



Risk Management System Procedure

Responsible Directorate	Executive Manager Corporate Services
Responsible Business Unit	Governance and Assurance
Responsible Officer	Governance Officer
Affected Business Units	All
Procedure Number	RMP 1

Purpose

This System Procedure outlines what is required to manage risks, who will undertake risk management processes and when those processes should be undertaken.

Scope

This System Procedure is applicable to all Employees of, and all activities undertaken by, the Shire of Nannup.

Risk management is not a one-time event. Risks occur all the time and are dynamic in nature. There is no limit or restriction that can be applied as to who undertakes a risk assessment or when.

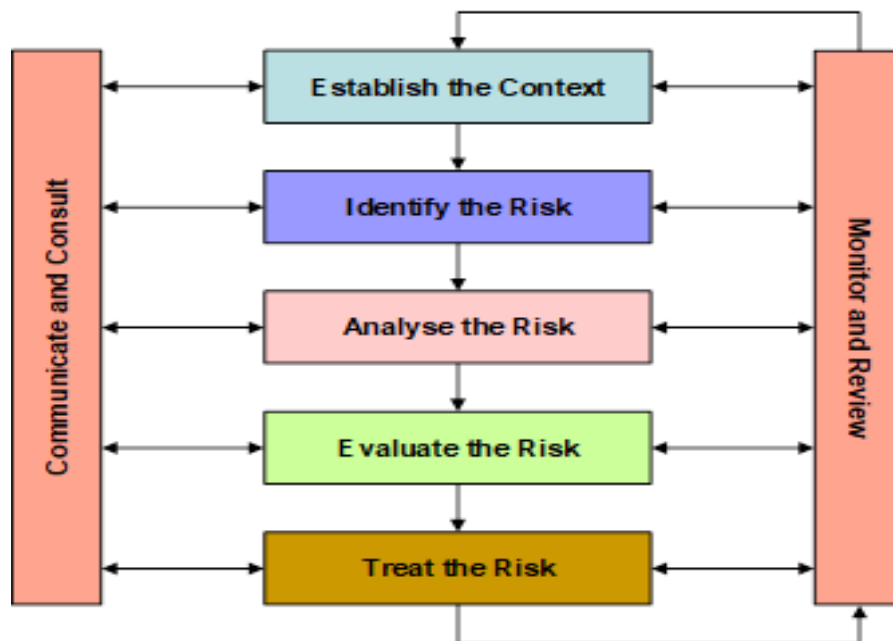
To promote a strong risk management culture in all Shire activities, the identification, analysis and treatment of risk is a key part of a number of strategic planning activities such as; Corporate Planning, Community Planning, Business Planning and Financial Planning.

Risk management aligns to these strategic planning processes, creating a strong risk averse foundation as well as ensuring opportunities are exploited and benefits achieved. Strategic level risks are identified by the Executive Management Team (EMT) and Council to create an organisational context for Operational and Project level risks. Operational level risks are determined at Service Area, often aligning with issues identified as part of the Strengths Weaknesses Opportunities Threats (SWOT) process of Business Planning. Project level risks are linked to specific Actions for Service Areas which may also be identified during Business Planning or at any time.

The Shire of Nannup Health, Safety and Environment (HSE) culture is a focus for the organisation which closely links to risk management. This Risk Management Procedure is applicable when assessing HSE risks. There are some minor variations to the process which are outlined in the Health, Safety and Environment Risk Management Procedure.

Process

Figure 1 Risk Management Process



Procedure

Responsibilities

The **Audit and Risk Committee (AARC)** is responsible for:

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- The general direction and oversight of the Shire's risk management activities. Its roles and responsibilities in this regard are defined in the FMARCC charter.
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The **Chief Executive Officer** (CEO) is responsible for:

- Mandating a culture of risk management throughout the Shire.

The **Executive Management Team** (EMT) is responsible for:

- Overseeing the management of risk throughout the Shire.
- Ensuring that all aspects of risk are considered in the decision-making process for strategic and operational activities.
- The annual review and examination of strategic risks.
- Ensuring that appropriate risk treatment actions are undertaken for all identified risks.
- Establishing levels of responsibility to ensure that the effective management of risk is delegated through all areas of their responsibility.
- Endorsing the Risk Management Framework and supporting its implementation, review, and maintenance.
- Oversight of risk assessments on business processes as part of their internal audit process.

The **Operational Management Team** (OMT) (Coordinators and Managers) are responsible for:

- Managing the implementation and maintenance of the Risk Management Framework in their areas of responsibility.
- Ensuring risk assessments are conducted across their areas of responsibility.
- Creating an environment where Employees are responsible for, and actively involved in, managing risk.
- Assisting with the identification and control of risks within their areas of responsibility.
- Update and review of risk registers including mitigation strategies for those risks requiring action.
- Implementation of treatment activities.
- Review of the effectiveness of existing controls and any treatments required.
- Conducting risk assessments on business processes as part of their internal audit process.

The **Governance Officer** is responsible for:

- Development, implementation and review of the Risk Management Framework and associated documentation for the whole of the Shire of Nannup.
- Raising awareness and integration of the Risk Management Framework within organisational processes and systems.
- Coordinating risk reviews and reporting to the EMT and AARC.
- Ensuring the risk management system is utilised through all Service Areas to capture Strategic, Operational and Project level risks, and the summary of risk performance.

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- Facilitate the identification, assessment, and monitoring of risks for a variety of operational issues, events, and projects.

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- Provision of training of staff in risk management and promotion of an effective risk management culture through the organisation.
 - Provision of advice in relation to risk management matters to all stakeholders.
 - Management of the Risk Register.

All **Staff** are responsible for:

- Conducting Shire activities in a risk aware manner, reporting and documenting any risks they become aware of, and maintaining a risk aware culture.

Risk Managers

A Risk Manager does not have to be an actual manager. For the purposes of this procedure, it is simply a term used to describe the person who is running a risk assessment process. Any Risk Manager will hold the primary responsibility for driving and facilitating all risk management process steps.

Risk Management Activities

The management of risk requires the application of risk management methodology that has been defined in the Risk Management Framework. This methodology outlines seven key process steps:

- Establish the Context;
- Identify the Risk;
- Analyse the Risk;
- Evaluate the Risk;
- Treat the Risk;
- Communicate and Consult; and
- Monitor and Review.

Establish the Context

The operational environment for the Shire is clearly defined in the Corporate Business Plan. This Plan provides the foundation for establishing the context for any risk management process. However, it is not specific to any one Service Area, process, or project. Establishing the context requires a thorough examination of internal and external factors to determine areas of uncertainty for the ability to achieve objectives.

Internal and external factors are dynamic in nature. As such, there is no set time to conduct this process step. When commencing a risk assessment, the context that is established may not stay the same

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throughout the process. It is necessary to continually monitor and review the identified context to ensure its validity and appropriateness.

Governance will be responsible for coordinating this process step. To ensure that all applicable internal and external factors are considered, Governance should engage with relevant stakeholders.

Identify the Risk

Identifying risks is one of the most crucial steps of the entire risk management process. It is the step which causes the most confusion as many people are unable to accurately identify a risk; usually confusing threat sources and mitigation strategies with risks. Therefore, it is essential that anyone involved in the identification of risks understands exactly what a risk is and how to document it.

Risk identification, however, does not always occur in an organised setting. In a lot of cases, risks are identified in passing or as a result of a conversation. Therefore there is no set time for risk identification to occur. However, best practice suggests that risk assessments are conducted before a process or project commences.

When identifying risks, not all uncertainty will result in adverse effects. Some uncertainty may lead to potential benefits. Risks which can lead to positive outcomes are known as opportunities. Risk identification can include both risks with adverse effects and opportunities with positive effects.

It is the responsibility of whoever identifies the risk to ensure it is recorded. In an organised risk process, it is usually the Risk Manager – Governance who records any identified risks but those risks that are identified outside of such a process must be immediately reported to a supervisor or someone able to record risks. In some cases the risk identifier will be a supervisor with the ability to record identified risks.

All identified risks must be assigned a responsible officer. It will be the responsibility of the responsible officer to manage that risk with regard to treatment.

Analyse the Risk

Risk analysis follows risk identification. The process involves examining each risk or opportunity and determining the Likelihood, Consequence and Risk Rating. Whilst the definitions of Consequences vary slightly between risks and opportunities, the process is the same.

The risk analysis process should involve relevant stakeholders and require a consensus Consequence and Likelihood rating to be determined. It is the responsibility of the Governance to ensure that a high degree of rigour is attributed to any Risk Rating.

Evaluate the Risk

Risk evaluation follows risk analysis. The process involves using the Risk Rating to determine the Level of Risk or Potential for Success of risks and opportunities to determine the prioritisation for mitigation or exploitation.

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The risk evaluation process may involve the same stakeholders as used during the analysis step, but it is not a requirement. It is the responsibility of the Governance to ensure that this process step occurs.

Treat the Risk

Risk treatment is required whenever an identified risk is evaluated at a level unacceptable by the Shire. Identified risks and opportunities may require varied levels of treatment to mitigate or exploit. Priority for these treatments should have been determined during evaluation.

Determining risk treatments may involve the same stakeholders as used during the analysis step but it is not a requirement. It is the responsibility of the Governance to ensure that risk treatment options are identified and evaluated to ensure they are representing a valid return on investment.

It is the responsibility of the identified Responsible Officer to ensure that any treatment options are implemented and to report back on the progress of those treatments.

Communicate and Consult

It is extremely important to communicate and consult with stakeholders and subject matter experts throughout the entire risk management process. This ensures that buy-in is maintained and that any changes in context are brought to the attention of the Governance.

It is the responsibility of the Governance to ensure that relevant stakeholders are included in the risk management process and that they are kept informed and asked for input whenever necessary.

Monitor and Review

Monitoring and reviewing of risks should occur throughout the entire risk management process. This ensures that risks remain valid for during the risk management lifecycle. It is also a driver for the Responsible Officer to report back on Risk Rating changes; either from implemented treatment options or from changes to the risk itself.

It is the responsibility of the Responsible Officer to conduct the monitor and review process. It is the responsibility of the Governance to ensure that risks are regularly monitored and reviewed.

Risk Recording

All identified risks (with the exception of Health, Safety and Environmental risks which are recorded separately) must be recorded in the Shire's centralised Risk Register. There is no set time to record risks however it is best that risks are recorded as soon as possible after identification to ensure that the Risk is mitigated before any adverse effects or maximising opportunities.

Entering risks into Risk Matrix is the responsibility of the Governance. It is the responsibility of the Responsible Officer to ensure that any risk they are the owner of, are managed and reported on regularly.



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