

Shire of Kulin

Risk Management Framework

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INTRODUCTION

This Risk Management Plan intends to provide an operational framework to assist Council to manage the numerous risks it faces using consistent processes which can be applied to any Council activity.

To be effective, the management of risks should be applied at all stages of any activity, project or function and should be seen as an integral part of the overall management process.

This Framework outlines how risk management is embedded into the Shire's operations, planning, and reporting processes in alignment with:

- AS ISO 31000:2018 – Risk Management Guidelines
- Local Government Act 1995
- Local Government (Audit) Regulations 1996 – Regulation 17

It supports the Shire's Risk Management Policy and provides the operational detail for identifying, assessing, treating, and reporting risks across all functions of Council.

PURPOSE

To provide a consistent, organisation-wide approach to risk management that:

- Enables better decision-making by understanding uncertainty.
- Protects the Shire's people, assets, environment, and reputation.
- Promotes accountability and continuous improvement.
- Assists in achieving strategic and operational objectives.

This Framework operationalises the commitments in the Risk Management Policy.

The Policy outlines “what” the Shire will do, while this Framework explains “how” those commitments are implemented, monitored, and reviewed.

SCOPE

The Risk Management Plan incorporates all risks faced by Council in achieving its strategic objectives during normal operations. The risks are categorised as Strategic, Operational, and Project risks.

ROLES AND RESPONSIBILITIES

Level	Responsibilities
Council	Adopts the Risk Management Policy and Framework, defines risk appetite, and oversees governance performance through Audit & Risk Committee reports.
Audit & Risk Committee	Monitors the effectiveness of the Framework and reviews annual risk reports.
Chief Executive Officer (CEO)	Ensures implementation of this Framework, integrates risk management into planning and decision-making, and promotes a risk-aware culture.
Executive Management Team	Identifies, assesses, and manages risks within their business areas; ensures the accuracy of the Strategic and Operational Risk Registers.
Executive Manager Governance & Risk	Coordinates the Framework, maintains the risk registers, prepares reports, and provides training and advice.
All Staff	Apply risk management practices in daily activities and report new or emerging risks.

RISK MANAGEMENT PROCESS

The Risk Management process is standardised across all areas of the Shire. The following diagram (taken from AS/NZS ISO31000:2018) outlines the process providing broad description of each step. Commentary of each step is provided following the diagram.

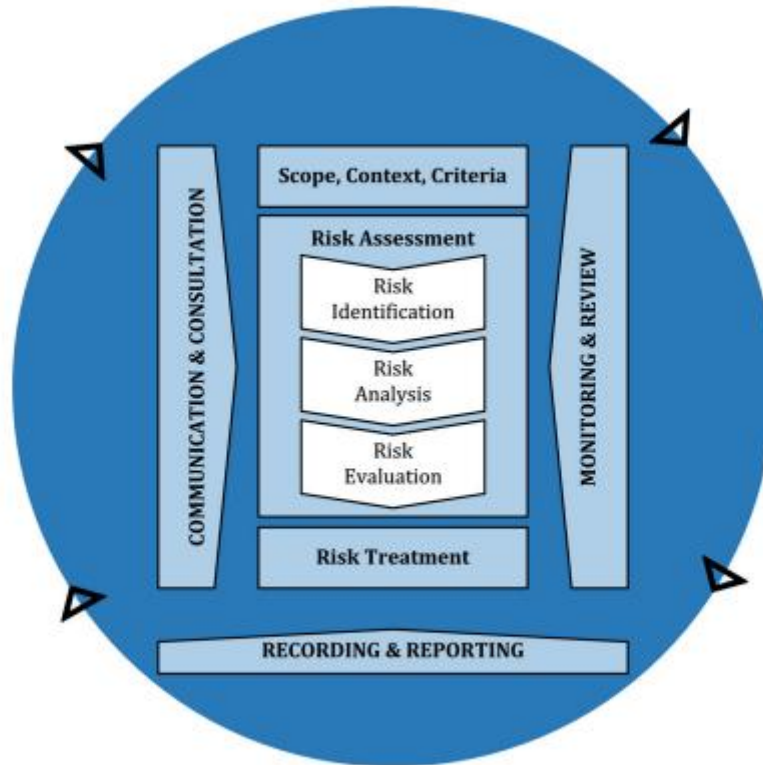


Figure 4 — Process

Communication and Consultation

Engage stakeholders at each stage to ensure shared understanding of risks, context, and treatment options. This includes regular discussions with managers, staff, community partners, and Council.

Establishing the Context

Define the external and internal factors that influence risk exposure:

- External: Economic conditions, legislation, climate, community expectations, partnerships.
- Internal: Structure, systems, workforce capacity, strategic priorities, budget constraints.

Risks are grouped into three levels:

- Strategic Risks: Affect achievement of long-term objectives (e.g. funding, policy change, climate impacts).
- Operational Risks: Arise from day-to-day activities, infrastructure, or service delivery.
- Project Risks: Associated with one-off initiatives, construction, or special programs.

Risk Identification

Identify events or circumstances that could impact objectives—positively or negatively. Tools may include workshops, audits, incident reports, or planning reviews.

Risk Analysis

Assess each risk to determine:

- Likelihood of occurrence.
- Consequence across relevant categories (see Table 1.2).
- Control effectiveness and level of residual risk.

Risk Evaluation

Compare risk levels against the Shire's Risk Appetite Statement to determine whether further treatment or escalation is required.

Risk Treatment

Select and implement the most appropriate treatment strategies:

- Avoid (discontinue the activity)
- Reduce (introduce new controls or mitigation)
- Transfer (insurance or contractual arrangement)
- Accept (acknowledge and monitor within appetite)

Monitoring and Review

Risks, controls, and treatments are reviewed regularly. The Executive Manager Governance & Risk maintains the Strategic and Operational Risk Registers, with updates provided annually to the Audit & Risk Committee and annually to Council.

RISK ANALYSIS TOOLS

Likelihood Table (1.1)

Likelihood refers to the chance of an event occurring.

The table below provides a qualitative scale to ensure consistent assessment of how often a risk event may arise.

Rating	Description	Indicative Frequency
1 – Rare	May occur only in exceptional circumstances.	Once in 10+ years
2 – Unlikely	Could occur at some time.	Once in 5–10 years
3 – Possible	Might occur at least once during the planning period.	Once in 1–5 years
4 – Likely	Will probably occur in most circumstances.	Once per year
5 – Almost Certain	Expected to occur frequently or continuously.	Multiple times per year

Consequence Table (1.2)

Consequence represents the potential severity or impact of a risk event across the Shire's key consequence categories.

Only the most significant consequence applicable to the risk should be used when rating its overall impact.

The table provides guidance for assessing the scale of potential outcomes in each category.

Rating	Health, Safety & Wellbeing	Financial & Asset Management	Service Delivery & Community Impact	Compliance & Governance	Reputation & Relationships	Environment & Sustainability
1 Insignificant	Minor incident, no injury.	<\$10,000 impact.	Negligible service impact.	Minor procedural non-compliance.	Negligible impact or complaint.	Minimal local impact.
2 Minor	First aid injury.	\$10,000–\$50,000 impact.	Temporary service delay.	Minor compliance issue, quickly rectified.	Local concern, short-term issue.	Minor localised damage.
3 Moderate	Medical treatment injury.	\$50,000–\$150,000 impact.	Service interruption <1 week.	Reportable non-compliance.	Negative local media coverage.	Local environmental harm requiring mitigation.
4 Major	Serious injury or long-term illness.	\$150,000–\$500,000 impact.	Extended service disruption.	Major breach resulting in penalty or investigation.	Regional media attention; community dissatisfaction.	Significant environmental harm, recovery required.
5 Catastrophic	Fatality or permanent disability.	>\$500,000 impact.	Inability to deliver critical services.	Significant breach, legal action, or loss of licence.	Sustained reputational damage across WA.	Irreversible environmental damage.

Risk Matrix Table (1.3)

The Risk Matrix combines the assessed likelihood and consequence to determine an overall risk rating.

This rating provides a visual summary of risk severity and indicates the level of management attention required.

Likelihood \ Consequence	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
5 Almost Certain	Medium	High	Extreme	Extreme	Extreme
4 Likely	Medium	Medium	High	Extreme	Extreme
3 Possible	Low	Medium	Medium	High	Extreme
2 Unlikely	Low	Low	Medium	Medium	High
1 Rare	Low	Low	Low	Low	Medium

Risk Scoring and Rating Scale

Each risk is assigned a numeric value by multiplying the Likelihood rating (1–5) by the Consequence rating (1–5). This produces a total score between 1 and 25, which determines the overall risk level and the corresponding management response.

Score Range	Risk Rating	Required Management Response
1 – 4	Low	Manage through routine procedures; monitor annually.
5 – 9	Medium	Manage through specific procedures; monitor annually.
10 – 15	High	Senior management attention required; develop a treatment plan and report annually to the CEO.
16 – 25	Extreme	Immediate action and escalation to the CEO and Audit & Risk Committee; continuous monitoring until resolved.

Control Effectiveness

When analysing each risk, officers must assess the effectiveness of existing controls and how well current measures reduce the likelihood or consequence of the risk. Understanding control effectiveness ensures that treatment actions focus on genuine weaknesses rather than duplicating what is already working well.

Control Rating	Definition	Guidance / Action
Effective	Controls are well designed, implemented, and operating as intended. They significantly reduce risk exposure.	Continue to monitor; no immediate additional treatment required unless the risk context changes.
Adequate	Controls exist and operate but may not fully mitigate the risk. Some gaps or inconsistencies are present.	Review and strengthen controls; consider additional treatments to improve reliability.
Ineffective	Controls are poorly designed, not implemented, or not functioning. The risk remains largely uncontrolled.	Immediate action required to design and implement new controls or treatments. Escalate to Executive Management.

RISK APPETITE

Council recognises that not all risk can or should be avoided. The following qualitative appetite levels reflect the degree of risk Council is willing to accept in pursuit of its objectives:

Category	Appetite Level	Commentary
Health, Safety & Wellbeing	Low	The Shire has a low tolerance for harm to staff, contractors, or the public.
Financial & Asset Management	Medium	The Shire will accept moderate financial risk where returns or community benefits justify it.
Service Delivery & Community Impact	Medium	Some service delivery risk is acceptable where innovation or efficiency is achieved.
Compliance & Governance	Low	The Shire has minimal tolerance for non-compliance with statutory or regulatory requirements.
Reputation & Relationships	Medium–Low	Minor negative publicity may be accepted when pursuing community benefit.
Environment & Sustainability	Low	The Shire has low tolerance for actions that could cause environmental harm.

Risk appetite is used to:

- Assess whether residual risk levels are acceptable after controls are applied;
- Guide escalation thresholds for reporting;
- Assist Council and management in weighing opportunity versus control requirements.

Where a risk exceeds the defined appetite level, it must be reported to the CEO and reviewed by the Executive Management Team for appropriate treatment or escalation to the Audit & Risk Committee.

REPORTING

Effective reporting ensures transparency, accountability, and continuous improvement in risk management across the organisation. Risk reporting provides decision-makers with timely information on significant risks, control effectiveness, and emerging issues that could affect the achievement of Council objectives.

Purpose of Reporting

- To inform Council, the Audit & Risk Committee, the CEO, and management of key risks and changes in exposure.
- To demonstrate that risk management is being actively applied and monitored.
- To ensure that emerging and high-priority risks are escalated promptly and appropriately.
- To support compliance with Local Government (Audit) Regulation 17 review requirements.

Reporting Structure

Report Type	Prepared By	Frequency	Submitted To	Purpose / Content
Operational & Project Risk Updates	Executive Managers	Annually	Executive Management Team	Summarises changes in operational and project risks, control effectiveness, and new or emerging risks.
Strategic Risk Register Review	Executive Manager Governance & Risk	Annually	Audit & Risk Committee	Provides analysis of strategic risk trends, control performance, and treatment progress. Highlights any risks exceeding appetite.
CEO Risk Summary Report	Chief Executive Officer	Annually	Council	Consolidates strategic and operational risk data into a summary of key exposures, control performance, and areas requiring Council attention.
Audit Regulation 17 Review	Internal or External Auditor	Biennially	Audit & Risk Committee to Council	Provides an independent assessment of the adequacy and effectiveness of the Shire's risk management, internal control, and legislative compliance systems.

Escalation Thresholds

Risk Level	Action / Escalation Requirement
Extreme	Report immediately to the CEO and include in the next Audit & Risk Committee agenda. CEO to ensure immediate treatment action and ongoing monitoring until risk is reduced.
High	Report to Executive Management Team and include in annually Audit & Risk Committee report. Develop and track a treatment plan.
Moderate	Managed within business unit under oversight of the relevant Executive Manager. Reviewed annually for change in exposure.

Reporting Principles

Effective reporting ensures that risk information is accurate, consistent, and useful for decision-making. All risk reports should provide a clear picture of current exposure, control performance, and emerging trends, enabling management, the Audit & Risk Committee, and Council to make informed decisions on priority areas. The following principles apply to all levels of risk reporting within the Shire.

- **Accuracy:** All risk data must be based on the current risk registers and verified by responsible officers before submission.

- **Timeliness:** Reports should align with Audit & Risk Committee and Council meeting cycles to ensure governance oversight.
- **Clarity:** Reports must distinguish between inherent and residual risk, and note any change in control effectiveness.
- **Accountability:** Each Executive Manager is responsible for ensuring their risks are updated and reported within required timeframes.

CONTINUOUS IMPROVEMENT & REVIEW

The Shire of Kulin is committed to continually improving its risk management practices to ensure they remain effective, relevant, and aligned with industry standards.

Continuous Improvement

Risk management is an ongoing process that changes as the organisation, its objectives, and the community evolve. To stay effective, the Shire's approach should be reviewed and refined regularly to capture lessons learned, respond to legislative changes, and address new or emerging risks.

Review Cycle

The Risk Management Framework will be reviewed each year by the Executive Manager Governance & Risk to make sure it continues to reflect current practices, legislation, and the needs of the organisation.

Every two years, a review will be completed in line with Local Government (Audit) Regulation 17 to assess the effectiveness of the Shire's risk management, internal control, and legislative compliance systems.

The outcomes of these reviews will be reported to the Audit & Risk Committee and, where relevant, to Council for consideration and action.

Through this Framework, the Shire of Kulin maintains a structured and transparent approach to identifying, assessing, and managing risk in support of good governance and community outcomes.