



RISK SNAPSHOT GUIDE

PENRITH
CITY COUNCIL

INTRODUCTION

Penrith City Council (PCC) has developed an Enterprise Risk Management Framework (ERMF) consisting of:

- Risk Management Policy (RMP)
- Risk Management Strategy and Plan (RMSP)

The purpose of this guide is to provide staff at all levels of the organisation with a snapshot of the framework and its practical application in the workplace. An e-learning module is being also being released .

Risk is defined as the effect of uncertainty on objectives. An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats.

Policy Statement

Council acknowledges that the application of risk management thinking, principles and practices in the form of an Enterprise Risk Management Framework will help to reduce risks and uncertainties in achieving business objectives. By doing so, it will improve decision making, assist in setting priorities for competing demands and resources, minimise the impact of adversity and loss, ensure regulatory compliance and, most importantly, assist in the delivery of high quality services to the community.

Risk Management Strategy and Plan

The document provides:

- detailed information on Council's approach to risk management; and
- tools and templates for staff



THE BASICS

Council's risk function is responsible for implementing a framework for managing risk and providing advice. Managers are the "risk owners" and as such are responsible for actively managing their risks. However, the principles of risk management can and should be applied in the daily activities of all staff.

The risk is: Getting sunburnt.

The potential consequences are:

Pain and suffering; time off work.

The control measure to prevent the risk

is: Use of PPE, e.g. sunscreen and hat.

The potential causes are: No standard

operating procedure in place and/or human error.

There are some more steps to follow in a formal risk assessment, but this example highlights the essential considerations, or inputs, to the risk assessment process. A helpful model which you can use to remind you of these things is the 'Risk Bowtie':

A preventative measure reduces the likelihood of the risk event, while a recovery measure reduces its consequence. Both of these measures are considered to be controls in Council's ERMF.

Sometimes the risks might not be as obvious and will require a bit more thought. When approaching an important task or decision, it is a good idea to think about all possible risks, not just the Work, Health & Safety risks.

The key questions when identifying risks are:

- What can happen?
- Where can it happen?
- When can it happen?
- Why can it happen?
- How can it happen?
- What is the impact?
- Who is responsible?



MORE ADVANCED CONCEPTS

The ERMF includes the following categories of risk which you should keep in mind when doing your assessments:

- 1. Financial** - cash flow, budgetary requirements, investments, tax obligations, creditor/debtor management, remuneration and other general account management concerns
- 2. Reputation** - entails the threat to the reputation of Council due to the conduct of the entity as a whole, the viability of products/services, or the conduct of employees or others associated with Council
- 3. Governance, Legal & Compliance** - includes legislation, regulations, standards, codes of practice and contractual requirements. Also extends to compliance with additional 'rules' such as policies, procedures or expectations, which may be set by contracts, customers or the social environment)
- 4. Operations & Service Delivery** - covers the planning, daily operational activities, resources and support required by Council that results in the successful development and delivery of products/ services; relates to the delivery of services, including the quality of service provided or the manner in which a product is delivered and includes customer interaction and after-sales service
- 5. Growth & Commercialisation** - includes risks associated with market placement, business growth, product development, diversification and commercial success. Also to the commercial viability of products/services, extending through establishment, retention, growth of a customer base and return
- 6. People, Safety & Culture** - Every business has a duty of care underpinned by State and Federal legislation. This means that all reasonable steps must be taken to protect the health and safety of everyone at the workplace. Workplace health and safety is integrated with the overall risk management strategy to ensure that risks and hazards are always identified and reported. Measures must also be taken to reduce exposure to the risks as far as possible; also includes organisational culture and workfrocce functions)
- 7. Environmental** - includes risks relating to the safety and protection of public health, water quality, environmental management (managing pollution & contamination, and protection & management of environmental health), waste management, land use planning & development and disaster & emergency management.

Often a risk will overlap categories. When you are required to select a category (e.g. in the risk register template), follow the rule of thumb by selecting the category with the greatest consequence. For example, it is easy to assume that the risk of fraud is a financial risk, but further analysis may reveal the impact of the fraud is greater in the Governance, Legal & Compliance category (i.e. \$100k financial impact vs prosecution of senior manager).

Once you have identified a risk, you will need to analyse it by following this 5 step process:

1. Select the likelihood of the risk using the Likelihood Rating Table
2. Select the highest consequence of the risk using the Consequence Rating Table
3. Determine the inherent rating of the risk using the Risk Rating Table (based on the likelihood and consequence levels already selected)
4. Identify controls currently operating to prevent/reduce the risk
5. Assign an overall control rating for the identified controls using the Control Rating Table

After you have performed these steps, the risk register will generate the final risk rating, also known as the residual rating.

The final step in the assessment process is to evaluate whether the risk rating is acceptable or whether it needs to be treated so that it becomes acceptable.

Use this rule of thumb:

If the rating is High or Extreme, chances are it's not acceptable and you should talk to your manager about treatment options. If the rating is moderate, consult (if necessary) and make a judgement as to whether it is acceptable (or tolerable). Low rated risks will always be in the acceptable/tolerable range, so no further action is required.

For risks that are not acceptable/tolerable, the following treatment options are available to you:

- Avoid – do not start or continue the activity that gives rise to the risk
- Control – introduce new controls (procedures) to strengthen the control rating and reduce the risk
- Transfer – transfer risk and/or consequence to another party, e.g. contracting or insurance
- Retain – not possible to avoid and transferring/controlling costs more than the consequence of the risk

FOLLOWING IT THROUGH

Once you've done a solid risk assessment, then what? Well, you get to reap the rewards of your good work, that's what! It's really important that you don't take your foot off the pedal now, so you should regularly monitor and review the risk to ensure the desired reduction is achieved once new controls/actions have been implemented. It's never a bad idea to communicate the risk and treatments to others in your area, especially your supervisor/manager. A good way to do this is at 'toolbox talks' or team meetings. Always remember to check your

department risk register with your manager to ensure your risk assessment is properly documented.

In the first instance, you should speak to your manager if you have any questions in relation to the risk assessment process or Council's ERMF. If you require any further information, you can contact Council's risk officers direct on extension 7692 or 8209.

There is also a lot of resource material available on iConnect in the Audit & Risk Management tab, accessed via Operational documents.

LIKELIHOOD RATING TABLE

Likelihood of the risk materialising	Definition	Probability
Almost certain (5)	The event is expected to occur in normal circumstances. There has been frequent past history.	> 90%
Likely (4)	The event will probably occur. Some recurring past event history.	60% - 90%
Possible (3)	The event may occur sometime. Some past warning signs or event history.	40% - 59%
Unlikely (2)	The event could occur in some circumstances. No past event history.	10% - 39%
Rare (1)	The event may occur but only in exceptional circumstances. No past event history.	< 10%



RISK RATING TABLE

Likelihood of the risk materialising	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely (4)	Medium (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible (3)	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely (2)	Low (2)	Medium (4)	Medium (6)	Medium (8)	High (10)
Rare (1)	Low (1)	Low (2)	Low (3)	Medium (4)	Medium (5)

CONTROL RATING TABLE

Level of control	Description
Rigorous	Rigid controls designed to mitigate adverse risks to the lowest possible level
Balanced	Controls designed to provide assurance that risks are being managed to a reasonable level
Empowering	Loose controls designed to encourage agility and innovation; more trust based
Minimal	Largely trust based

CONSEQUENCE RATING TABLE
 (where there are multiple types of impacts, use the highest rating for scoring risk)

Risk Category	Insignificant	Minor	Moderate	Major	Catastrophic
FINANCIAL	Impact of <\$100K	Impact <\$500K >\$100K	Impact <\$5M >\$500K	Impact <\$10M >\$5M	Impact >\$10M
GOVERNANCE, LEGAL AND COMPLIANCE	Breach local SOPs but not mandatory policies & procedures	Ad hoc breaches of policies and procedures but not of laws or regulations	<ul style="list-style-type: none"> Breach of any laws/regulations; Non-critical contract terminated and threat of lawsuit 	<ul style="list-style-type: none"> Prosecution; Significant and systemic breach of policies; Threat of critical contract termination and/or significant lawsuit 	<ul style="list-style-type: none"> Prosecution with potential for executives to be jailed; Loss of critical licence/accreditation; Significant and systemic breach of Governance policies; Critical contract terminated and/or significant lawsuit
REPUTATION	A negative individual article in a local newspaper / TV program causing limited public enquiries	Isolated negative local media coverage and complaints which may result in a staff member being sacked	Negative local media coverage over several days, resulting in: <ul style="list-style-type: none"> A director is sacked; A number of managers and/or coordinators depart 	Lengthy negative state media coverage resulting: <ul style="list-style-type: none"> Councillor(s) removed; GM or LT depart; Key stakeholders threaten to remove their association with and support for PCC 	Lengthy negative national media coverage resulting in: <ul style="list-style-type: none"> Minister sacks Council; GM and LT depart; Key stakeholders disassociate themselves from PCC

CONSEQUENCE RATING TABLE

(where there are multiple types of impacts, use the highest rating for scoring risk)

Risk Category	Insignificant	Minor	Moderate	Major	Catastrophic
OPERATIONS AND SERVICE DELIVERY	Disruption to any services or quality issue that causes an inconvenience or minor complaint	<ul style="list-style-type: none"> Disruption to any non-critical service(s) < 4 weeks or any one critical service ≤ 1 week ; Loss / Damage to non-critical assets; Drop in customer satisfaction by < 5% for one survey period 	<ul style="list-style-type: none"> 1 critical service undeliverable < 4 weeks > 1 week; Multiple non-critical services undeliverable > 4 weeks; Significant damage to non-critical assets; Some damage to critical assets; Drop in customer satisfaction by 5 - 10% in one survey period 	<ul style="list-style-type: none"> >1 critical service undeliverable < 8 weeks > 4 weeks; 1 critical service undeliverable > 8 weeks; Significant damage to critical assets; Drop in customer satisfaction by 10 - 20% in one survey period or 5 - 10% for two or more survey periods 	<ul style="list-style-type: none"> > 1 critical service undeliverable > 8 weeks leading to other "catastrophic" consequence impact(s); Major loss / destruction of critical assets; Drop in customer satisfaction by > 20% in one survey period or 10 - 20% for two or more survey periods
GROWTH AND COMMERCIALISATION	Impact of <\$100K	Impact <\$500K >\$100K	Impact <\$5M >\$500K	Impact <\$10M >\$5M	Impact >\$10M

CONSEQUENCE RATING TABLE

(where there are multiple types of impacts, use the highest rating for scoring risk)

Risk Category	Insignificant	Minor	Moderate	Major	Catastrophic
PEOPLE, SAFETY AND CULTURE	<ul style="list-style-type: none"> Near miss event; Some non-management staff unaware of and/or not behaving in accordance with PCC values 	<ul style="list-style-type: none"> First aid injury / illness; Instances of safety practices inconsistent with WH&S policies & procedures at a localised level; Hazardous substance release that is contained; Instances of management decisions or behaviour inconsistent with PCC values 	<ul style="list-style-type: none"> Injury or illness requiring medical intervention; Widespread staff perception management does not always prioritise safety; Hazardous substance release that has the potential to cause moderate adverse health effects; Widespread staff perception that management does not always prioritise PCC values and noticeable reduction in staff morale 	<ul style="list-style-type: none"> Serious injury or illness requiring hospitalisation; Management displaying or tolerating unsafe behaviour; Hazardous substance release that has the potential to cause serious health effects; Management displaying and/or tolerating behaviour that is inconsistent with PCC values; and/or Widespread low staff morale and valued staff consistently leaving 	<ul style="list-style-type: none"> Permanent impairment; Fatality / fatalities; Increase of > 200% of days lost to WH&S incidents; PCC Values/Code of Conduct visibly and significantly compromised; Prolonged/significant adverse impact on culture (adverse variation of 25% - 50% in staff survey for successive survey periods); Inability to retain and/or attract critical staff

CONSEQUENCE RATING TABLE

(where there are multiple types of impacts, use the highest rating for scoring risk)

Risk Category	Insignificant	Minor	Moderate	Major	Catastrophic
ENVIRONMENTAL	Negligible environmental impact, temporary short-term impact to amenity; corrective action may not be considered necessary	Minor, isolated environmental damage, taking < 2 years to remediate; may result in penalty notice or official warning	Environmental damage is significant, taking 2 - 5 years to remediate; local media attention; may result in fines	Long term and widespread environmental damage taking > 5 years to recover and requiring significant restorative work; state media interest; civil prosecution; PCC fined ≤\$1M	Fatalities may occur; damage may be irreversible; extensive long term detrimental impacts on the environment and community; national media attention; criminal prosecution; PCC fined >\$1M

