

LODDON SHIRE COUNCIL

RISK MANAGEMENT FRAMEWORK



LODDON
SHIRE

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Signed by Chief Executive Officer

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This document is available in alternative formats (e.g. larger font) if requested.

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1 PURPOSE

Risk management is the coordinated activities to direct and control an organisation with regard to risk – where risk¹ is defined as the effect of uncertainty on objectives.

This Risk Management Framework sets out Loddon Shire Council's risk management structures and processes for managing risk. This will ensure that risk management functions will be maintained, managed and governed on an ongoing basis and will assist Council in achieving effective organisation wide or enterprise risk management.

The framework:

- applies to all Councillors, Council staff, volunteers and contractors
- establishes the guidelines for Council to implement effective risk management
- outlines the various roles and responsibilities required to manage risk in the Council
- outlines the governance requirements to ensure the framework, procedures, and tools remain compliant with best practice at all times.

2 BUDGET IMPLICATIONS

There are no direct costs associated with this document. Internal resources are required to ensure that risk management is undertaken effectively, and effort is continuous.

3 RISK ANALYSIS

The development of this framework will ensure that Council's management of risk is documented and communicated to all stakeholders.

4 ISO 31000: INTERNATIONAL RISK MANAGEMENT GUIDELINES AND PRINCIPLES

4.1 Background

Council's Risk Management Framework includes the Risk Management Policy which outlines Council's commitment to risk management, and this framework which documents the roles and responsibilities of risk management in the organisation, opportunities for identification of risks, and the reporting structure.

The policy and framework are aligned to the International Risk Management Guidelines and Principles (ISO 31000). ISO 31000 documents the principles, framework, and processes for achieving best practice in risk management, as detailed in Figure 1.

¹ **Notes from the International Risk Management Principles and Guidelines**

Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the

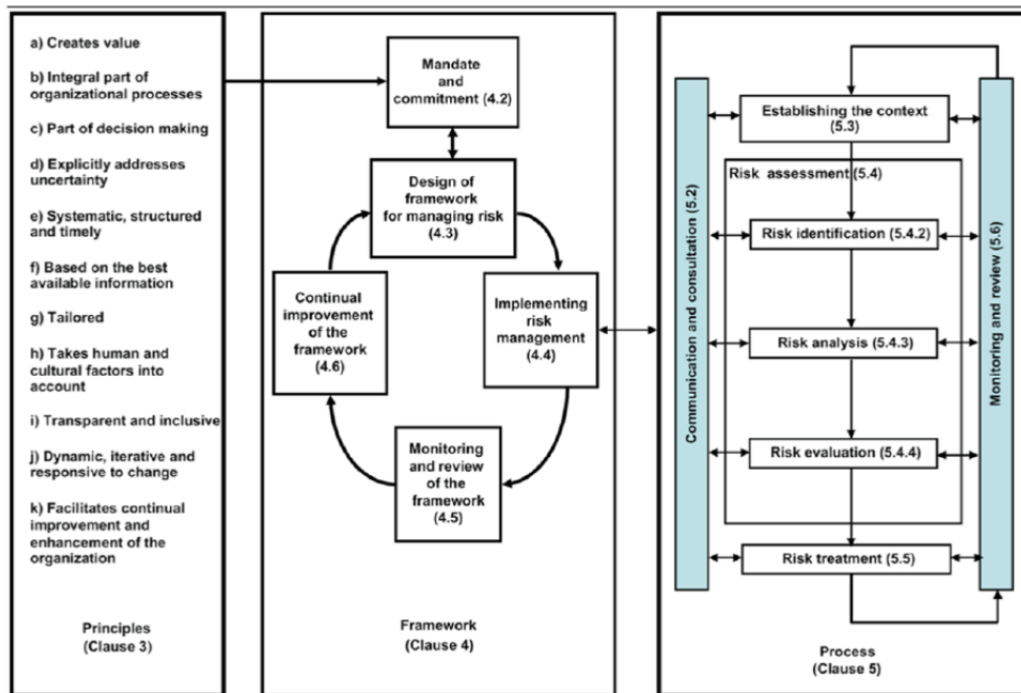


Figure 1: ISO 31000 architecture – principles, framework, and process

4.2 ISO 31000 Framework

4.2.1 Mandate and commitment

Council’s commitment to risk management is confirmed by Council’s approval of the Risk Management Policy and this framework.

Under the newly legislated Local Government Performance Reporting Framework, Council is also responsible for identifying its strategic risks, and is required to report half yearly on the progress of minimising or eliminating those risks.

Council is ultimately responsible for risk management, and discharges the day to day responsibility for risk to the staff. Risk management is fully supported and endorsed by Council’s Management Executive Group (MEG), which has an integral leadership role in the organisation.

Council’s Manager Organisational Development manages risk and occupational health and safety for the Council.

4.2.2 Implementing risk management

The Risk Management Committee has the responsibility to promote a culture of Risk Management throughout the Council by:

- actively progressing the treatment of risks identified in Risk Register
- embedding a risk management culture across the organisation
- providing strategic advice on continual improvement of the management of risk.

4.2.3 Monitoring and review of the framework

The Audit Committee will:

- monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems to ensure the Risk Management Framework is aligned with ISO 31000
- facilitate reviews of all or any parts of Council's Risk Management Framework in order to validate the extent of compliance with this policy on an "as deemed necessary" basis.

4.2.4 Continual improvement of the framework

Progressive adjustment of Council's risk management practices is to be undertaken, including the documentation and recording of those practices, to achieve full alignment with this policy.

4.3 Risk Assessment Criteria

Council's risk appetite is documented in the Risk Management Policy's Risk Assessment Criteria.

The Risk Assessment Criteria, and Actions Plans attaching to the criteria, have been developed to guide evaluation of the significance of a risk and what needs to be done following that evaluation.

Council's Risk Management Policy will be reviewed regularly to ensure that the risk assessment criteria remains relevant to Council's risk appetite.

4.4 Governance

The risk management program will be:

- applied in a holistic and consistent approach throughout Council, and will consist of organisational wide plans and reporting frameworks
- updated to reflect any new services, material outsourcing arrangements, major projects and system changes
- managed by the Risk Management Committee, and monitored by the MEG.

All risk management documentation will be controlled, periodically reviewed, updated and authorised through Council's approval system.

5 ROLES AND RESPONSIBILITIES

Risk management is an integral part of an organisation's governance structure, and exists to ensure that the organisation achieves its objectives. It is therefore, aligned to performance management.

Every member of the organisation has a responsibility to manage risk.

5.1 Council

Although risk management is a day to day responsibility of the staff, as the most senior authority, risk management is the ultimate responsibility of the Council.

The reporting structure ensures that Council is provided with regular reports on risk management via the Audit Committee report which is presented to Council following each quarterly Audit Committee meeting.

Under the Local Government Performance Reporting Framework, introduced for the sector and reported for the first time in 2014-2015, Council has the responsibility of producing six-monthly

reports on strategic risks to Council's operations, their likelihood and consequence of occurring, and risk minimisation strategies.

5.2 Audit Committee

The Audit Committee is an independent advisory committee to Council. The Audit Committee Charter outlines the committee's responsibilities, of which risk management is one. Risk management factors in different sections of the Charter, including:

5.2.1 Section 4 Objectives of the committee:

- Effective management of financial and other risks and the protection of Council assets

5.2.2 Section 5.5 Duties and responsibilities:

- To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses...internal controls over significant areas of risk, including non-financial management control systems.
- Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management...Review management's response to, and actions taken as a result of the issued raised.
- Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.

A summary of every Audit Committee meeting is provided to the Council. There is a Risk Management Report on every agenda, and that report is provided as an attachment to the Council report.

This provides Council with the opportunity to discuss and identify the risks that could prohibit Council from achieving its objectives.

5.3 Risk Management Committee

In accordance with Council's Risk Management Policy, the Risk Management Committee comprises management representatives to reflect the scope of the organisation's activities and promote a culture of risk management throughout the Council by:

- actively progressing the treatment of risks identified in Council's Risk Register
- embedding a risk management culture across the organisation
- providing strategic advice on continual improvement of the management of risk.

5.4 Management Executive Group

To confirm Council's commitment to risk management, the Management Executive Group (MEG), comprising the Chief Executive Officer and four directors, are members of the Risk Management Committee.

This ensures that senior officers of Council:

- are aware of new and emerging risks
- are present when discussions around how current risks are being managed
- can provide support to other members of the Risk Management Committee around resolving risk issues
- can discuss opportunities for funding risk management initiatives required to mitigate risks should budget amount be required.

The MEG meets on a weekly basis to discuss matters that relate to the effective and efficient operation of the Council. On a monthly basis the Manager Organisational Development addresses the MEG to advise on current risk issues such as new incident reports and pending insurance claims.

5.5 Managers

As well as having risk management responsibilities in their own right, managers have the added responsibility of ensuring that their staff are aware of their risk management responsibilities and act in a safe and responsible manner.

Council's Management and Leadership Meetings have a standard risk management agenda item in which the Chair of the meeting (rotating chair) outlines a new or emerging risk in their area. This provides the opportunity for the manager to articulate his/her strategy in minimising or eliminating the risk and for others in the group to offer their advice.

This also ensures that the risk is documented in Council's Risk Register.

5.6 Manager Organisational Development

The coordination of risk management for Council lies with the Manager Organisational Development. Risk management tasks assigned to this role include:

- in consultation with Council's Risk Management Committee, administer the risk management function for Council
- coordinate Risk Management Committee meetings and ensure actions arising on Council's risk register are addressed to minimise or eliminate risks
- provide advice to management on relevant matters which expose Council to risk
- identify and implement processes required and approved by Council and its insurer to reduce risk exposure
- facilitate the update to Council's Business Continuity Plan and Disaster Recovery Plan
- provide a risk management report to Audit Committee.

5.7 Staff, contractors and volunteers

5.7.1 Staff

The induction process for staff articulates Council's commitment to provide a safe environment for staff, the community, and travelling public. To support this commitment, every Position Description developed for Council staff includes a standard risk management clause which states:

"An employee, while at work, shall:

- *ensure any issues identified as a risk to the public, contractors or members of staff are reported in accordance with Council's incident reporting procedure*
- *adhere to and assist in the continuous improvement of Council's risk management system."*

5.7.2 Contractors

Council will not engage contractors unless they have been verified through a process that includes providing certificates of currency for insurances, and depending on the level of risk associated with their activities, evidence of safety systems.

This commitment is documented in Council's Engagement of Contractors Policy which states:

“Council will not engage any contractors to perform work who have not been verified as complying with the minimum standards.

Council has introduced a hierarchy that reflects the risk associated with various types of contracting activities and assigned minimum standards for those activities.”

This provides some certainty that contractors being engaged by Council have the same level of commitment to a safe working environment, particularly as many of Council’s contractors work in the open around community and the travelling public.

5.7.3 Volunteers

Council engages volunteers for Meals on Wheels deliveries and at the Visitor Information Centre (VIC) in Wedderburn.

Every volunteer is inducted at the VIC by reference to the Loddon Visitor Information Centre Guidelines, which outline a number of aspects to volunteering, including the requirement to operate in a safe manner.

There is a similar process for volunteers undertaking the Meals on Wheels service, who are inducted by Council’s Community Wellbeing directorate staff.

5.8 Section 86 committees of management

Section 86 committees of management are committees created under Section 86 of the Local Government Act 1989. They exist to undertake functions, duties or powers on behalf of Council.

Section 86 committees are provided with an Instrument of Delegation which documents their functions, duties, or powers that they undertake on behalf of Council. Committees are advised that they must operate within their delegation to be afforded public liability protection by Council.

For those committees undertaking any functions or hiring of facilities, the delegation clearly states their responsibility to ensure third parties have the appropriate public liability insurances.

Council officers are available to meet with committees on request to provide information and support, and committees have access to a number of information sheets developed by Council to guide them in their operations and to encourage good governance. These are publicly available on Council’s website.

Development of these information sheets is ongoing as topics are raised by committees, and their existence and availability to committees assists them in operating within delegation, and effectively minimising risks to Council.

6 IDENTIFYING AND RECORDING RISKS

6.1 Identifying risks

Council has a number of processes and methods for identifying risks, which include:

6.1.1 Communication and awareness

- advice by staff to direct reports or Manager Organisational Development, which result in an incident report
- advice by community members to Council of a potential or actual risk, which may result in an incident report.

6.1.2 Meeting structure

- tool box meetings for outdoor staff
- maternal and child health staff meetings
- pre-school staff meetings
- home and community care staff in-service meetings
- Occupational Health and Safety Committee meetings
- Risk Management Committee meetings
- Management and Leadership Group meetings
- Audit Committee meetings.

6.1.3 Audits

- internal audit program, which is a risk based program focussing on new or emerging risks, identified on an annual basis, with scope to change priorities if needed
- insurance audits
- WorkSafe safety audits
- external (financial) audits.

6.2 **Recording risks**

Council subscribes to Advent Manager, a software program developed specifically for:

- recording incidents
- recording risks into the risk register, and developing corrective actions to minimise or eliminate those risks
- managing compliance obligations.

6.2.1 Incidents

Every incident report submitted to Council is documented on the system, and referred to the responsible manager for action if appropriate. The officer is notified by email when the incident is recorded.

The incident remains open until the responsible manager undertakes the appropriate action and assesses the incident as complete.

Some incidents become risks on Council's risk register if there is a chance of them reoccurring.

6.2.2 Risks

All risks identified through the various avenues are documented on the system, at which time they are assigned to a responsible officer, with a risk level based on likelihood and consequence criteria set out in Council's Risk Management Policy.

Where appropriate Corrective Action Requests (CAR) are developed to address the risk, and minimise its impact or eliminate it altogether. All CAR's remain open until the action associated has been implemented and assessed as complete.

After the CAR has been implemented, the risk is reassessed to ensure that the system accurately reflects the new risk level.

7 REPORTING STRUCTURE

Council's reporting structure has been integrated to ensure that all risk and related matters are reported to the Council, the authority ultimately responsible for risk management in the organisation.



The diagram above shows the integration, with the outer layers reporting to the inner layers, with Council being the most inner layer, and highest reporting authority.

8 COSTING AND FUNDING OF ACTIONS

This framework does not create any direct costs for Council in its own right. However, minimising or eliminating risks can incur costs, and the requirement for budget allocations to achieve this will be assessed on an ongoing basis.

9 REVIEW

The Manager Organisational Development will review this framework in conjunction with the Risk Management Policy no later than 2 years after adoption of this current version.