Risk Management Framework

Table of Contents

1   Introduction

The District Council of Cleve is committed to an integrated approach to assist in setting appropriate strategies, achieving objectives, and making informed decisions, in the best interests of the community.

Council recognises that managing risk is a part of governance and leadership, is fundamental to how the organisation is managed at all levels and will contribute to continuous improvement of its management systems.

Council's **Vision** is to be a thriving district of inclusive and supportive rural and coastal communities enjoying a safe, well serviced and relaxed country lifestyle.

The risk management process is not an isolated function and can be applied to any activity, (including decision making,) at all levels. Effective identification, analysis, evaluation and treatment of risks is critical to Council achieving its strategic goals and meeting overall community expectations.

2   Purpose

This framework outlines the requirements and processes supporting Council's Risk Management policy to create and protect value by improving performance, encouraging innovation and supporting the achievement of Council's goals.

This framework:

a) Aligns to the objectives of the policy;

b) Establishes roles and responsibilities for managing risk;

c) Documents a standardised, formal and structured process for assessment, treatment and monitoring of identified risks;

d) Encourages innovation by integrating risk management into the strategic and operational processes across all departments of Council;

e) Will assist Council in maximising its opportunities, whilst minimising any negative impacts identified during the risk management process;

f) Establishes the process for all risks outside the defined risk tolerances to be escalated to the relevant manager and additional treatment options implemented;

g) Sets out reporting protocols for relevant risk information to be provided to Council, Audit & Risk Committee, Senior Management Team and across all Council areas; and

h) Will support the development of a continuous improvement culture by integrating the risk management process into all Council functions.

3   Risk Management Principals

The Australian Standard for Risk Management - guidelines (AS ISO 31000:2018) describes risk as:

"…the effect of uncertainty (either positive, negative or both) on objectives…"

The goal is not to eliminate all risks, but rather to manage risks involved in Council's functions and services and to maximise opportunities whilst minimising potential negative exposures. AS ISO 31000:2018 is based on the following principles, which underpin this framework and guide how we manage risk across the Council:

a) Integrated - An integral part of all organisational processes

b) Part of decision-making – aids decision-makers in making informed choices and identifying the most effective course of action

c) Structured and comprehensive – contributes to efficiency and to consistent and comparable results

d) Best available information – based on historical and current information, as well as on future expectations, taking into account any limitations associated with such information and expectations

e) Customised – aligns with the internal and external context related to our goals

f) Human and cultural factors – recognises that behaviour and culture can significantly influence the achievement of goals

g) Inclusive – requires appropriate and timely involvement of stakeholders to enable their knowledge, views and perceptions to be considered

h) Dynamic – Anticipates, detects, acknowledges and responds to changes in Council's internal and external contexts that result in new risks emerging and others changing or disappearing

i) Continual improvement – learning and experience drives continuous improvement

4   Local Government Risk Services (LGRS)

From the perspective of the Local Government Sector, certain *insurable* risks have been transferred to a number of self-managed Schemes managed by Local Government Risk Services (LGRS) – via payment of an annual contribution. The Schemes are:

a. **Local Government Association Mutual Liability Scheme** (LGAMLS) for the purposes of Civil Liability coverage and claims management;

b. **Local Government Association Workers Compensation Scheme** (LGAWCS) for the purposes of worker's compensation coverage and claims management; and

c. **Local Government Asset Mutual Fund** (LGAMF) for the purposes of asset and fleet coverage and claims management.

As a member of all the above schemes and fund, Council must ensure that WHS, asset and risk management protocols are developed, endorsed and implemented across all departments.

LGRS provides Council with a range of fully funded and subsidised programs and support services to assist in managing risk across the organisation.

5 Risk Management Framework

5.1 Leadership and Commitment

Council and its Senior Management team will demonstrate leadership and commitment to ensure that risk management is integrated into all organisational activities by:

a) Developing and implementing a risk management policy, framework and supporting tools and processes;

b) Allocating appropriate resources for risk management; and

c) Assigning roles, responsibilities and accountabilities with respect to risk management and communicating these at all levels of the organisation.

5.2 Integration

This Framework includes the methods and processes Council use to manage risks and identify opportunities in every part of the organisation.

Risk Management is not just about the risk assessment process; nor is it a stand-alone discipline. In order to maximise risk management benefits and opportunities, it requires integration through Council's entire operations, as follows:
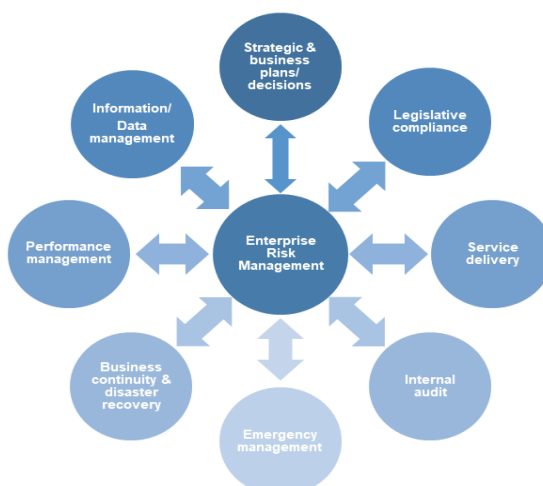
5.2.1 Enterprise Risk Management

Enterprise risk management encompasses Strategic and Operational Risk Management.

Strategic Risks are identified by reference to both the external environment and Council's Strategic Management Plan goals and are monitored by the Senior Management Team and Elected Member body, with all risk assessments captured in the Risk Register and recorded using Council's Record Management System.

Operational Risks arise from Council's day-to-day departmental functions and operations to deliver essential services. Operational risks are monitored by Council's Senior Management Team.

Project Risks are the uncertain events or conditions that have potential to impact either positively or negatively on project objectives. Project risks are monitored by the project manager and reported to the Senior Management Team and the Council, (where the project is of strategic significance.)

5.2.2 Strategic and Business Planning/Decision Making

Strategic and Business Planning (which includes long-term financial planning and annual budgeting,) must adequately consider key risks and opportunities facing the Council at in setting and pursuing its goals and the effectiveness of systems that are in place to manage and communicate those risks.

Risk Management will be integrated into Council's governance structures, including decision making. Risk assessment and management processes will be incorporated into Council and Committee reports, where there is a potential impact on the achievement of Council's goals or on the wider community.

Council members are expected to:

a) give adequate consideration to risks when setting Council's goals;

b) understand the risks facing Council in pursuit of its goals;

c) oversee the effectiveness of systems implemented by the organisation to manage risk;

d) accept only those risks that are appropriate in the context of Council's goals; and

e) consider information about such risks and make sure they are properly communicated to the appropriate stakeholder or governing body.

5.2.3 Business Continuity Plan / IT Disaster Recovery Plan

Council is obliged to ensure that critical business functions continue after a business interruption.

Council has a Business Continuity Plan (BCP), which takes into consideration reasonably foreseeable risks and their potential impact on achievement of Council's goals. The BCP is designed to manage risk by limiting or reducing the impact of a disruption, (such as severe weather event or loss of key personnel,) and to enable the resumption of critical business functions/services of Council.

Council requires its IT service provider to develop and maintain a Disaster Recovery Plan (DRP), which is intended to protect and recover Council's Information Technology infrastructure and data in the case of a disruptive event, (such as cyberattack or loss of infrastructure,) by defining actions to be taken before, during and after an event.

5.2.4 Legislative Compliance

The Local Government Act (SA) 1999 applies to the functions of Councils in South Australia, however, due to the diversity of functions and services provided by Council, a range of other Acts, Regulations and Codes of Practice and Standards also apply.

Council has implemented a Work Health and Safety (WHS) system to manage health and safety risks to workers and members of the public, in accordance with the WHS Act (SA) 2012. WHS is a critical component of the risk management system and addresses risks and hazards to workers whilst in the workplace.

5.2.5 Service Delivery

Council's risk exposures vary according to the functions, facilities and services it provides and these will inevitably change over time. Council's planning processes will address both the risks associated with provision of functions, facilities and services, (such as capacity and resources,) and risks arising from their delivery, (such as public safety and community reaction).

5.2.6 Internal Audit

Internal audit is an independent, objective assurance activity designed to add value and improve the organisation's operations. It helps Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The process of internal audit may result in the identification of new risks or more effective treatments for existing risks.

5.2.7 Emergency Management

Council plans for, and undertakes, prevention, preparedness, response and recovery activities to support its community in the event of emergencies and natural disasters. This process includes alignment and co-operation with lead agencies and other Councils in the region as well as providing information and training for workers to protect them from harm whilst responding to emergencies and natural disasters.

5.2.8 Performance Management

Both risk management and performance management start with the establishment and communication of corporate goals and objectives and development of strategies which are then cascaded throughout the organisation. Appropriate measures and reporting structures will be put in place to monitor the effectiveness of Council's risk management processes, (at an individual and organisational level), which will in turn assist in identifying gaps or emerging risks.

The performance of Council's risk management program will be measured through three distinct categories:

Measure	Frequency
Compliance with the policy and related documentation	Annual
Foreseeable risks are identified and controlled within Council's risk appetite and tolerances, where reasonably practicable	Biannual
Tangible improvement in Council's risk maturity modelling	Biennial
Achievement of at least 80% of actions in Council's risk evaluation action plan	Annual

5.2.9 Information/Data Management

Not only is it critical to the achievement of Council's objectives that it retains data and corporate knowledge, there are regulatory requirements to do so - Council must

comply with the State Records Act 1997, Commonwealth Privacy Act 1988 and Freedom of Information Act 1991.

Council's records may be vulnerable to cyberattack, malicious intent or unauthorised release, should appropriate risk mitigation strategies not be in place.

5.3 Design

5.3.1 Understanding the organisation and its context

Establishing the context involves those involved in the risk management process understanding factors internal and external to the organisation that may influence Council's ability to achieve its objectives.

Council's risk management culture, organisational structure, strategy and objectives are factors that define Council's internal context.

The external environment may include a range of factors such including (but not limited to):

a) increased legislative and compliance requirements;

b) reduced funding from State Government

c) community expectations; and

d) social, cultural, political, technological, economic, natural and built environment.

5.3.2 Roles and responsibilities

The following roles and key responsibilities ensure a transparent approach to managing risk within our Council.

Note: roles and responsibilities below refer to risk management only and the committee/position requirements in general

Roles	Responsibilities
Council	• Adopt Council's risk management policy and framework • Ensure there is a systematic and effective approach to managing risk and opportunity across Council operations, that is implemented, monitored and communicated. • Monitor Council's strategic risks and understand the risks facing Council in pursuit of its objectives. • Ensure that risk management principles are applied and risks are adequately considered when setting Council's strategies and goals and in Council's decision making process.
Audit & Risk Committee	• Review and recommend to Council that a framework that delivers a consistent approach to risk management by assigning authority, responsibility & accountability at appropriate levels within the organisation is adopted and implemented. • Review reports from Senior Management and auditors and monitor that effective risk and opportunity management controls have been implemented. • Monitor Council's strategic risks and make recommendations to Council as required.
Chief Executive Officer (CEO)	• Review the Risk Management Framework prior to the Audit & Risk Committee and adoption by Council. • Promote a strong risk management culture by providing firm and visible support for risk management including ensuring appropriate accountability for the management of risk. • Ensure a policy and framework are in place and implemented that deliver a consistent approach to risk management. • Ensure that appropriate resources are allocated to managing risk • Ensure managers have the necessary knowledge and skills to effectively fulfil their

Roles	Responsibilities
	risk management responsibilities and are accountable for risks arising from the activities of their departments. • Regularly review Council's strategic and operational risks.
Senior Management Team (SMT)	• Commitment to, and promotion of, the Policy and Framework . • Monitor Council's overall risk profile and mitigation strategies. • Ensure that risk management is embedded into all critical functions and activities. • Ensure documentation of items on the risk register and ongoing and regular reviews of the risk register including the actioning of any overdue risk treatments • Include any risk treatments into business plans. • Empower staff to actively be involved in managing risk • Promote a proactive risk culture in accordance with business management initiatives. • Regularly review risks on the risk register (at least annually). • Review Council's strategic risks.
Work Health and Safety and Risk Management Officer	• Provide guidance and assistance to all staff in relation to the application of this framework and reporting within the risk register. • Ensure relevant risk information is reported and escalated to the SMT or Audit & Risk Committee or cascaded to staff, as relevant. • Maintain the Risk Management Policy and Framework to ensure its currency and accuracy. • Maintain the risk register and timeframes as required.
Employees, Volunteers and Contractors	• Understand the risk management processes that are integrated into all Council activities. • Identify, evaluate, report and manage risks in their daily activities and projects.

5.4 Implementation

Council's risk management framework is supported by an implementation plan that includes timeframes and resource requirements and processes for engagement with, and provision of information to, stakeholders.

5.5 Evaluation

Council will undertake periodic reviews of its risk management framework and implementation plan to measure its effectiveness and to determine whether it remains suitable in supporting the achievement of its strategic and operational objectives.

5.6 Improvement

To maintain and improve the value of risk management to the organisation, Council will monitor and adapt its risk management framework, with a view to continually improve the suitability, adequacy and effectiveness of the risk management process.

6 The Risk Management Process

Having good risk management practices ensures that Council can undertake activities knowing that measures are in place to maximise the benefits and minimise the negative effect of uncertainties. Risk management involves both the management of potentially adverse effects as well as the fulfilment of potential opportunities. The risk management process is an integral part of management and decision-making and will be integrated into Council's structure, operations and processes.

The dynamic and variable nature of human behaviour and culture will be considered throughout the risk management process.

Although the risk management process is often presented as sequential, in practice it is iterative.

Risk management process
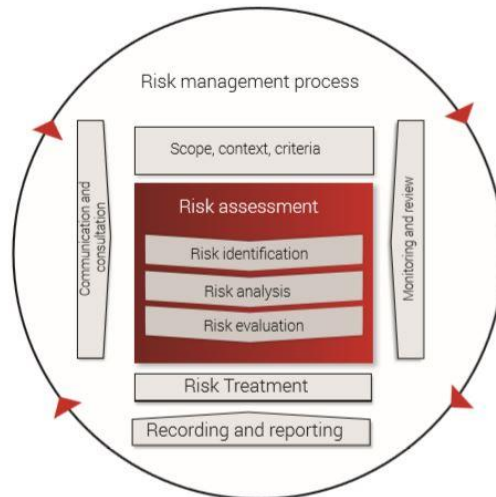
6.1 Communication and Consultation

Establishing a communication and consultation plan with internal and external stakeholders is critical to the success of the risk management process. Effective communication and consultation is essential to ensure that those responsible for implementing risk management, and those with a vested interest, understand the basis on which risk management decisions are made and why particular actions are required.

Council will engage with stakeholders throughout the risk management process to:

a) Correctly identify risks and understand context

b) Gain a better understanding of the views and interests of stakeholders and how their expectations may be managed;

c) Capitalise on the diversity of knowledge, opinions and experience to enhance identification and management of risks and opportunities; and

d) Build a sense of inclusiveness and ownership amongst stakeholders.

6.2 Scope, Context and Criteria

6.2.1 Defining the Scope

Because the risk management process is applied at different levels throughout the organisation, it is important to define the scope and its alignment with Council's goals; this should include consideration of:

a) Goals and objectives of risk management activities;

b) Proposed outcomes and timing;

c) Responsibilities and accountabilities for the risk management process;

d) Risk management methodologies;

e) Processes, activities and projects and how they may interact with other processes, activities and projects of Council;

f) How effectiveness and/or value will be measured and monitored; and

g) Availability of resources to manage risk.

6.2.2 Defining the Context

Defining the context is important because

a) Risk management takes place in the context of Council's objectives and activities; and

b) Organisational factors can be a source of risk.

The context should reflect the specific environment of the activity to which the risk management process is to be applied, and consider the factors outlined in 5.3.1.

6.2.3 Defining Risk Criteria

Risk criteria are used to evaluate the significance of risk and are reflective of Council's values, objectives and resources and the views of its stakeholders. Council's risk criteria are documented throughout this framework and its appendices.

It should be noted that, whilst risk criteria are established at the beginning of the risk management process, they are dynamic and should be continually reviewed and amended, if necessary.

6.3 Risk Assessment

6.3.1 Risk Identification

The aim of risk identification is to develop an inclusive list of events that may occur and, if they do, are likely to have an impact on the achievement of Council's goals, as stated in its Strategic Management Plans. Council identifies, assesses and treats risk in the following **three** groups:

Strategic	Risks associated with *high level* strategic goals that align to Council's Strategic, Annual and Business Plans. Strategic risks may affect the achievement of Council's corporate goals. They are key issues for the management and impinge on the whole organisation rather than a single department. These risks can be triggered from within the organisation or externally.
Operational	Risks associated with departmental functions and daily operations to deliver essential services. Often the risks are cost overruns, supply chain/logistic issues, employee issues, fraud, WHS, non-compliance to policies and procedures.
Project	Risks associated with project management that will affect milestones connected to delivering a specific project

Risk identification naturally flows on from the context discussion and is a process of formally documenting the effects of uncertainty on objectives. An effective approach to this is to engage as many stakeholders as possible in a structured identification process.

The aim is to generate a list of risks based on those impacts or events. During the identification process, there are a number of questions that need to be asked to capture the information required:

a) What might happen/what could go wrong?

b) What is the cause?

c) How does this affect the objective?

After a risk is identified, it is then captured in the risk register to support the following processes (controls, analysis).

Ownership of the risk must be due to Council action or inaction e.g., road traffic signs not replaced after an incident which Council was aware of. The process of risk identification must be comprehensive as risks not identified are by nature excluded from further analysis.

Care must be taken to identify and define risks, rather than causes or consequences.

6.3.2 Risk Analysis

Risk analysis involves developing an understanding of a risk. It provides an input to risk evaluation and to decisions on whether risks need to be treated, and the most appropriate risk treatment strategies and methods. The tables included in the appendices are Council's tools for expressing the likelihood, consequence and level of risk.

6.3.2.1 Inherent and Residual Risk

A "risk rating" can be determined by combining the estimates of effect (consequence rating) and cause (likelihood rating). The risks are to be assessed against all consequence categories; and the highest consequence rating will be used.

The first rating obtained will be the inherent risk rating which is 'the level of risk at time of risk assessment with existing current controls'. Once further and additional controls are added to reduce the risk, the risk is rated again to formulate a residual risk which is 'the level of risk remaining after risk treatment'.

6.3.2.2 Risk Appetite

The Senior Management Team, in consultation with Elected Members, are responsible for defining Council's risk appetite, taking into consideration the nature and extent of the risks Council is willing to take in order to achieve its strategic objectives.

In arriving at its risk appetite, Council will give consideration to:

a) The degree to which decision makers are permitted to expose Council to the consequences of an event or situation;

b) Aggregated and interlinked risks to determine whether the cumulative level of risk is acceptable or not;

c) Allowing for flexibility to adapt, given changing environment and circumstances to be built in; and

d) Whether risk decisions made with full consideration of potential for reward.

Council's risk appetite will be included in Council's regular monitoring and review process of its risk management policy, framework and supporting documentation.

If the assessed risk level is outside the risk appetite for that category of risk, then treatment may be required. If it is equal to, or below, the risk appetite for that category of risk, then the risk may be accepted.

6.3.3 Risk Tolerance

Not all risk types for Council are the same in terms of their acceptability. Once a risk has been analyzed, it needs to be compared with Council's tolerance levels. Tolerance can be described as the boundaries of risk taking outside of which the organisation is not willing accept in order to achieve its objectives.

If the assessed risk level is above the tolerable level for that category of risk, then the activity must cease until risk mitigation measures have been considered and controls implemented.

The tolerance level for residual risks, as based on the consequence table and specific to Council and its goals, is stated below:

Financial/Infrastructure	MEDIUM
	There is no tolerance of operational decision making that does not have a sound basis

	or unreasonably transfers the burden of asset management to future generations. There is no tolerance of decisions that have a significant negative impact on Council's long-term financial sustainability.
People	LOW There is no tolerance for compromising workers' health and safety. There is no tolerance of knowingly compromising the safety of members of the public.
Reputation	LOW There is no tolerance of project plans with objectives that have a low level of certainty towards the Strategic Management Plans. No 'justifiable' adverse media coverage is tolerable.
Environment	MEDIUM There is no tolerance of decisions that result in environmental harm that either require remediation or cause irreversible damage, (beyond that which is mandated by legislation to protect the safety of the community.)
Legal/Regulatory/Policy	MEDIUM There is reasonable tolerance of non-compliance with legal, professional and regulatory requirements, where there is a demonstrable benefit to the community.
Service Delivery	MEDIUM There is no tolerance for damage to, or prolonged disruption to, the service delivery of Council.

6.3.4 Risk Priorities

Recognising that not all risks can, or should, be managed, Council has determined that it will prioritise treatment of risks in the following order:

a) Strategic risks that are rated Extreme or High

b) Operational risks that are rated Extreme or High

c) Strategic and Operational risks that are rated either moderate or high that exceed Council's risk appetite.

The CEO may make exceptions to this prioritisation where there is an immediate or foreseeable risk to the health or safety of any person.

6.3.5 Risk Evaluation

Risk evaluation is the process used to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation. Decisions should take account of the wider context of the risk and include consideration of the tolerance of the risks borne by parties other than the Council's that benefit from the risk. There are also circumstances whereby, despite the risk level, risks cannot be treated.

RISK LEVEL	MANAGING RISK – PRIORITY RATING
EXTREME	Add risk to Council's risk register Escalate risk issue immediately to CEO/SMT CEO/SMT to: • Refer risk to risk owner • Identify and develop treatment strategies for immediate action

	• Monitor and review actions/strategies • Provide direction and information to relevant stakeholders. Consider cessation/suspension of the activity giving rise to the risk until such time as CEO/SMT authorises its continuation and/or whilst other risk treatment strategies are being developed/implemented. CEO will report action taken and current status of the risk issue to Council at the earliest opportunity. For WHS related risks, the following applies: • Operation of any item of plant or equipment or continuation of any activity shall cease until the risk level has been reduced • Will commonly be an unacceptable level of risk
HIGH	Add risk to Council's risk register Escalate risk issue to SMT/Risk Management area SMT to: • Refer to relevant risk owner • Identify and develop treatment strategies with appropriate timeframes • Monitor and review actions/strategies to manage risk to an acceptable level • Provide direction and information to relevant stakeholders. For WHS related risks, the following applies: • Reduce the risk rating so far as is reasonably practicable • Should only be an acceptable level of risk for 'Major' consequences
MEDIUM	Add risk to Council's risk register Escalate to department manager, who will: • Identify and develop treatment strategies with appropriate timeframes • Monitor and review actions/strategies to manage risk to an acceptable level. For WHS related risks, the following applies: • Reduce the risk rating so far as is reasonably practicable. May be an acceptable level of risk
LOW	Add risk to Councils risk register Undertake localised risk management and actions (if required) Review within the department parameters and routine procedures. For WHS related risks, the following applies: • Reduce the risk rating so far as is reasonably practicable. Commonly is an acceptable level of risk

6.4 Risk Treatment

Risk treatment can be conducted using a variety of methods. When looking at negative risks, treatments are aimed at reducing or removing the potential for consequences occurring. However, when looking at opportunities, treatments look at ensuring that consequences are realised.

Risk treatment involves selecting one or more options for modifying risks, and implementing those options. Once implemented, treatments provide or modify the controls. An action should be implemented to treat certain risks.

Justifications for risk treatment is broader than solely economic considerations and should take into account all of Council's obligations, voluntary commitments and stakeholder views. Appropriate risk treatment options should have regard to Council's objectives, risk criteria and available resources.

Any risk that is rated 'low' or 'medium' should be monitored and reviewed in line with relevant department processes and systems as discussed in 6.3.3 above.

6.4.1 Risk Treatment Options

Eliminate	Remove the asset or service completely so as to eliminate the risk altogether.
Share	Allocate risk to a third party, such as through appropriate contactor management,

	(noting however that S272 of the WHS Act voids any agreement or contract that purports to transfer any duty owed under the Act.)
Mitigate	Implement a type of treatment control to reduce or remove the risk. This may include but is not limited to options such as substitution (swapping), isolation (barricade), engineering (modify by design) or administration (policy/process).
Accept	Risk can be accepted for a number of reasons including: • No extra treatments being available • Meets the stated target for the type of risk • Informed decision has been made about that risk • Risk treatment is worth more than the risk exposure.

6.4.2 Control Characteristics

Risk treatments need to be designed in a manner to ensure they are sufficient to mitigate that risk, and have some of the following characteristics if they are to become an adequate control:

a) Documented (e.g. Policies, procedures, task lists, checklists)

b) Systems-oriented (e.g. integrated and/or automated)

c) Preventative (e.g. system controls) or detective

d) Consistent and regular (including during staff absence)

e) Performed by competent and trained individuals

f) Clear responsibility and accountability

g) Create value (i.e. benefits outweigh costs)

h) Achievable for the organisation (based on available resources)

i) Evidenced

j) Confirmed independently

6.4.3 Preparing and Implementing Risk Treatment Plans

Risk treatment plans specify how the risk treatment options will be implemented, so that those involved understand what arrangements are in place and to allow progress against the plan to be monitored. Risk treatment plans may be integrated into Council's existing processes, (e.g. project management plans, risk registers,) and provide the following information:

a) Rationale for selection of treatment options;

b) Responsibilities and accountability for approving and implementing the plan;

c) Proposed actions and timeframes;

d) Resourcing requirements;

e) Constraints and contingencies; and

f) Required reporting and monitoring.

6.5 Monitor and Review

6.5.1 Review of Risks and Controls

Monitoring and review must be a formal part of the risk management process and involves regular checking or surveillance of the effectiveness and efficiency of the risk management processes implemented.

A monitoring and review process will:

a) Ensure that implemented controls are effective and adequate

b) Provide further information to improve risk assessment and treatment plans

c) Allow for the identification of emerging risks

d) Identify any (new) activities that may influence established strategies to mitigate risks.

It is essential to monitor all activities and processes in order to capture any new or emerging risks arising from the changing environment, (both internal and external) and the activities undertaken by Council.

Monitoring and review guidelines and timeframes are captured in the Risk Reporting structure. See section 7.

6.5.2 Project Risks

Due to the dynamic nature of most projects, a risk may change over the lifecycle of the project, triggering the need for reassessment. The monitor and scheduled review process allows for validation of risks to ensure that they remain relevant and adaptation of project plans as necessary. Any changes in risks throughout the project and after its completion should be recorded and used for future project planning.

6.5.3 Internal audit

The audit process plays an important role in evaluating the internal controls (and risk management processes) currently employed by Council. Our internal audit program is 'risk based' and provides assurance that we are managing our risks appropriately. In developing the Internal Audit Plan, consideration is given to the extreme, high and moderate risks identified by the risk assessment process. Internal audits assess the adequacy of selected controls identified.

The internal audit process will measure risk by:

a) Measuring compliance – has Council met its Policy objectives

b) Measuring maturity – measuring against best practice and Council benchmarking

c) Measuring value add – has the framework and risk culture added to the achievement of Councils strategic objectives

Information is shared between the risk management and internal audit functions. Changes in our risk profile are reflected in our Internal Audit Plan. Similarly, control issues identified through internal audit will inform our Risk Management Framework. The internal audits are conducted to provide assurance that key risks have been identified and the controls in place are adequate and effective, as per the following table.

Rating	Tolerable Level of Risk	Note
Adequate	The control is designed in a manner that it can give reasonable assurance that the risk will be mitigated. In other words, existing systems and procedures cover known circumstances and provide reasonable assurance for majority of risks.	This definition applies to the design of the control

Partially adequate	The control is designed in a way that will partially mitigate the risk and designed in a way to partially meet the design objectives.	This definition applies to the design of the control
Inadequate	The design of the control is not sufficient enough to give reasonable assurance that the risk will be mitigated. There may be no systems and procedures in place, or existing systems and procedures are obsolete and require review.	This definition applies to the design of the control
Effective	The control operates in a manner that is effective in terms of being consistent, complete, reliable and timely.	This definition applies to the operating effectiveness of the control
Partially effective	The control partially operates in a manner that is effective in terms of being consistent, complete, reliable and timely.	This definition applies to the operating effectiveness of the control
Ineffective	The control does not operate in a manner that is effective in terms of being consistent, complete, reliable and timely.	This definition applies to the operating effectiveness of the control

It is to be noted that the overall combination of the results of design adequacy and operating effectiveness will provide the overall rating of the control based on the table for overall rating.

Control Rating:

Design Adequacy	Operating Effectiveness	Overall Control Rating
Adequate	Effective	Effective
Adequate	Partially Effective	Partially Effective
Adequate	Ineffective	Ineffective
Partially Adequate	Effective	Partially Effective
Partially Adequate	Partially Effective	Partially Effective
Partially Adequate	Ineffective	Ineffective
Inadequate	Effective	Ineffective
Inadequate	Partially Effective	Ineffective
Inadequate	Ineffective	Ineffective

6.5.4   Review of Risk Management Framework

The review of Council's risk management framework and processes will be scheduled for completion within 2 years from adoption by Council.

7 Recording and Reporting

7.1 General

The risk management process and its outcomes should be documented and reported, in order to:

a) Communicate risk management activities and outcomes;

b) Provide information for decision making;

c) Continuous improvement;

d) Assist interaction with stakeholders, including those with responsibility and accountability for risk management activities.

Records will be managed and retained in accordance with State Records General Disposal Schedule for Local Government.

7.2 Risk Register

The risk register enables Council to document, manage, monitor and review strategic, project and operational risk information. Ultimately, recording risks in a central register allows the District Council of Cleve to understand its risk profile and provide direction on how to improve risk management processes. The Risk Register can be used to monitor whether, using the approach outlined in this framework, the risk management process for opportunities should result in an increasing trend in the potential for success and less risk with negative consequences.

7.2.1 Operational Risks

Council will record and maintain operational risks on the central risk register which is reviewed at least annually by the SMT. The risk register will incorporate departmental risks and proposed mitigation techniques once determined by the evaluation process. Recording operational level risks in the register and reporting of implementation and effectiveness of controls is the responsibility of department managers and workers.

7.2.2 Project Risks

Project level risks can be identified by anyone at any time prior to, and during, specified projects and are recorded within the risk register. Project level risks must be identified during the planning process, however, can be added as and when necessary. Recording and reporting of project level risks rest with the identified project owner.

7.2.3 Strategic Risks

Council will identify and record strategic risks (that will address risks associated with their strategic outcomes and strategies) on the central risk register. Strategic level risks are identified by the SMT and the Council, as part of an annual review at a minimum. Any risks identified at the strategic level may be reflected in other corporate documents e.g., Strategic Plan and Annual Business Plan, and mitigated through action details in these documents.

Recording and reporting of strategic level risks is the responsibility of the WHS & Risk Management Officer via the SMT and Audit & Risk Committee.

7.3 Risk Reporting

7.3.1 Purpose

Risk based reports will draw data from the risk register and provide monitoring and profile information to Council, Audit & Risk Committee and the SMT, in order to:

a) Understand the risk exposure of the Council

b) Identify risks that require increased attention

c) Provide risk information to the Council; especially anything effecting the Strategic Plan

d) Provide information to all workers at all levels to make risk informed decisions

e) Improve the risk management awareness and culture at Council.

7.3.2 Content

Risk reporting will include:

Report content	Reported to	Frequency
Council and Committee reports to include discussion of potential risks, based on completed risk assessment and treatments, (with the exception of routine administrative matters)	Council and Committee members	All Council and Committee meetings
Review and update of the Risk Register by Departmental Managers	Senior Management Team	Annually to Executive, HSC Committee, (or as otherwise required, e.g. organisational structure change/ process change/ new project)
Report by CEO on Extreme and High Strategic and/or Operational Risks, including actions taken to mitigate the risk and outcomes or current status	Audit & Risk Committee	Annual
Report of Strategic Risks (to verify that risks are controlled within Council's risk appetite & tolerances)	Audit & Risk Committee	Annual
Report on compliance with policy and related documents	Audit & Risk Committee	Annual
Risk evaluation outcomes and risk maturity modelling progress/ summary report	Audit & Risk Committee	Biennial

8   Training

8.1   Workers

This Framework and supporting policies and tools will be made available on Council's internet.

Risk Management awareness training is captured on Councils Training Needs Analysis, to ensure the effective implementation of this Framework.

Risk Management should be viewed as an overarching umbrella that sits across all Council functions, not as a specialist skill that is owned by a designated risk management position and, as such, Council considers it to be a skill and necessity

that workers need to perform their day to day activities. Risk Management awareness training will be provided by Council to relevant workers and will take into consideration the role of the worker within the Risk Management Framework and the level of past risk management experience and knowledge.

8.2 Elected Members

Elected members are key strategic decision makers and it is therefore imperative that they have an understanding of Council's Risk Management Policy and Framework and their role in informed decision making based on sound risk management principles.

Risk Management awareness training will be scheduled within 12 months of Council elections.

8.3 Audit & Risk Committee

Audit & Risk committee members should, at a minimum, have an understanding of their roles and responsibilities as outlined in Council's Risk Management Policy and Framework, including the monitoring and review of risk management reports and outcomes from management and external auditors.

9 Related Documents

AS ISO 31000:2018 - Risk Management –guidelines

Risk Management Policy

Work Health and Safety and Return to Work Policy

Code of Conduct for Self-Insured Employers 2016

10 Further Information

This document will be reviewed by the District Council of Cleve every (2) two years.

This policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from the council's website: www.cleve.sa.gov.au.

Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.

Responsible Department/Officer	Chief Executive Officer / Work Health Safety and Risk Management Officer
Applicable Legislation	Local Government Act 1999 Work Health and Safety Act 2012 Civil Liabilities Act 1936
Related Polices	Risk Management Policies
Related Documents	AS ISO 31000:2018 - Risk Management –guidelines Work Health and Safety and Return to Work Policy

11 Endorsement of this Framework

This framework was endorsed by the Audit & Risk Committee on 5 December 2023.

This framework was endorsed by the Work health safety Committee on 5 December 2023.

SIGNED

Signature:		
Name:	David Penfold	Grant Crosby
Position:	Chief Executive Officer	Chairperson, Health and Safety Committee (HSC)
Date:	5 December 2023	5 December 2023

12 Adoption of Framework

This framework was adopted by the Council at its Ordinary Council meeting on xx/xx/xxxx.

13 Review History

Version	Issue Date	Author	Reason for Change
3.2	June 2021	Jo Calliss	Updates in line with LGRS Model Policy. Added legislation, availability of policy, adoption of policy, document review and review history sections.
4.0	December 2023	J Blum	Reviewed document in line with LGRS Model Policy. Inserted Project Risk. Updated document with new branding. Updated Audit Committee Title to Audit and Risk Committee.

APPENDIX A DEFINITIONS

Consequence:	Outcome of an event affecting objectives
Control:	Measure that is modifying risk
Establishing the Context:	Defining the external and internal parameters to be taken when managing risk
Event:	Occurrence of a particular set of circumstances
Exposure:	The risk exposure is a qualitative value of the sum of the consequence of an event multiplied by the probability of that event occurring
External Context:	External environment in which the organisation seeks to achieve its objectives
Inherent Risk:	Risk at time of risk assessment with existing/current controls
Internal Context:	Internal environment in which the organisation seeks to achieve its objectives
Likelihood:	Chance of something happening
Residual Risk:	Risk remaining after risk treatment
Risk Appetite:	Is the amount of risk an organisation is prepared to accept. Broad-based description of the desired level of risk that an entity will take in pursuit of its mission
Risk Assessment:	An overall process of risk identification, risk analysis and risk evaluation
Risk Management Framework:	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management
Risk Management:	Coordinated activities to direct and control an organisation with regard to risk
Risk Owner:	Staff member with the accountability and authority to manage a risk
Risk Rating:	Risk priority based on consequence and likelihood assessments
Risk Register:	Register of all identified risks, their consequences, likelihood, rating and treatments
Risk:	Effect of uncertainty on objectives
Stakeholder:	Person or organisation that can affect, be affected by, or perceive themselves to be affected by, a decision or activity
Tolerance:	An organisation's or stakeholder's willingness to bear the risk after risk treatment/control has been applied in order to achieve its objectives. It also reflects the acceptable variation in outcomes related to specific performance measures linked to objectives the entity seeks to achieve

APPENDIX B CONSEQUENCE TABLE

Descriptor	Financial / Infrastructure	People	Reputation	Environmental/ Cultural	Legal / Regulatory / Policy	Service Delivery
Insignificant	Financial loss <$3,000 impact on operating result Minor failure of infrastructure – no inconvenience to stakeholders	No Injury/First Aid only. No impact on morale	Some local complaints or negative commentary on council's social media (less than 3 people). No media or political attention.	Minor Instance of environmental damage. Can be reversed immediately Minimal spill or litter able to be removed immediately	Immaterial legal, regulatory or internal policy failure. No penalty or liability	Insignificant interruption to a service – no impact to customers/business
Minor	Financial loss >$3,000 and <$30,000 or 1% of rate revenue Minor failure that cannot be rectified immediately – minor inconvenience to stakeholders	Minor Medical attention. Negligible impact on morale	Some Local Media or Political Attention. Community Concern – little adverse effect	Minor impact to environment e.g. on-site chemical release, spill or sand/soil movement that can be immediately contained. Can be reversed in the short term Litter able to be removed in a short time frame, (e.g. same day)	Minor legal or regulatory/internal policy failure – resolved without penalty & minor liability exposure	Minor interruption to a service with minimal impact to customers/business
Moderate	Financial loss >$30,000 and <$75,000 or 2.5% of rate revenue	Significant Injury requiring medical attention. Short Term effect on	Significant Media Attention. Significant Public interest. Potential for adverse local media or potential attention	Moderate impact to environment. Localised damage or chemical release that has potential	A repeated legal, regulatory or internal policy failure. Resulting in a penalty and potential	Moderate Interruption to service delivery. Customer impact up to 48 hrs. Partial

| | Significant failure of infrastructure that will require work-arounds - moderate inconvenience to stakeholders | morale and business

Loss of a single employee with specialised skill set or a member of Senior Management Team

Loss of up to 3 elected members more than 12 months out from LG Elections | | to spread but can be contained or reversed with intensive efforts or outside assistance

Litter removal requires outside assistance, (e.g. contractor or government agency) | liability exposure | BCP action may be needed |
|---|---|---|---|---|---|---|

Major	Financial loss >$75,000 and <$150,000 or 5% of rate revenue Major failure of infrastructure that severely limits functionality – significant inconvenience to stakeholders	Serious Long Term Injury. Temporary disablement. Significant impact on morale and business Loss of 2 employees with specialised skill set or 2 members of Senior Management Team	Regional or State wide media Attention. Public interest. Long term effect on reputation	Off-site chemical release, Severe Loss of environmental amenity, Danger of continuing environmental damage.	Systematic legal, regulatory or internal policy failure. Major penalty requiring a full review. Significant liability exposure	Major interruption to service delivery, Customer impact > 7 days. Component of BCP action may be needed.
Catastrophic	Financial – loss/exposure $150,000 or 5% of rate revenue Total failure of infrastructure	Major Injury/disablement or death. Long term effect on morale and performance of business Loss of entire/ majority of Senior Management Team	Community outrage by groups about issue; community pages established on social media and high instance of posts on council's social media pages. Organised community campaigning involving multi-day/sustained coverage in state or national media.	Toxic off-site chemical release with detrimental effect, Major loss of environmental amenity – irrecoverable environmental damage Irreversible disruption to Aboriginal site	Substantial failure in administrating legal, regulatory and policy requirements. Significant penalty and liability exposure	Major interruption to delivery of all or most services for more than 14 days. Full BCP action required.

Consequence Table for Project Risks

RANK	Cost	Schedule	Performance	Reputation	Safety
Insignificant	< 2.5% of total Project Budget	< 2.5% of total Project Schedule	Would cause the delivered capability to be functionally fit for all desired missions or tasks, but there may be some qualification to the level to which it would perform non-critical elements of the mission or task. Few such qualifications would exist.	Little community interest, low profile, no media items	Minor injuries not requiring first aid treatment, or near miss
Minor	2.5-10% of total Project Budget	2.5-10% of total Project Schedule	Would cause the delivered capability to be functionally fit for all desired missions or tasks, but there would be some qualification to the level to which it would perform non-critical elements of the mission or task. Several such qualifications would exist.	Low impact, some passing interest, low media profile	Minor Medical attention. Negligible impact on morale
Moderate	10-14% of total Project Budget	10-14% of total Project Schedule	Would cause the delivered capability to be partly functionally fit for purpose (i.e. degraded ability to perform all desired missions or tasks; however, there are known workarounds). There would be some qualification to the level to which it would perform (e.g. due to issues of relationships, concurrency, etc.). Several such qualifications would exist.	Moderate impact, moderate public interest, public embarrassment, moderate media profile	Medical attention required. Short Term effect on morale and project outcome.
Major	15-19% of total Project Budget	15-19% of total Project Schedule	Would cause the delivered capability to be only partly functionally fit for purpose (i.e. degraded ability to perform some core missions or essential tasks or unable to perform non-core missions or tasks, and there are no known workarounds).	Sustained public interest, high negative media profile, Premier/Cabinet publicly involved, third party action	Serious Long Term Injury. Temporary disablement. Significant impact on morale and project outcome.

APPENDIX C LIKELIHOOD TABLE

Likelihood	Explanation – Operations	Explanation – Projects/ Business Case
Certain to occur	It is **expected to occur** again, immediately or within a short period – likely to occur most weeks or months.	Could be expected to occur more than once during the study or project delivery.
Very Likely	**Will probably occur** in most circumstances – several times a year.	Could easily be incurred and has generally occurred in similar studies or projects.
Possible	**Could be incurred** within a one–two-year period.	Incurred in a minority of similar studies or projects.
Unlikely	**Could be incurred** in a two-five-year time frame.	Known to happen, but only rarely.
Rare	**May occur in exceptional circumstances**. Could be incurred in a 5-30-year timeframe.	Has not occurred in similar studies or projects. Conceivable but in extreme circumstances.

APPENDIX D RISK RATING MATRIX

LIKELIHOOD	CONSEQUENCES				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A – Certain	High (H)	High (H)	Extreme (E)	Extreme (E)	Extreme (E)
B – Very Likely	Medium (M)	High (H)	High (H)	Extreme (E)	Extreme (E)
C – Possible	Low (L)	Medium (M)	High (H)	Extreme (E)	Extreme (E)
D – Unlikely	Low (L)	Low (L)	Medium (M)	High (H)	Extreme (E)
E – Rare	Low (L)	Low (L)	Medium (M)	High (H)	High (H)