

Risk Management Policy

Policy Objective

The Shire of Denmark is committed to conducting its business effectively, managing risks efficiently, and maximising opportunities.

The Shire manages risk through an organisation-wide approach to risk identification, analysis, evaluation and treatment that:

- Optimises the opportunity for the Shire to achieve our vision of being a vibrant coastal community connected to the environment and living the village lifestyle.
- Ensures risk management aligns with the Strategic Community Plan decision-making principles:
  - Is it affordable and an effective use of the Shire's funds and resources?
  - Does it protect our environment or align with our sustainability objectives?
  - Is it a community priority, or does it have broad community support?
  - Does it support local jobs, or will it provide much-needed local services?
  - Does it enhance our way of life and keep our village feel?
- Provides transparent and formal oversight of the risk and control environment.
- Protects the community, staff and key stakeholders from adverse incidents.
- Reduces the Shire's exposure to loss and manages loss should it occur.
- Ensures compliance with statutory requirements.

Every employee within the Shire is recognised as having a role in risk management, from identifying risks to implementing risk treatments and shall be invited and encouraged to participate in the process.

Scope

This policy is to achieve best practice (Aligned with AS/NZS ISO 310000:2018 Risk Management) in managing risks that may affect the Shire's employees, finances, assets, operations, natural environment, heritage, local economy, and community.

Definitions

Ref: AS/NZS ISO 310000:2018 Risk Management Guidelines

Risk – the effect of uncertainty on objectives.

Risk Management – coordinated activities to direct and control organisations regarding risk.

Event – occurrence or change of a particular set of circumstances.

Consequences – the outcome of an event.

Likelihood – the chance of something happening.

Control – measures that maintain or modify risk.

Risk Appetite

The Risk Management Assessment and Acceptance Criteria (See Table 1 - 4 below) quantify the risk appetite. All key operational, project, and strategic risks impacting the Shire will be assessed according to these criteria to ensure consistency and informed decision-making.

Alternative risk assessment criteria may be used for specific operational requirements or projects, provided they do not exceed the Shire's risk appetite and are documented within the risk register.

Roles, Responsibilities and Accountabilities

The Chief Executive Officer (CEO) is responsible for assigning roles, responsibilities, and accountabilities. These are documented in the Risk Management Procedures, which the CEO will amend as necessary.

Monitor and Review

The CEO will implement and integrate a monitoring and review process to ensure the resolution of risks and the identification of issues and trends.

Regular updates will be provided to the Audit Committee, with any reportable risks being communicated to both the Audit Committee and Council at the earliest opportunity.

Reportable Risk

A reportable risk is a risk that:

- has an Extreme risk rating; or,
- does not have the required control rating specified in Table 4 – Risk Control Ratings.

Table 1 : Risk Management Consequences

	1–Insignificant	2 – Minor	3 – Moderate	4 – Major	5 - Extreme
Human Impacts Includes physical and psychosocial injury, harm or illness.	Short-term, low-level injury requiring no more than first aid and not affecting work performance. **First Aid Injury (FAI)**	Injury resulting in temporary restriction or modification of normal work duties. **Restricted Work Injury (RWI)**	Injury requiring medical treatment beyond first aid, with limited or no lost time. **Medical Treatment - MTI**	Lost time injury, reportable incident, work related illness, or injury requiring extended recovery. **Lost Time Injury (LTI)**	Fatality, permanent disability, or multiple serious injuries requiring significant intervention.
Financial Impact (over the life of the event) to a max 10 years.	< $10,000 *i.e. can be managed within existing purchasing and reporting requirements and budget.*	$10,000 - $50,000 *i.e. this will potentially need addressing through the mid-year budget process.*	$50,000 – $250,000 *i.e. this may need to be addressed through reserve funds.*	$250,000 - $1M *i.e. this will potentially need addressing through a review of the LTFP.*	>$1.0M *i.e. Immediate assessment of the LTFP.*
Asset / Property Impacts	Minimal loss or damage to assets with no operational impact, easily recoverable	Small-scale asset loss causes slight operational disruption; recovery is quick and straightforward.	Noticeable asset loss. Requires time and additional resources for recovery	Significant asset loss. Recovery time is extended and requires budget adjustment.	Extensive asset loss with long-term recovery impacts.
Business Interruption (See below for specific ICT impacts.)	Inability to operate for < day. *i.e. managed through standard business practices.*	Inability to operate for 2-3 days. *i.e. additional internal resources are required to return to normal operations.*	Inability to operate for < 5 days. *i.e. additional internal resources /redeployment is required.*	Inability to operate for < 1-3 weeks. *i.e. significant resources are needed to restore operations.*	The inability of the whole organisation to operate for < 3 weeks. *i.e. restoring services can't be managed with existing resources.*
ICT Systems Fault Impacts	Minimal downtime with no disruption to operations. *i.e. no data loss.*	Short downtime affecting a small number of users. *i.e. minor data inconsistencies, easily corrected*	Noticeable downtime affecting multiple users. *i.e. data recovery efforts are required.*	Extended downtime affecting key business functions. *i.e. significant data corruption or loss*	System-wide failure causing business-critical disruption. *i.e. catastrophic data loss or no possibility of recovery.*
ICT Malicious Threat Impact	There was no significant impact. *i.e., the ransomware attempt was blocked. No financial cost*	Partial or brief encryption of non-critical files is quickly restored. A small cost for incident response and security updates	Some systems are encrypted, causing temporary disruptions: moderate ransom demand or operational losses from downtime.	Critical systems are encrypted, disrupting operations. There is a high financial loss due to ransom payment, downtime or regulatory penalties.	The entire infrastructure is locked, preventing all business functions and causing severe financial losses and regulatory scrutiny.
Legal / Regulatory Compliance	No noticeable regulatory or statutory impact	Temporary non-compliance, audit or regulator findings that are resolvable within an agreed timeframe.	Short-term non-compliance but with significant requirements imposed or significant internal audit findings	Non-compliance results in the prohibition of services for a period or financial penalties	Non-compliance results in criminal charges, removal of Executives and elected Members, class action litigation, and disqualification from providing services.

	1–Insignificant	2 – Minor	3 – Moderate	4 – Major	5 - Extreme
Reputation Impacts	Isolated individual issues-based complaint. *i.e. unsubstantiated, low impact event.*	Local stakeholder impacts and issues posted on social media. *i.e. easily managed through current communication channels.*	Multiple social media messages are occurring, gaining reach and traction. It has reduced confidence in Shire's decision-making. *i.e. requires response or clarification from the Shire*	Local mainstream media and news outlets are involved, which raises questions about Shire's integrity when managing the issue. *i.e. this requires substantial engagement.*	Intense state or national media focus stakeholder backlash, public embarrassment, and potential impacts on the business reputation of the Shire are present. *i.e. requires crisis management and long-term rebuilding efforts*
Social Impacts	Low-level impact on a few individuals with no broader social community impacts	Minor impacts on a small portion of the community and their expectations of the Shire. Manageable across the wider community.	Noticeable impact across a large portion of the community requiring internal revaluation of the Shire's understanding of community expectations.	A Shire-led decision had a significant negative social impact on a large portion of the community. *i.e. demands changes to operations, policy or plans to realign with community expectations.*	Irreversible negative social impacts on the community from a shire-led decision entirely against expectations. *i.e. critical demands for urgent and extensive reform by the community.*
Environmental Impacts	Low-localised events with no broader environmental impact.	Damage or event impacting the ability to meet environmental expectations.	Short-term environmental degradation.	Large-scale damage / partial loss requiring long remediation (> 1 year), significant ecosystem or threatened species.	Permanent loss of significant ecosystem /or threatened / vulnerable species.
Heritage Impacts (European and Aboriginal heritage)	Low localised events with no broader heritage impacts	Damage or event impacting the ability to meet heritage expectations.	Significant but rectifiable damage to valued heritage assets	Large-scale damage to a valued heritage asset	Permanent total and irreplaceable loss of valued local / state heritage asset
Sustainability Impacts	There is no noticeable impact on sustainability goals, and there are no long-term effects.	Short-term impacts on sustainability. It is easily mitigated without lasting consequences.	Requires effort and additional resources to address the issue with potential long-term impacts	A significant impact on sustainability goals requires substantial intervention and may result in lasting environmental or social consequences.	It has severely impacted sustainability goals, causing irreversible damage to the environment and social and economic systems; long-term recovery and extensive mitigation efforts are needed.
Local Commercial / Economic Impacts	Decline of economic activity or less than $100,000 impact across the Shire.	Decline of economic activity of $100,000 - $1M impact across the Shire.	Decline of economic activity of $1M - $2M impact across the Shire	Reduction and loss of key commercial sectors in the Shire. $2-$5M	Decline of economic activity of $5M+ *i.e. permanent or complete loss of key commercial industries in the Shire.*

Table 2: Risk Management Likelihood

SHIRE OF DENMARK RISK LIKELIHOOD			
Level	**Rating**	**Description**	**Frequency**
5	Almost Certain	The event is expected to occur in most circumstances	More than once a year
4	Likely	The event will probably occur in most circumstances	At least once a year
3	Possible	The event should occur at some time	At least once in 3 years
2	Unlikely	The event could occur at some time	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 20 years

Table 3: Risk Rating Matrix

SHIRE OF DENMARK RISK RATING MATRIX						
Consequence / Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Table 4: Risk Control Ratings

Control Rating	Criteria	Description
Effective	Acceptable for identified High, Moderate and Low Risk Rating	Excellent controls; risk is very well monitored and managed through annual monitoring.
Adequate	Acceptable for identified Moderate and Low Risk Rating	Adequate controls with occasional minor weaknesses managed through specific procedures and frequent monitoring.
Weak	Acceptable for identified Low Risk Rating	No, or weak controls, very high risk of failure.

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