

## RISK MANAGEMENT FRAMEWORK

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Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 1 of 23

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**TABLE OF CONTENTS**

INTRODUCTION ..... 3

PURPOSE ..... 3

UNDERPINNING THE FRAMEWORK..... 4

AN INTEGRATED SYSTEM ..... 5

ROLES AND RESPONSIBILITIES..... 6

THE RISK MANAGEMENT SYSTEM ..... 8

    Step 1: Communication & Consultation..... 9

    Step 2: Establish the Context..... 10

    Step 3: Risk Identification ..... 11

    Step 4: Risk Analysis ..... 11

    Step 5: Risk Evaluation..... 14

    Step 6: Risk Treatment..... 15

    Step 7: Monitor and Review..... 17

RISK REGISTER ..... 17

RISK REPORTING ..... 18

INTERNAL AUDIT ..... 19

TRAINING..... 19

APPENDICES..... 20

    Definitions..... 20

    Consequence Table..... 21

    Likelihood Table ..... 22

    Risk Matrix..... 22

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 2 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
 Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

## 1. INTRODUCTION

Port Pirie Regional Council is committed to an integrated approach to risk management to protect its workers, assets, liabilities and community against potential exposures, to minimise uncertainty in achieving its objectives, and to maximise opportunities. Risk is inherent in the provision of crucial functions and services across the Council. The understanding and management of risk will provide greater certainty and security for stakeholders, workers and the community. Council will be better informed, more decisive and move with increased confidence to the achievement of its objectives.

Council's **Vision**, from its **Community Plan 2016 - 2025** states:

**By 2025 the Port Pirie Region is the premier regional centre in South Australia where residents and visitors want to be.**

The risk management process is not an isolated function and should be integrated as part of good management practice. Effective identification, assessment and evaluation of defined risks are critical to Council achieving its strategic objectives and meeting overall community expectations.

## 2. PURPOSE

The purpose of this Framework is to provide details of the requirements and processes supporting Council's Policy and to maximise opportunities whilst minimising risks that may impact Council from achieving its objectives.

This Framework will:

- Align to the objectives of the Risk Management Policy;
- Ensure consistency in the risk management process & establish roles and responsibilities for managing risk;
- Establish a standardised, formal and structured process for assessment and treatment of identified risks;
- Encourage innovation by integrating risk management into the strategic and operational processes across all Departments of Council;
- Ensure that Council maximises its opportunities, whilst minimising any impacts arising from identifying and evaluating risks;
- Ensure that all risks outside the appropriate risk level are escalated to the relevant manager;
- Ensure that (standard) reporting protocols are established for information dissemination across all Council areas; and
- Assist in the development of a continuous improvement culture, integrating the risk management process into overall Council processes.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 3 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**3. UNDERPINNING THE FRAMEWORK**

Australian Standard for Risk management - Principles and guidelines AS/NZS ISO 31000:2018 describes risk as:

“...the effect of uncertainty (either positive or negative) 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.

AS31000 is based on 11 best practice principles. These principles underpin this Framework and guide how we manage risk across the Council.

**Creates and protects value** – contributes to the achievement of our objectives and improves performance.

**An integral part of all organisational processes** – an integrated part of our governance, compliance, accountability, planning and reporting processes.

**Part of decision-making** – aids decision-makers to make informed choices and identify the most effective course of action.

**Explicitly addresses uncertainty** – identifies uncertainty and how it can be addressed.

**Systematic, structured and timely** – contributes to efficient and reliable results.

**Based on the best available information** - draws on data, expert judgment and stakeholder feedback to make evidence-based decisions.

**Tailored** – aligns with the internal and external environment within which we operate.

**Human and cultural factors** – recognises that the capabilities, perceptions and aims of people (internal and external) can aid or hinder the achievement of objectives.

**Transparent and inclusive** – requires appropriate and timely involvement of stakeholders to ensure that it stays relevant and up to date.

**Dynamic, iterative and responsive to change** – responds to both internal and external events, results of monitoring and reviewing activities, new risks that emerge and others that change or disappear.

**Continual improvement of the organisation** – facilitates continuous improvement of our operations.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 4 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**4. AN INTEGRATED SYSTEM**

Councils Risk Management Framework includes the methods and processes used to manage risks and identify opportunities to achieve defined objectives. 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.

- **Strategic Risk Assessment**

Strategic Risks are identified by reference to Councils Community Plan objectives and are monitored by the Executive and Elected Member body. All risk assessments will be captured in the Risk Register and recorded using Council’s Record Management System.

- **Budget and Strategic Planning**

Strategic and Budget Planning considers key risks and opportunities facing the Council at a corporate level. The planning process must identify and review risks that may impact on Council’s ability to meet key legislative and strategic objectives.

- **Business Continuity Plan / Disaster Recovery**

Council is obliged to ensure that critical business functions continue after a business interruption. The Business Continuity Plan (BCP) is designed to manage risk by limiting or reducing the impact of a disruption, and to enable the resumption of critical business functions/services of Council.

- **Work Health Safety**

The Work Health Safety (WHS) system is implemented to manage health and safety risks to Workers and members of the public. WHS is a critical component of the risk management system and will address risks facing workers conducting their specified duties. Council already has in place an overarching WHS and Return to Work System with a suite of Policies and Procedures to assist in managing safety related risk.

- **Coverage & Claims Management – 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:

1. **Local Government Association Mutual Liability Scheme (LGAMLS)** for the purposes of Civil Liability coverage & claims management;
2. **Local Government Association Workers Compensation Scheme (LGAWCS)** for the purposes of workers compensation coverage & claims management; and
3. **Local Government Asset Mutual Fund (LGAMF)** for the purposes of asset and fleet coverage & claims management.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 5 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**4. AN INTEGRATED SYSTEM (Cont'd)**

- **Coverage & Claims Management – Local Government Risk Services (LGRS) (Cont'd)**

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.

- **Council and Committee Reporting**

Risk Management should inform Council’s decision making process. Risk assessment and management processes will be incorporated into Council and Committee reports, where there is a potential impact on achievement of Council’s objectives or on the wider community.

- **Risk Management Awareness**

The Risk Management Framework and supporting policies and tools will be made available to all workers through the intranet, including training and workshops; Information and awareness sessions will be provided to workers to improve transparency and increase the Councils Risk Management culture.

- **Governance**

Good Governance practices are a vital role for Council to work within, similar to the Risk Management Framework. To ensure that this Framework is successfully implemented throughout Council, we require good Governance practice and compliance measures. Governance and Risk Management are complementary, with many stems across all Departments. We cannot have one without the other.

**5. 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	<ul style="list-style-type: none"> <li>• Endorse the systematic approach to managing risk and opportunity across Council operations</li> <li>• Review and consider any report or recommendations regarding the Risk Management Framework</li> <li>• Review Councils Strategic Risks</li> <li>• Apply risk management principles to the decision making process</li> </ul>

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 6 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**5. ROLES AND RESPONSIBILITIES (Cont'd)**

Roles	Responsibilities
Audit Committee	<ul style="list-style-type: none"> <li>• Review and endorse the Risk Management Framework</li> <li>• Ensure a Framework is in operation and delivers a consistent approach to risk management</li> <li>• Review reports from management and Auditors and monitor that effective risk and opportunity management controls have been implemented</li> </ul>
Chief Executive Officer (CEO)	<ul style="list-style-type: none"> <li>• Review, endorse and implement the Risk Management Policy and Framework</li> <li>• Promote a strong risk management culture by providing firm and visible support for risk management including ensuring appropriate delegations for the management of risk.</li> <li>• Ensure a Framework is in operation and delivers a consistent approach to risk management</li> <li>• Ensure Managers have the necessary knowledge and skills to effectively fulfil their risk management responsibilities and are accountable for risks arising from the activities of their departments</li> <li>• Review Councils Strategic Risks</li> </ul>
Management Team	<ul style="list-style-type: none"> <li>• Commitment to, and promotion of, the Policy and Framework</li> <li>• Monitor Council's overall risk profile and mitigation strategies</li> <li>• Ensure that Risk Management is embedded into all critical functions and activities</li> <li>• 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</li> <li>• Include any risk treatments into business plans</li> <li>• Empower staff to actively be involved in managing risk</li> <li>• Promote a proactive risk culture in accordance with business management initiatives</li> <li>• Regularly review risks on the risk register (at least annually)</li> <li>• Review Councils Strategic Risks</li> </ul>

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 7 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**5. ROLES AND RESPONSIBILITIES (Cont'd)**

<p>Manager Governance</p>	<ul style="list-style-type: none"> <li>• Provide guidance and assistance to all staff in relation to the application of this framework and reporting within the Risk Register</li> <li>• Ensure relevant risk information is reported and escalated to the Management Team or Audit Committee or cascaded to staff, as relevant</li> <li>• Maintain the Risk Management Policy and Framework to ensure its currency and accuracy</li> <li>• Manage the Risk Register and timeframes as required</li> <li>• Provide support and advice to Managers and staff in the application and use of the Risk Management Framework</li> </ul>
<p>Employees, Volunteers &amp; Contractors</p>	<ul style="list-style-type: none"> <li>• Understand the risk management processes that are integrated into all Council activities</li> <li>• Identify, evaluate, report and manage risks in their daily activities and projects</li> </ul>

**6. THE RISK MANAGEMENT SYSTEM**

Having good risk management practice 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 will enable Council to minimise losses and maximise opportunities.

The Risk Management process for managing Port Pirie Regional Council risks is consistent with the International Risk Management Standard ISO 31000:2018, it involves seven key steps which are listed below.

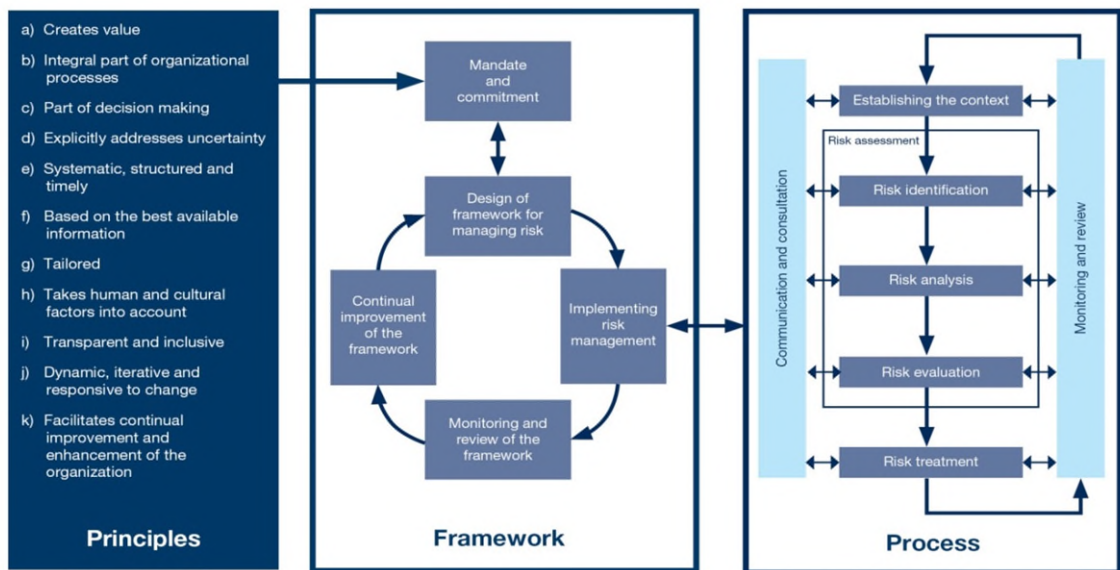
1. Communication and Consultation
2. Establishing the Context
3. Risk Identification
4. Risk Analysis
5. Risk Evaluation
6. Risk Treatment
7. Monitor and Review

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 8 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
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**6. THE RISK MANAGEMENT SYSTEM (Cont'd)**



**Step 1: Communication & Consultation**

The Communication and Consultation process is critical in ensuring the ‘Principles Underpinning the Framework’ are met. Effective communication 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 utilise sound communication methodology in order to canvas the views of relevant stakeholders during the determination of risk and the effect, or perceived effect, it will have on those stakeholders.

Council will support the Risk Management Framework by:

1. Ensuring the risk process is incorporated into business processes, including large projects and compliance variations.
2. Risk Management Reporting captures accountability and timeframes to ensure improvements and best practice approach.
3. Providing risk management awareness sessions for workers to develop an understanding of risk management methodology and the value of risk management to the Council.
4. Encouraging a Risk Management Culture by supporting workers to use the Risk Management tools and resources provided to them.

It is important that the communication approach recognises the need to promote risk and opportunity management concepts across all management and workers. Council recognises that this is a process and not an outcome, and so to be effective this stage of the management system must be a continuous process of providing and receiving feedback and communication.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 9 of 23

**6. THE RISK MANAGEMENT SYSTEM (Cont'd)**

**Step 2: Establish the Context**

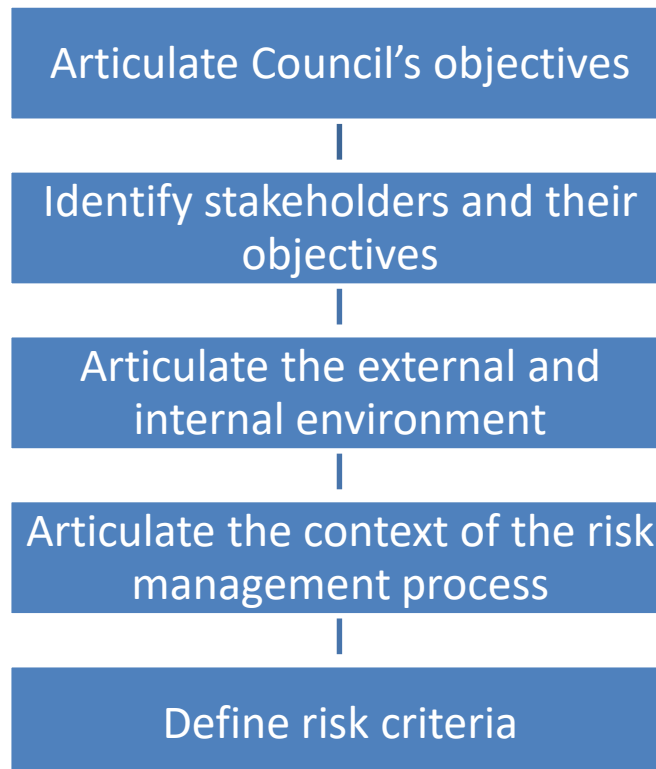
Establishing the context is designed to get those involved in the risk management process thinking about what they are conducting a risk assessment on and how they relate to Council’s objectives. Regardless of the type of risk there will always be internal and external factors that may place uncertainty on objectives.

Organisational risk context involves:

1. Identifying the internal and external environment that may impact on the identification and management of risk.
2. Specifying the risk management objectives.
3. Establishing the risk parameters, i.e. purpose, scope and circumstances.

The Risk Management Culture of Port Pirie Regional Council is an internal factor when considering Risk Management and its processes.

The external environment will also be impacted by a range of factors such as changes within Council, increased legislation and compliance, community expectations and elected member awareness. These factors need to be considered when identifying Council risks.



Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 10 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**6. THE RISK MANAGEMENT SYSTEM (Cont'd)**

**Step 3: 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 objectives, as stated in its Strategic Management Plans. Council identifies, assesses and treats risk in the following **three** groups:

Strategic	Risks associated with <i>high level</i> Goals that align to Councils Strategic, Annual and Business Plans. Strategic risks may affect the achievement of Council's corporate objectives
Operational	Risks associated with departmental functions and daily operations to deliver essential services
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:

1. What might happen/ what could go wrong?
2. What is the cause?
3. 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); this is captured within the Framework.

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.

**Step 4: 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.

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.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 11 of 23

**6. THE RISK MANAGEMENT SYSTEM (Cont'd)**

**Step 4: Risk Analysis (Cont'd)**

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’.

**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 to Councils tolerance levels. Tolerance can be described as the amount of uncertainty that Council is prepared to accept, either in total or as it relates to a specific business unit, risk category or specific initiative.

If the assessed risk level is above the tolerable level for that category of risk then treatment may be required. If it is equal to, or below, the tolerable level for that category of risk then the risk can be accepted (after further controls are discussed). These limits are best set in quantitative terms that can be communicated to those responsible for them and then monitored for compliance.

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

<b>Financial/ Infrastructure</b>	<b>MEDIUM</b> There is no acceptance 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 acceptance of decisions that have a significant negative impact on Council’s long term financial sustainability.
<b>People</b>	<b>LOW</b> There is no acceptance for compromising workers health and safety There is no acceptance of knowingly compromising the safety of members of the public.
<b>Reputation</b>	<b>LOW</b> There is no acceptance of project plans with objectives that have a low level of certainty towards the Strategic Management Plan. No ‘justifiable’ adverse media coverage is acceptable.
<b>Environment</b>	<b>MEDIUM</b> Decisions that promote ecologically sustainable development are a high priority. There is no acceptance of decisions that cause environmental harm requiring remediation or irreversible damage

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 12 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**6. THE RISK MANAGEMENT SYSTEM (Cont'd)**

**Step 4: Risk Analysis (Cont'd)**

**Tolerance (Cont'd)**

<b>Legal/ Regulatory/ Policy</b>	<b>LOW</b> There is no acceptance of any non-compliance with legal, professional and regulatory requirements.
<b>Service Delivery</b>	<b>MEDIUM</b> There is unqualified acceptance for improvements to service delivery or efficiency of Council operations. There is no acceptance for damage to, or prolonged disruption to, the service delivery of Council

**Appetite**

The Executive Team is responsible for Council's determination with regards to its Risk Appetite. The Executive Team has taken into consideration the nature and extent of the risks Council is willing to undertake in order to achieve its strategic objectives. Appetite is a complex area in the management of risk and Council has acknowledged this complexity within its approach.

The following five questions have been considered in arriving at Council's position for its risk appetite:

1. Do decision makers understand the degree to which they are permitted to expose Council to the consequences of an event or situation?
2. Does the Executive Team understand their aggregated and interlinked level of risk to determine whether it is acceptable or not?
3. Do the Council and Executive Team understand the aggregated and interlinked level of risk for Council as a whole?
4. Are managers and Executive Team clear risk appetite is not constant? (i.e. There must be flexibility to adapt built in.)
5. Are risk decisions made with full consideration of reward? The appetite needs to help managers and Executive Team take appropriate level of risk for Council, given the potential for reward.

Council's risk appetite will be included in Council's regular monitoring and review process of the Risk Framework. This review of appetite will be incorporated into the structure of Council at each level of responsibility due, in part, to the differing focuses with regards to the risks that Council faces at each of these levels.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 13 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**6. THE RISK MANAGEMENT SYSTEM (Cont'd)**

**Controls**

Controls are those policies, processes and systems that have been implemented in response to issues that have been identified. Controls which modify the level of risk will be identified, assessed and documented.

Adequate controls need to be developed to ensure they are effective and specific to that risk. An adequate control has the following characteristics:

- Documented
- High compliance standard
- Management accountability defined
- Effective
- Manages or substantially mitigates the risk.

Treatments - actions that are developed as a response to issues identified are deemed treatments until confirmed as effective at which time they can be regarded as controls. Treatments identified during the risk assessment process as 'inadequate' will not be considered as a control. These include:

- Not documented
- Subject to major change or uncertainty
- Effectiveness cannot be measured
- No system or process exists to manage the risk.

**Step 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 Councils that benefit from the risk. There are also circumstances whereby, despite the risk level, risks cannot be treated.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 14 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**6. THE RISK MANAGEMENT SYSTEM (Cont'd)**

**Step 5: Risk Evaluation (Cont'd)**

RISK LEVEL	MANAGING RISK – PRIORITY RATING
<b>EXTREME</b>	<ul style="list-style-type: none"> <li>• Add risk to Council's Risk Register</li> <li>• Escalate risk issue immediately to CEO/Management Team</li> <li>• CEO/Management Team to:                             <ul style="list-style-type: none"> <li>○ Refer risk to risk owner</li> <li>○ Identify and develop treatment strategies for immediate action</li> <li>○ Monitor and review actions/strategies</li> <li>○ Provide direction and information to relevant stakeholders</li> </ul> </li> <li>• Consider cessation/suspension of the activity giving rise to the risk until such time as CEO/Management Team authorises its continuation and/or whilst other risk treatment strategies are being developed/implemented</li> </ul>
<b>HIGH</b>	<ul style="list-style-type: none"> <li>• Add risk to Council's Risk Register</li> <li>• Escalate risk issue to Management Team/Risk Management area</li> <li>• Management Team to:                             <ul style="list-style-type: none"> <li>○ Refer to relevant risk owner</li> <li>○ Identify and develop treatment strategies with appropriate timeframes</li> <li>○ Monitor and review actions/strategies to manage risk to an acceptable level</li> <li>○ Provide direction and information to relevant stakeholders</li> </ul> </li> </ul>
<b>MODERATE</b>	<ul style="list-style-type: none"> <li>• Add risk to Council's Risk Register</li> <li>• Manage within Department                             <ul style="list-style-type: none"> <li>○ Identify and develop treatment strategies with appropriate timeframes</li> <li>○ Monitor and review actions/strategies to manage risk to an acceptable level</li> </ul> </li> </ul>
<b>LOW</b>	<ul style="list-style-type: none"> <li>• Add risk to Councils Risk Register</li> <li>• Undertake localised risk management &amp; actions (if required)</li> <li>• Review within the Department parameters and routine procedures</li> </ul>

**Step 6: Risk Treatment**

Risk treatment can be conducted using a variety of methods. When looking at 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.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 15 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**6. THE RISK MANAGEMENT SYSTEM (Cont'd)**

**Step 6: Risk Treatment (Cont'd)**

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.

Council will tolerate a certain “acceptance” level of risk. Any risk that is rated low or moderate should be monitored and reviewed in line with relevant Department processes and systems as discussed in Risk Analysis (see also Risk Management Flowchart).

<b>Eliminate</b>	Remove the asset or service completely so as to eliminate the risk altogether
<b>Share</b>	Allocate risk to a third party, such as through the purchase of insurance/ appropriate contactor management etc.
<b>Mitigate</b>	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)
<b>Accept</b>	Risk can be accepted for a number of reasons including: <ul style="list-style-type: none"> <li>• no extra treatments being available;</li> <li>• meets the stated target for the type of risk;</li> <li>• informed decision has been made about that risk; and</li> <li>• risk treatment is worth more than the risk exposure.</li> </ul>

**Step 7: Monitor and Review**

Monitoring and review must be a formal part of the risk management process and involves regular checking or surveillance of the performance of the risk management processes implemented. It is essential to monitor all procedures in order to capture any new risks arising from changing business environment, including both the internal and external context, and review risk mitigation strategies. The review of the risk management framework and process will be scheduled for completion within a 3 year time frame.

The risk management process is not static, by ensuring risks are monitored and reviewed, any changes in risks through the process and after its completion can be recorded. Due to the dynamic nature of most projects, a risk may change over the lifecycle of the management process triggering the need for reassessment. The monitor and scheduled review process allows for validation of risks to ensure that they remain relevant. Monitor and Review guidelines and timeframes are captured in the Risk Reporting structure.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 16 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*



**6. THE RISK MANAGEMENT SYSTEM (Cont'd)**

**Step 7: Monitor and Review (Cont'd)**

A monitoring and review process will:

- Ensure that implemented controls are effective and adequate;
- Provide further information to improve risk assessment and treatment plans;
- Allow for the identification of emerging risks;
- Identify any (new) activities that may influence established strategies to mitigate risks.

These are essential components of effective risk management and sound governance and will be applied systematically to the strategic, operational, project and compliance risks identified.

**7. 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 Council to determine the Port Pirie Regional Council risk profile and provide direction on how to improve our risk management. 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. The Risk Register will indicate that the risk management process is effectively reducing adverse effects.

**Operational Risks**

Council will develop and maintain Operational risks on the central Risk Register which is reviewed at least annually by Departmental Managers. This register allows all Council personnel to record their risks and track them effectively. 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.

**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.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 17 of 23

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**7. RISK REGISTER (Cont'd)**

**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 Management Team 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 Plans and mitigated through action details in these documents. Recording and reporting of Strategic level risks is the responsibility of the Manager Governance via Management Team and Audit Committee.

**8. RISK REPORTING**

Risk based Reports will draw data from the Risk Register and provide monitoring and profile information to Council, Audit Committee and the Management Team.

Port Pirie Regional Council will generate reports on Risk Management in order to:

- Understand the risk exposure of the Council;
- Identify risks that require increased attention;
- Provide risk information to the Council; especially anything effecting the Strategic Management Plan;
- Provide information to all workers at all levels to make risk informed decisions; and
- Improve the Risk Management awareness and culture at Council

Risk reporting will include:

- All Council and Committee reports to include discussion of potential risks, based on completed risk assessment and treatments;
- An annual review and update of the Risk Register by Departmental Managers, (or as otherwise required, e.g. organisational structure change/ process change/ new project);
- Quarterly review of Extreme/ High Operational Risks by Management Team provided to the Audit Committee;
- Annual review of Strategic Risks by Management Team;
- All new and emerging Strategic Risks reviewed by Management Team as required; and
- Any risks rated as **HIGH** or **EXTREME** after the consideration or implementation of treatment options are reported to Council's Audit Committee.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 18 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**9. 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:

1. **Measuring compliance** – has Council met its Policy objectives
2. **Measuring maturity** – measuring against best practice and Council benchmarking
3. **Measuring value add** – has the framework and risk culture added to the achievement of Councils Strategic Management Plan

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 reasonable.

**10. TRAINING**

Council's Training Needs Analysis (TNA) is a tool used to (a) capture legislative requirements, and (b) identify individual tasks within specific jobs and the core competencies required for the safe performance of those jobs. Risk Management awareness training is captured on Councils TNA, to ensure the effective implementation of the Risk Management Framework.

Risk Management should be viewed as an umbrella that is overarching across all Council functions, not as a specialist skill that is owned by a designated risk management position. Port Pirie Regional Council views Risk Management as a skill and necessity that workers need to perform their day to day activities – each activity has an element of risk that, if overlooked or left unchecked, may result in undesirable outcomes.

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.

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 19 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**11. APPENDICES**

**Definitions**

<b>Consequence:</b>	Outcome of an event affecting objectives
<b>Control:</b>	Measure that is modifying risk
<b>Establishing the Context:</b>	Defining the external and internal parameters to be taken when managing risk
<b>Event:</b>	Occurrence of a particular set of circumstances
<b>Exposure:</b>	The risk exposure is a qualitative value of the sum of the consequence of an event multiplied by the probability of that event occurring
<b>External Context:</b>	External environment in which the organisation seeks to achieve its objectives
<b>Inherent Risk:</b>	Risk at time of risk assessment with existing/current controls
<b>Internal Context:</b>	Internal environment in which the organisation seeks to achieve its objectives
<b>Likelihood:</b>	Chance of something happening
<b>Residual Risk:</b>	Risk remaining after risk treatment
<b>Risk Appetite:</b>	Amount and type of risk that Council is willing to pursue or retain
<b>Risk Assessment:</b>	An overall process of risk identification, risk analysis and risk evaluation
<b>Risk Management Framework:</b>	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management
<b>Risk Management:</b>	Coordinated activities to direct and control an organisation with regard to risk
<b>Risk Owner:</b>	Staff member with the accountability and authority to manage a risk
<b>Risk Rating:</b>	Risk priority based on consequence and likelihood assessments
<b>Risk Register:</b>	Register of all identified risks, their consequences, likelihood, rating and treatments
<b>Risk:</b>	Effect of uncertainty on objectives
<b>Stakeholder:</b>	Person or organisation that can affect, be affected by, or perceive themselves to be affected by, a decision or activity
<b>Tolerance:</b>	Council's readiness to bear the risk after risk treatment in order to achieve objectives

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 20 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**Consequence Table**

<b>Descriptor</b>	<b>Financial / Infrastructure</b>	<b>People</b>	<b>Reputation</b>	<b>Environmental</b>	<b>Legal / Regulatory / Policy</b>	<b>Service Delivery</b>
<b>Insignificant</b>	Financial – low financial loss <\$50,000 impact on operating result	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	Immaterial legal, regulatory or internal policy failure. No penalty or liability	Insignificant interruption to a service – no impact to customers/business
<b>Minor</b>	Financial – medium financial loss >\$50,000 and <\$500,000	Minor Medical attention. Negligible impact on morale	Some Local Media or Political Attention. Community Concern – little adverse effect	Minor impact to environment. Can be reversed in the short term	Minor legal or regulatory/internal policy failure – resolved without penalty & minor liability exposure	Minor interruption to a service with minimal impact to customers/business
<b>Moderate</b>	Financial – high financial loss >\$500,000 and <\$1,000,000 or 10% of rate revenue	Significant Injury requiring medical attention. Short Term effect on morale and business	Significant Media Attention. Significant Public interest. Potential for adverse local media or potential attention	Moderate impact to environment. Localised damage that has potential to spread and reversed with intensive efforts	A repeated legal, regulatory or internal policy failure. Resulting in a penalty and potential liability exposure	Moderate Interruption to service delivery. Customer impact up to 48 hrs. Partial BCP action may be needed
<b>Major</b>	Financial – major financial loss >\$1000,000 and <\$4,000,000 or 20% of rate revenue	Serious Long Term Injury. Temporary disablement. Significant impact on morale and business	Regional or State wide media Attention. Public interest. Long term effect on reputation	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.
<b>Catastrophic</b>	Financial – catastrophic financial loss/exposure >\$4,000,000 or 20% of rate revenue	Major Injury/disablement or death. Long term effect on morale and performance of business	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.	Major loss of environmental amenity – irrecoverable environmental damage	Substantial failure in administering 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.

Document No	Version No	Last review	Next review	Page
FRA-002	1.0	27 April 2022	November 2025	Page 21 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**Likelihood Table**

Likelihood	Explanation – Operations	Explanation – Projects/ Business Case
<b>Almost Certain</b>	It is <b>expected to occur</b> 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
<b>Likely</b>	<b>Will probably occur</b> in most circumstances – several times a year.	Could easily be incurred and has generally occurred in similar studies or projects.
<b>Possible</b>	<b>Could be incurred</b> within a one – two year period.	Incurred in a minority of similar studies or projects
<b>Unlikely</b>	<b>Could be incurred</b> in a two - five year time frame.	Known to happen, but only rarely.
<b>Rare</b>	<b>May occur in exceptional circumstances.</b> Could be incurred in a 5-30 year timeframe.	Has not occurred in similar studies or projects. Conceivable but in extreme circumstances.

**Risk Matrix**

Consequence \ Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
<b>Almost Certain</b>	Medium	High	High	Extreme	Extreme
<b>Likely</b>	Low	Medium	High	Extreme	Extreme
<b>Possible</b>	Low	Medium	Medium	High	Extreme
<b>Unlikely</b>	Low	Low	Medium	High	Extreme
<b>Rare</b>	Low	Low	Low	Medium	High

Document No	Version No	Last review	Next review	Page
FRA-002	1.1	27 April 2022	November 2025	Page 22 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*

**12. FURTHER INFORMATION**

This policy will be available to be downloaded, free of charge, from Council's internet site:  
[www.pirie.sa.gov.au](http://www.pirie.sa.gov.au)

Copies will be provided to interested parties upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

Document No	Version No	Last review	Next review	Page
FRA-002	1.0	27 April 2022	November 2025	Page 23 of 23

*Electronic version on Website is the controlled version. Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is the current version. Date printed: 6 January 2023*