
- ▶ whether an activity should be undertaken
- ▶ priorities for treatment.

Ultimately the decision as to whether a risk requires treatment and the level of priority assigned to treatment rests with where the risk sits within the Risk Matrix below:

## Risk Matrix

Consequence	Likelihood				
	A Certain	B Likely	C Possible	D Unlikely	E Rare
1. Negligible	M	M	L	L	L
2. Minor	H	M	M	L	L
3. Moderate	H	H	M	M	L
4. Major	E	H	H	M	M
5. Critical	E	E	H	H	M

## Risk Evaluation

Risk Level	Level of priority assigned to Risk Evaluation
<b>E</b>	Activities with a residual risk rating of <b>Extreme</b> are unacceptable and should cease until suitable controls are put in place to lower the risk, or CEO approval is obtained. If CEO approval is given, Council is to be informed of the extreme risk.
<b>H</b>	Activities with a residual risk rating of <b>High</b> require authorisation by Senior Executive staff. The activity must be aligned with the Council Plan. Senior Executive staff will closely monitor the activity with clearly defined responsibilities for the relevant department.
<b>M</b>	Activities with a residual risk rating of <b>Medium</b> are acceptable with manager approval or documented knowledge.
<b>L</b>	Activities with a residual risk rating of <b>Low</b> are acceptable subject to routine management of controls.

### 1.3 Risk Treatment


Once a risk is identified, there are three treatment options to be considered. Selection of the treatment will depend on the risk appetite and whether continuing with the activity or program is acceptable to Council.

Risk Treatment Options	
Treat the Risk	Evaluate the risk versus benefit in pursuing an opportunity. Reduce the probability of a risk occurring. Reduce the severity of the impact the risk may create. Involve other stakeholders. Insure against negative outcomes. Implement controls.
Tolerate the Risk	In the context in which the risk exists it is considered to be acceptable to Council.
Shift the Risk	Engage a specialist to continue the service. Remove the risk source. Don't start or continue with the activity or program.

The level of risk, the available controls (and resources to provide these) and the effectiveness of the controls may influence the treatment option selected.

In considering a control it is best to look at the effectiveness of the control. Controls where exposure to a risk is eliminated are better than a procedural or administrative control.

This is represented in the following table:

Hierarchy of Control - Interventions identified may be a mixture of the hierarchy in order to provide as low as reasonably practicable (ALARP) exposure.		
 <p>Most effective</p> <p>Least effective</p>	<b>Elimination</b>	Eliminate the risk by preventing exposure to the consequence. Redesign the process to eliminate the risk.
	<b>Substitution</b>	Provide an alternative that can provide the same outcome but is less risk.
	<b>Engineering Controls</b>	Provide or construct a physical barrier or guard.
	<b>Administrative Controls (also known as Procedural Control)</b>	Develop policies, procedures practices or guidelines in consultation with employees to mitigate the risk. Provide training, instruction and supervision about the risk.
	<b>Personal Protective Equipment (PPE)</b>	Personal equipment designed to protect the individual from the hazard.

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### 1.4 Recording and Reporting

Risks identified should be reported to the relevant manager and the Coordinator Governance & Risk as soon as practical after identification.

The Coordinator Governance & Risk will record the risk on the Risk Register, in accordance with these procedures and in consultation with the relevant manager.

### 1.5 Monitor and Review

Councils risk and reporting information flows are as follows:

- ▶ The Coordinator Governance & Risk will provide a Risk report including the Risk Register to the Audit and Risk Advisory Committee quarterly.
- ▶ Senior Leadership Group (SLG) will review the Risk Register quarterly.
- ▶ Executive Management Team (EMT) will review the Risk Register on an annual basis to provide strategic advice on continual improvement.

### 1.6 Communication and Consultation

It is essential that all participants and stakeholders in the activities of Council are aware of this risk management procedure and are consulted in its development, implementation and evaluation.

The focus for communicating the results of this risk management procedure includes each of the internal and external stakeholders listed below in the Council Risk Assurance Program.

#### Council Risk Assurance Program

Risk Assurance	Undertaken by	Focus Overview	Reports to
External Audit	Victorian Auditor General's Office (VAGO)	<b>Focus:</b> Reports on the organisations financial performance and position in accordance with the standing directions for the Minister of Finance under the <i>Financial Management Act 1994</i> on an annual basis together with any other relevant audits identified by VAGO from time to time.	Parliament
Internal Audit	Council appointed internal auditor	<b>Focus:</b> Independent monitoring of Council's application of internal and external policies in the management of its risks. The Internal program is developed every 3 years and its structure is determined by the outcomes of Council's Strategic Risk Register.	Audit & Risk Advisory Committee
Mandatory Compliance Audit	Auditors appointed by State Government Agency	<b>Focus:</b> Reports on Council's performance and compliance with various mandatory legal obligations applicable to both State and Commonwealth Government initiatives and programs e.g. Worksafe	Council