



**COOK SHIRE COUNCIL
RISK MANAGEMENT
FRAMEWORK 2019**

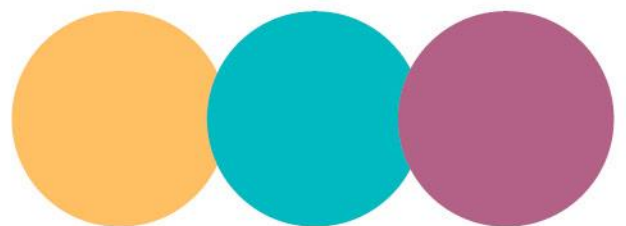


Table of Contents

- Release Notice..... 3
- 1. Introduction 4
- 2. Purpose 5
- 3. Risk Management Responsibilities 6
- 4. Council Risk Hierarchy..... 8
- 5. Risk Management Process 11
- 6. Risk Workshops and Risk Assessments 12
- 7. Risk Register 12
- 8. Risk Matrix 12
- 9. Risk Mitigation and Risk Controls..... 14
- 10. Controls Assessment 14
- 11. Risk Review and Reporting Framework 15
- 12. Communication 15
- 13. Review 16
- 14. Related Documents 16
- 15. Appendix A. Risk Register Template..... 16

Document Number:	D19/5534	<p>CONTROLLED DOCUMENT</p> <p>This electronic document is guaranteed as the most current. DO NOT COPY.</p> <p>Unauthorised hard copies of this document are prohibited.</p>	Page 2 of 16
Authorised By:	Director Organisational Business Services		
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Release Notice

Document name	Cook Shire Council - Risk Management Framework version 1.0
Sponsor	Director Organisational Business Services
Approved by	Chief Executive Officer
Description	The following document has been developed by the Cook Shire Council to illustrate how risk management is embedded in our organisational systems to enable its integration at all levels and work contexts. It describes the key principles, elements and processes to guide staff in effectively managing risk as part of their day-to-day decision-making and service delivery practices.
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Document Number:	D19/5534	<p>CONTROLLED DOCUMENT</p> <p>This electronic document is guaranteed as the most current. DO NOT COPY.</p> <p>Unauthorised hard copies of this document are prohibited.</p>	Page 3 of 16
Authorised By:	Director Organisational Business Services		
Original Issue Date:	March 2019		
Last Modified:	June 2019		
Review Date:	March 2022		
Current Version:	2.0		

1. INTRODUCTION

Risk management is an integral part of an organisation's culture and it is reflected in its policies, systems and processes. The risk consciousness extends towards strategic business planning, performance management and governance to ensure comprehensive financial management and efficient service delivery.

A systematic approach to risk management embodies the management of risks – identifying, assessing and controlling them. Risk management forms the crux of good management practice and effective corporate governance and is essential to ensure decisions are made with sufficient information about risks and opportunities. Through the identification of risks, the organisation is pinpointing any threats or opportunities that impinge on its strategic goals and objectives. Informed decisions need to be made whether to accept, transfer or mitigate risk in the context of achieving strategic goals and objectives.

The Cook Shire Council Risk Management Framework is implemented through two foundational documents;

1. *ISO 31000:2018 Risk Management - Guidelines*, and
2. Cook Shire Council Risk Management Policy.

According to *ISO 31000:2018 Risk Management - Guidelines* risk is defined as the 'effect of uncertainty on objectives'. In simple terms, risk is the probability that something will occur, and it is measured in terms of likelihood (how likely is it that an event will take place) and consequence (what is the impact of an event if it occurs).

ISO 31000:2018 Risk Management - Guidelines defines risk management as 'coordinated activities to direct and control an organisation with regard to risk'. An effective risk management approach requires consistency, standardisation and an integration of all activities that are relevant to risk namely strategic, operational, planning, performance, clinical and financial management.

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Authorised By:	Director Organisational Business Services		
Original Issue Date:	March 2019		
Last Modified:	June 2019		
Review Date:	March 2022		
Current Version:	2.0		

2. PURPOSE

The purpose of this framework is to provide clear guidance and instructions on how to manage risks. This is achieved by explaining how risks are identified, assessed, treated and reported throughout the organisation.

The Framework also aims to:

- Ensure Councils' strategic direction is appropriately articulated within the social, economic, political, legal and regulatory environment which the organisation operates;
- Convey Councils' Risk Management policy, approach and attitude towards risk;
- Establish the roles and responsibilities for managing risk;
- Provide a mechanism to identify key priorities (in terms of risk levels) and the allocation of resources effectively and efficiently to reduce these risks to acceptable levels;
- Articulate Councils' commitment to the periodic review of risks and continual improvement of the risk management process;
- Provide a means to demonstrate evidence-based decision making to meet the requirements and expectations of both internal and external stakeholders; and
- Equip Council with information towards the visualisation of how to maximise the value from assets, projects and other service opportunities and to assist in continuous quality improvement of services. It encourages innovation towards the exploration of new service delivery and revenue generation.

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Authorised By:	Director Organisational Business Services		
Original Issue Date:	March 2019		
Last Modified:	June 2019		
Review Date:	March 2022		
Current Version:	2.0		

3. RISK MANAGEMENT RESPONSIBILITIES

Risk governance refers to the mechanisms that ensure accountability and authority for the management of risk (identifying, assessing, treating and monitoring and reviewing risks), implementation, maintenance and continuous improvement of the risk management framework and providing risk management assurance. The table below outlines the responsibility at each level:

Responsible Officer	Responsibility
Council	<ul style="list-style-type: none"> Annually review and consider Councils' risk profile and risk appetite to ensure it supports the achievement of the organisation's strategic plan, including determining the nature and extent of risks Council is prepared to tolerate in the pursuit of its objectives. Review, endorse and oversee the risk management framework and satisfy itself that it continues to be sound and that the organisation is operating within the risk appetite set by Council. To determine the appropriate strategic business plan in conjunction with the overall risk management plan and risk appetite to ensure Council operates effectively while limiting undue or unnecessary risk.
Audit and Risk Committee	<ul style="list-style-type: none"> Oversee and review the effectiveness of the Councils' systems of internal control and risk management and seek to gain assurance that risks that are material to the achievement of strategic objectives have been and will continue to be identified and managed. Report the results of the review of the Councils' internal controls and risk management systems to the Council and recommend any actions resulting from such reviews. Review and approve any statements to be included in the Annual Report concerning internal controls and risk management. Annually review the Internal Audit plan and consider its continued suitability in light of identified risks.
Executive Management	<ul style="list-style-type: none"> Ensure policies and procedures are implemented and observed to maintain the effectiveness of the system of risk management and internal control and that there are appropriate processes for responding to incidents, risks and hazards in a timely manner. Undertake and present reviews of the system of internal control and risk management to the Audit and Risk Committee. Report to the Audit and Risk Committee on any legal and regulatory requirements and high risks that are material to Council. Assist the Audit and Risk Committee to plan and monitor obligations in relation to internal control structures and risk management processes.

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Authorised By:	Director Organisational Business Services		
Original Issue Date:	March 2019		
Last Modified:	June 2019		
Review Date:	March 2022		
Current Version:	2.0		

	Oversee the implementation of the Internal Audit plan in response to risks identified.
Managers and Team leaders	<ul style="list-style-type: none"> • Manage risks (identifying, assessing, monitoring and reviewing, communicating and reporting) that may impact on their operational objectives. • Provide oversight of the operational risks, including reviewing and approving the operational risks registers, and reviewing the adequacy and effectiveness of the controls and treatments, particularly for high and extreme risks. • Consider operational risks that have been escalated within their area of responsibility, including any treatments to mitigate adverse impacts and maximize opportunities. • Escalate operational risks that are high or extreme or those that cannot be managed locally (including risks that require coordination between areas) to Executive Management.
Staff	<ul style="list-style-type: none"> • All employees are required to comply with the Cook Shire Council Risk Management policy and apply risk management processes in accordance with this Risk Management Framework within their work unit.

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Authorised By:	Director Organisational Business Services		
Original Issue Date:	March 2019		
Last Modified:	June 2019		
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Current Version:	2.0		

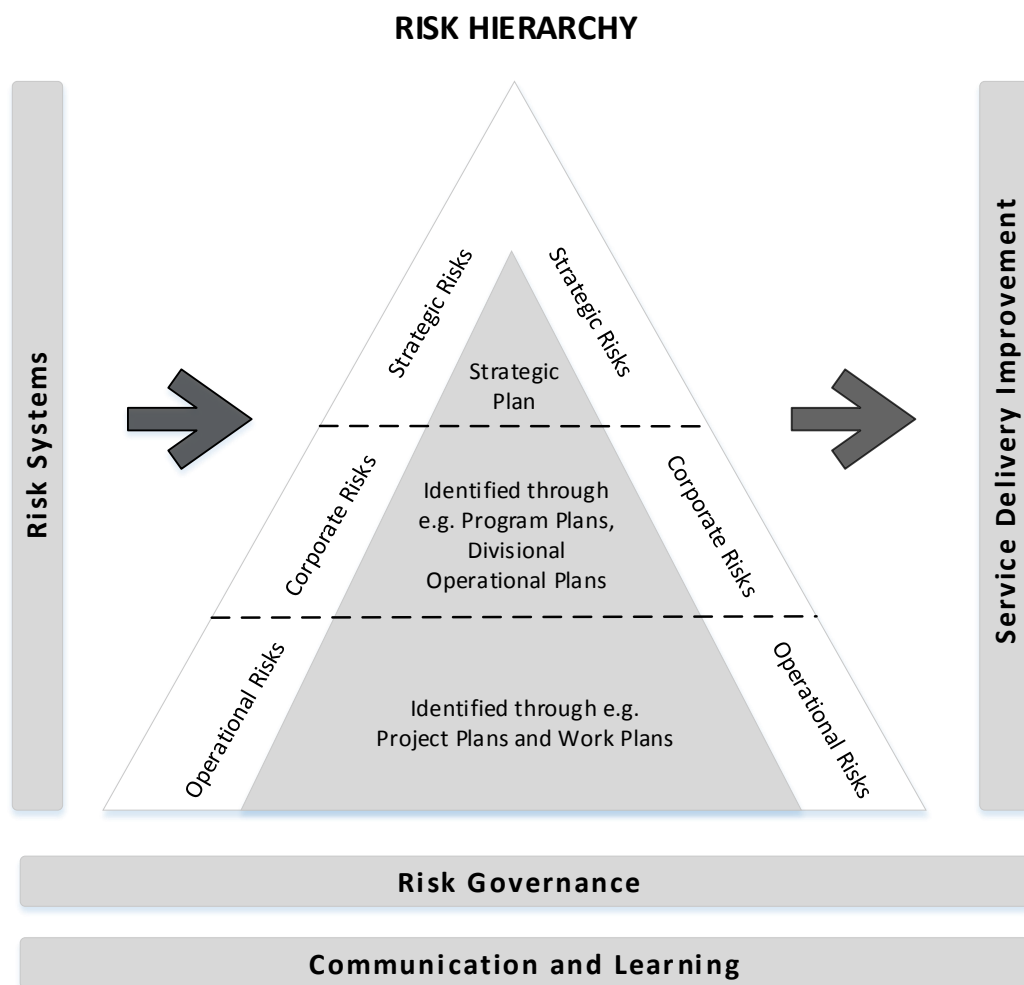
4. COUNCIL RISK HIERARCHY

Councils' planning system cascades from its strategic plan through to business and operational plans, through to the work unit and is condensed into individual performance development plans. The planning process allows for each Section, work unit and individual to undertake an analysis regarding emerging or known risks that may impact on the organisation's purpose and objectives.

The Framework has three levels of risk – strategic, corporate and operational. The risk hierarchy defines accountability for identifying, treating, monitoring, communicating and managing risks throughout the organisation.

The risk hierarchy in Figure 1 illustrates the different types of plans and their relationship with the three levels of risk hierarchy.

Figure 1. Council Risk Management Hierarchy



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Authorised By:	Director Organisational Business Services		
Original Issue Date:	March 2019		
Last Modified:	June 2019		
Review Date:	March 2022		
Current Version:	2.0		

Figure 1. Risk Hierarchy

Plan	Risk Hierarchy	Responsibility
<p>Community Plan, Corporate Plan</p> <p>The Community Plan and Corporate Plan describes the organisations purpose and direction. It identifies key priorities and strategies to achieve objectives and sets the agenda for the next four-year planning cycle.</p>	<p>Strategic Risks</p> <p>Risks that may have a positive or negative effect on achieving the strategic goals and objectives. Also includes inter-agency and whole-of-industry/health services risks, as well as high and extreme risks that may affect the achievement of objectives across more than one division. Risks at this level affect the decisions made by the Council and organisational priorities, resource allocation, and risk tolerance and its acceptance thereof.</p>	<p>Council, Audit and Risk Committee and Executive Management.</p>
<p>Operational Plan</p> <p>Annual plans that identify the organisations’ accountabilities in implementing the strategic plan, key strategies and targets. Plans are developed through a process of assessing the environment the organisation operates and reviewing past performance and risks to determine upcoming challenges and new priorities.</p> <p>Major Project Plans</p> <p>Plans that focus on an area of strategic importance to the organisation to address a particular issue.</p> <p>Section Plans</p> <p>Plans for implementing business strategies, policies and initiatives to achieve a desired outcome and benefits of strategic importance. Involves the management of a group of projects and activities that together achieve the outcomes and benefits.</p>	<p>Corporate Risks</p> <p>Risks or opportunities that may affect achieving the objectives of the planned outcomes of performance identified through Operational Plan.</p> <p>At the Sectional level, risks may transition into ‘business as usual’ upon program/project completion.</p>	<p>Executive Management</p>

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Authorised By:	Director Organisational Business Services		
Original Issue Date:	March 2019		
Last Modified:	June 2019		
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Current Version:	2.0		

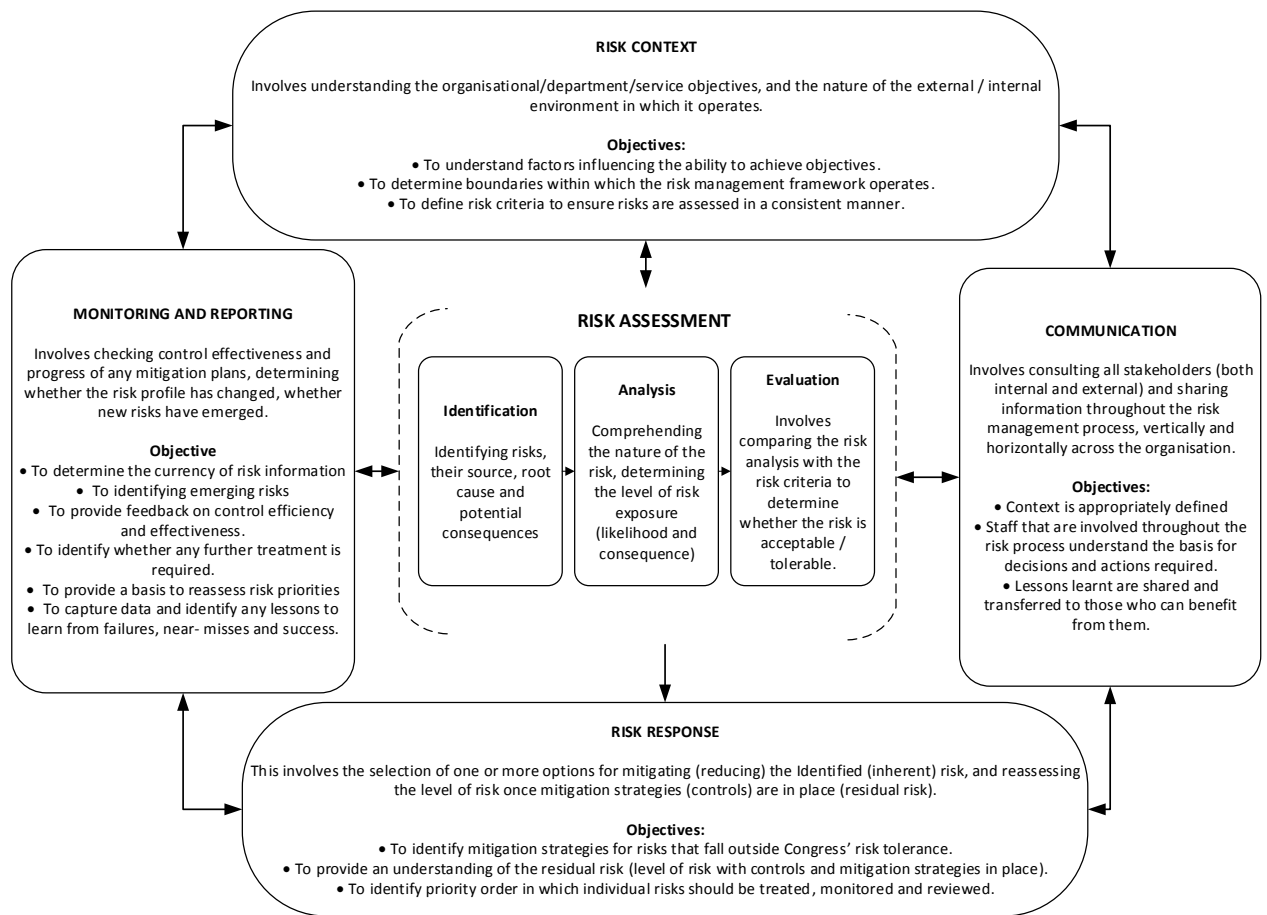
<p>Minor Project plans</p> <p>This can include planning conducted by work units and to implement a particular project.</p> <p>Individual Performance & Development Plans</p> <p>Individual staff performance and development processes - enable staff to identify how their work contributes to achieving their work unit's objectives.</p>	<p>Operational Risks</p> <p>Risks or opportunities that affect plans flow from the business plan and affect achieving project deliverables.</p> <p>Risks at this level are likely to relate to systems, resources and processes.</p> <p>Staff need to consider their responsibilities in relation to risk management when identifying their responsibilities or professional development requirements.</p>	<p>Relevant Director, Manager, supervisor and staff</p>
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Authorised By:	Director Organisational Business Services		
Original Issue Date:	March 2019		
Last Modified:	June 2019		
Review Date:	March 2022		
Current Version:	2.0		

5. RISK MANAGEMENT PROCESS

The Council risk management process is designed to facilitate evidence-based decision making around matters concerning risk management. A robust approach is applied that focuses on the use of risk assessments in a consistent manner and the use of common language consistent with *ISO 31000:2018 Risk Management - Guidelines*.

The Risk Management Process (below) provides a detailed guide to support the effective implementation of the *Risk Management Framework*.



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6. RISK WORKSHOPS AND RISK ASSESSMENTS

As part of the risk assessment and analysis process annual risk workshops are held at Council with management and staff. Risk workshops are facilitated by the Manager Risk and Governance to:

- Ensure existing risks which are recorded on the Risk Register are reviewed and assessed against clause 11;
- Identify new and emerging risks for inclusion on the risk register; and,
- Promote discussions between team members and identify risks of which not all members of the team may have been aware.

During the risk workshop each risk and related controls are discussed and evaluated.

7. RISK REGISTER

The Council Risk Register is an online system that enables Council to document, manage, monitor, review and update strategic, corporate and operational risk information. The Council risk register provides a mechanism for Executive Management to monitor and review risks in alignment with the strategic plan, a section's operational plans and any other cascading plans.

Information from risk workshops is recorded, reported and monitored using the Council Risk Register.

A manual Risk Register template is provided in *Appendix A* as an exemplar for staff and can be used during a risk workshop, however all risks are to be transferred and maintained through the online Council Risk Register. Please contact the Manager Risk and Governance for assistance or questions relating to the Council Risk Register.

8. RISK MATRIX

The Council Risk Matrix provides the framework for rating risks. Risk ratings are based on the combination of the risk "likelihood" and the potential "consequences" of the risk. The matrix then specifies the risk rating – low, medium, high or extreme.

It also allows the articulation the organisation's tolerance for risk, by allowing a determination as to the level of risk that is acceptable for the organisation (risk appetite).

The risk severity level forms the basis for determining which risks need to be escalated, and their timeframe for review. The risk severity level should align with the risk rating (see b).

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Risk Rating		CONSEQUENCE				
		Insignificant An event, that impact can be absorbed; no injuries; low financial loss.	Minor An event, the consequences of which can be absorbed but management effort is required to minimise the impact; first aid treatment; low-medium financial loss.	Moderate A significant event, which can be managed under normal circumstances; medical treatment; medium financial loss.	Major A critical event, which with proper management operations can be continued; extensive injuries; loss of production capability; major financial loss.	Catastrophic A disaster, which could lead to severe organisational wide impacts; death; huge financial loss.
LIKELIHOOD	Almost Certain The event is expected to occur in most circumstances or may occur within 1 year. Probability >95%	Medium (Severity Level 2)	High (Severity Level 3)	High (Severity Level 3)	Extreme (Severity Level 4)	Extreme (Severity Level 4)
	Likely The event will probably occur in most circumstances or may occur in every 1 – 2 years. Probability >65%	Medium (Severity Level 2)	Medium (Severity Level 2)	High (Severity Level 3)	High (Severity Level 3)	Extreme (Severity Level 4)
	Possible The event may occur at some time or may occur once in every 2 – 5 years. Probability >35%	Low (Severity Level 1)	Medium (Severity Level 2)	High (Severity Level 3)	High (Severity Level 3)	High (Severity Level 3)
	Unlikely The event could occur at some time but not considered likely to occur or may occur once in every 5 - 10 years. Probability <35%	Low (Severity Level 1)	Low (Severity Level 1)	Medium (Severity Level 2)	Medium (Severity Level 2)	High (Severity Level 3)
	Rare The event may occur in exceptional circumstances or may occur once in every 10+ years. Probability <5%	Low (Severity Level 1)	Low (Severity Level 1)	Medium (Severity Level 2)	Medium (Severity Level 2)	High (Severity Level 3)

RISK SEVERITY LEVEL				
	Severity Level 1 (Low)	Severity Level 2 (Medium)	Severity Level 3 (High)	Severity Level 4 (Extreme)
People & Safety	Near miss/Potential impact. No medical review or first aid required.	Minor injury requiring initial first aid level care	Injury or illness requiring medical treatment or review	Death, permanent disability or serious injury requiring ongoing medical treatment.
Operational	Interruption causing minor short-term disruption or loss of productive time from staff member/s	Interruption causing significant short to mid-term disruption to single site	Interruption causing significant short to mid-term disruption to multiple sites	Interruption causing extreme long-term disruption to multiple sites
Environmental	Minimal pollution, no environmental harm. Potential hazard/near miss	Minor release of pollutants and/or medical waste resulting in minor, short-term environmental harm	Significant release of pollutants and/or medical waste requiring mid-term environmental recovery	Significant long-term environmental harm
Reputational	Word of mouth /Local negativity re organisation	Reporting in local QLD media and / or social media	Reporting in local QLD or national media in excess of one day and/ or Government inquiry	Major national headlines over several days and/ or Government intervention
Financial	No financial loss or potential loss requiring follow up or system change.	Financial loss less than \$250,000.	Financial loss between \$250,000 to \$750,000.	Financial loss in excess of \$750,000.

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9. RISK MITIGATION AND RISK CONTROLS

Risk Controls are processes, policies and procedures implemented within an organisation to mitigate and manage risk to a tolerable/acceptable level. Each identified risk should have controls in place to mitigate risk.

The following types of actions can be used to mitigate a risk, either by reducing the likelihood of it occurring, or reducing the consequences/impact if it did occur:

- *Risk Avoidance* – considers stopping the activity or finding alternative methods to eliminate the risk. Council does not believe in this option and other risk mitigation strategies will be exhausted prior to Executive endorsement.
- *Risk Reduction* – putting procedures and controls in place to reduce the risk or its frequency and severity. It focuses on the formulation of a contingency plan to reduce the impact of the risk where the likelihood is low, but the impact is high. Processes such as audit and compliance programs, preventative maintenance, and training of employees have been included in the design of Councils' risk management process to reduce the likelihood of risks being realized by the organisation. Executive Management has ensured that controls are in place such as contingency plans, evacuation procedures or structural barriers to reduce the consequences of certain risks.
- *Risk Transfer* – is used where third parties are involved and includes simple practices like taking out insurance policies, outsourcing activities or moving operations to a better location and where necessary the inclusion of indemnity clauses written into contract to protect the organisation.
- *Risk Tolerance* – in this instance Executive Management will closely monitor the risk to ensure its potential impact does not change. It will be tolerated at an acceptable level determined by Executive Management. Further mitigation may be required if circumstances change.

10. CONTROLS ASSESSMENT

As part of the risk management process, all controls for each risk on the Risk Register should be assessed for effectiveness in accordance with risk review timeframes.

Where a controls assessment has been completed, this should be documented within the '*Controls Assessment*' section of the Risk Register.

Where controls have been assessed and found to be ineffective, partially effective or a control breakdown has been identified, a treatment/action plan should be documented within

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the Risk Register, and agreed with/reviewed by the Director. This is documented in the 'Actions' section of the Risk Register.

A breakdown in controls increases the Residual risk rating. Where controls have been assessed as effective, this reduces the Residual risk rating.

11. RISK REVIEW AND REPORTING FRAMEWORK

RISK / SEVERITY RATING	RISK REVIEW TIMELINE (Existing risks)	ESCALATION PROCESS (Newly identified risks)
Low Severity 1	18 months	<ul style="list-style-type: none"> Be aware of the risk and manage it locally and where appropriate maintain current controls.
Medium Severity 2	12 months	<ul style="list-style-type: none"> Escalated to relevant Manager who will manage the risk locally and review current controls and develop an appropriate mitigation strategy. Where controls fail or are deemed inadequate the Manager will report to the relevant Director and a formal Risk Mitigation Plan developed. Director will be informed regularly by Manager until risk is reduced to acceptable levels.
High Severity 3	9 months	<ul style="list-style-type: none"> Escalated to relevant Director within two (2) business days of identifying the risk. Risk Mitigation Plan developed, and CEO will approve the Risk Mitigation Plan, and this is to be implemented within 6 months of approval. Director will update the CEO and Executive Management on the progress of the mitigation plan until risk levels are reduced to acceptable levels.
Extreme Severity 4	6 months	<ul style="list-style-type: none"> Escalated immediately to the relevant Director who will inform the CEO and establish/develop an action plan within 24 – 72 hours of escalation. CEO will approve the Risk Mitigation Plan and there will be immediate commencement of the implementation of the approved Risk Mitigation Plan. CEO will inform the Audit and Risk Committee and the Council respectively and present the mitigation plan. Risk will be closely monitored by Executive Management until it is reduced to acceptable levels and provide regular updates to the Audit and Risk Committee and the Council.

12. COMMUNICATION

In order to be effective, the Council Risk Management Framework has been communicated to all staff and it is readily available on the intranet. This is to ensure that there is a shared knowledge of the organisation's risk culture and how risks are handled.

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13. REVIEW

Continuous improvement is strategically integrated within Councils’ strategic objectives. Executive Management is responsible for continual improvement of the Risk Management Framework as delegated by the Audit and Risk Committee.

14. RELATED DOCUMENTS

- [Risk Management Policy](#)
- [Risk Matrix Summary](#)

15. APPENDIX A. RISK REGISTER TEMPLATE

The below Risk Register is provided as an exemplar only. All identified risks are to be transferred and maintained in an online Risk Register.

RISK ID #	Risk Name / Description	Causes <i>What could cause this risk to occur?</i>	Consequences <i>What consequences could there be if this occurs? (Consider cost, time, quality, business, safety, reputation or environment)</i>	INHERENT Risk Rating <i>With no controls in place, what is rating of this risk?</i>			Controls <i>What risk mitigation / treatment strategies are in place?</i>	Control Effectiveness <i>Rate how effective are current controls (i.e. Highly effective, Effective, Partially Effective, Ineffective)</i>	RESIDUAL Risk Rating <i>After controls are implemented, what level of risk remains?</i>			Risk Owner <i>(Responsible Executive & Responsible Manager)</i>
				L	C	RR			L	C	RR	

Acronyms: (see Council Risk Matrix).

- L – Likelihood (i.e. Very Unlikely, Unlikely, Likely, Very Likely)
- C – Consequence (i.e. Minor, Moderate, Major, Extreme).
- RR - Risk Rating - (Low, Medium, High, Extreme)

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