



Financial Policies

3.5 Risk Management and Appendix B

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Policy	Financial Policies – 3.5 Risk Management and Appendix B
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Purpose	The objective of this Risk Management Policy is to state the Shire of Peppermint Grove's (Shire's) intention to identify potential risk before they occur, so that impacts can be minimised or opportunities realised; ensuring that the Shire achieves its strategic and corporate objectives efficiently, effectively and within good corporate governance principles.
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Status	Administrative - Statutory
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Policy

Risk Management Objectives

Council is committed to ensuring that risk management:

- Optimises the achievement of the Shire's values, strategies, goals and objectives.
- Aligns with and assists the implementation of Shire Policies.
- Provides transparent and formal oversight of the risk and control environment, enabling effective decision- making.
- Reflects risk versus return considerations within the Shire's risk appetite.
- Embeds appropriate and effective controls to mitigate risk.
- Achieves effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhances organisational resilience.
- Identifies and provides for the continuity of critical operations.



Financial Policies

3.5 Risk Management and Appendix B

Key Policy Definitions (from AS/NZS ISO 31000:2018)

Risk : The effect of uncertainty on objectives.

Note 1: An effect is a deviation from the expected – positive or negative.

Note 2: Objectives can have different aspects (as a financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).

Risk Management: Coordinated activities to direct and control an organisation with regard to risk.

Risk Management Process: Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluation, treating, monitoring and reviewing risk.

Roles and Responsibilities

The CEO is responsible for:

- Implementation of this Policy.
- Measurement and reporting on the performance of risk management.
- Review and improvement of this Policy and the Shire's risk management framework at least biennially, or in response to a material event or change in circumstances.
- The Shire's risk management framework outlines in detail all roles and responsibilities associated with managing risks within the Shire.

Risk Assessment and Acceptance Criteria

The Shire has quantified its broad risk appetite through the Shires 'Risk Assessment and Acceptance Criteria'. The criteria are included within the risk management framework and as a component of this Policy.

All organisational risks are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision -making.

Whilst these risk criteria are necessarily broad in their guidance, they offer insight to staff about risk areas or activities where Council has set reasonable boundaries and before proceeding.



Financial Policies

3.5 Risk Management and Appendix B

For operational requirements such as Projects, Events, Work Health and Safety, or in rare instances in which the Shire's Risk Assessment and Acceptance Criteria are unclear in determining a level of risk, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation's risk appetite.

Monitor and Review

The Shire will implement and integrate a monitor and review process to report on the achievement of risk management objectives, the management of individual risks and the ongoing identification of issues and trends.

This Policy will be kept under review by the Shire's Management Team. It will be formally reviewed biennially.

	<p>Shire of Peppermint Grove Risk Management Procedures.</p> <p>The Shire's Policy will be aligned with AS/NZS ISO 31000:2018 Risk Management Guidelines, in the management of all risks that may affect the Shire meeting its objectives.</p> <p>Risk management functions will be resourced appropriately to match the size and scale of the Shire's operations, will form part of Strategic, Operational, and Project responsibilities, and be incorporated within the Shire's Integrated Planning and Reporting framework.</p> <p>This policy applies to all Council Members Employees and Contractors involved in any Shire operations.</p>
Related Procedure	
Amended Authority Level	Council
Related Delegation	
Related Local Law/Legislation	Local Government (Audit) Regulations 1996 (Regulation 17)
Adopted/Amended	May 2022



Financial Policies

3.5 Risk Management and Appendix B

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Financial Policies

3.5 Risk Management and Appendix B

Appendix B: Risk Assessment and Acceptance Criteria

Shire of Peppermint Grove Measures of Consequence

Rating Level	Compliance	Environment	Financial	Health / People	Property	Reputational	Service Interruption	Projects
Insignificant (1)	No noticeable regulatory or statutory impact	Contained, reversible impact managed by on-site response	Less than \$20,000	Near miss. Minor first aid injuries	Inconsequential damage.	Unsubstantiated, low impact, low profile or 'no news' item	No material service interruption <3 hours	<5% deviation in project outputs (Time, Cost, Scope and Quality) or funding
Minor (2)	Some temporary non-compliances	Contained, reversible impact managed by internal response	\$20,001 - \$150,000	Medical - type injuries	Localised damage rectified by routine internal procedures	Substantiated, low impact, low news item	Short-term temporary interruption – backlog cleared <1 day	5-15% deviation in project outputs (Time, Cost, Scope and Quality) or funding
Moderate (3)	Short term non-compliance but with significant regulatory requirements imposed	Contained, reversible impact managed by internal & external agencies	\$150,001 - \$500,000	Lost-time physical or mental injury <30 days / Multiple staff morale problems	Localised damage requiring internal & external resources to rectify	Substantiated, public embarrassment, moderate impact, moderate news profile	Medium-term temporary interruption – backlog cleared by additional resources <1 week	10-25% deviation in project outputs (Time, Cost, Scope and Quality) or funding



Financial Policies

3.5 Risk Management and Appendix B

Appendix B: Risk Assessment and Acceptance Criteria

Shire of Peppermint Grove Measures of Consequence (continued from previous page)

Rating Level	Compliance	Environment	Financial	Health / People	Property	Reputational	Service Interruption	Projects
Major (4)	Non- compliance results in termination of services or imposed penalties	Uncontained, reversible impact managed by a coordinated response from external agencies	\$500,001 - \$1.0Mil	Lost-time physical or mental injury >30 days / Widespread staff morale problems	Significant and/or widespread damage requiring internal & external resources to rectify	Substantiated, public embarrass-ment, high impact, high news profile, third party actions	Prolonged interruption of services – additional resources required; performance affected <1 month	25-50% deviation in project outputs (Time, Cost, Scope and Quality) or funding
Catastrophic (5)	Non- compliance results in litigation, criminal charges, significant damages and/or penalties	Uncontained, irreversible impact	More than \$1.0Mil	Fatality, permanent disability. Shire no longer an employer of choice. Loss of key staff.	Extensive damage requiring prolonged period of restitution. Complete loss of plant, equipment & building	Substantiated, public embarrass-ment, very high multiple impacts, high widespread multiple news profile, third party actions	Indeterminate prolonged interruption of services – non- performance >1 month	More than 50% deviation in project outputs (Time, Cost, Scope and Quality) or funding



Financial Policies

3.5 Risk Management and Appendix B

Appendix B: Risk Assessment and Acceptance Criteria

Shire of Peppermint Grove Measures of Likelihood

Rating	Level	Description	In the Past	Control Effectiveness
Rare	1	The event may only occur in exceptional circumstances (<5% chance)	Less than once in 15 years	Controls are very strong and operating as intended. There is no scope for improvement
Unlikely	2	The event could occur at some time (<10% chance)	Once in 10 years	Controls are strong and operating as intended
Possible	3	The event should occur at some time (<20% chance)	Once in 3 years	Controls are operating as intended, but there is scope for improvement
Likely	4	The event will probably occur in most circumstances (>50% chance)	Once per year	Controls are operating; however, inadequacies exist
Almost Certain	5	The event is expected to occur in most circumstances (>90% chance)	More than once per year	Controls are weak, do not exist, or are not being complied with



Financial Policies

3.5 Risk Management and Appendix B

Appendix B: Risk Assessment and Acceptance Criteria

Shire of Peppermint Grove Risk Rating

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)

Consequence x Likelihood = Risk Rating



Financial Policies

3.5 Risk Management and Appendix B

Appendix B: Risk Assessment and Acceptance Criteria

Shire of Peppermint Grove Risk Acceptance Criteria

Risk Rank	Description	Criteria	Responsibility
Low	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring)	Manager
Moderate	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Manager
High	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	Managers
Extreme	Unacceptable	Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous documented monitoring	CEO and/or Council



Financial Policies

3.5 Risk Management and Appendix B

Appendix B: Risk Assessment and Acceptance Criteria

Shire of Peppermint Grove Existing Control Ratings

Rating	Foreseeable	Description
Efficient	There is no scope for improvement with all available resources.	Controls are operating as intended and aligned with policies and procedures. Controls are documented, up to date, understood by users, not forgotten or components missed, does not expose the organisation to theft or fraud and is delivered consistently within statutory or service delivery standards. Controls are subject to ongoing monitoring. Controls are reviewed and tested regularly.
Adequate	There is some scope for improvement.	Controls are generally operating as intended; however, inadequacies exist. Limited monitoring of controls. Controls are reviewed and tested, but not regularly.
Inadequate	There is a need for improvement or action.	Controls are not operating as intended. Controls do not exist or are not being complied with. Controls have not been reviewed or tested for some time.