1 INTRODUCTION

Risk management involves managing to achieve an appropriate balance between realising opportunities for gains while minimising losses. Risk management is a critical component of Council’s overall performance and an essential element of good corporate governance. It involves a logical process that when undertaken in sequence enables continuous improvement in decision making and facilitates continuous improvement in performance.

Appropriate risk management procedures support Council’s risk management and insurance policy and minimise exposure to the consequences of adverse events.

Council’s Risk Management Framework and process will be in accordance with the principles detailed in AS/NZS ISO 31000:2009 - Risk Management.

Definitions:

Risk is the effect of uncertainty on objectives that will impact an organisation, planned event or activity with either a positive or negative outcome. Risk is measured in terms of likelihood and consequence (Risk = Likelihood x Consequence).

Risk Management Framework is a set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

Risk Management Handbook is a document within the risk management framework which specifies the approach, procedures, management components and resources. The Risk Management Handbook is essentially a toolkit designed to assist staff in the application of risk management.

2 OBJECTIVES

a) To state Council’s commitment to integrating sound risk management practices and procedures into Council’s strategic and operational practices, processes, policies and plans through the establishment of a formal Risk Management Framework to ensure that:

i) Council risk management processes and procedures are guided by the principles of risk management as detailed in AS/NZ ISO 31000:2009 - Risk Management.

ii) Risks are identified and effectively managed across all Council related business practices and activities to ensure that Council makes informed decisions with respect to the activities that it undertakes by appropriately considering both risks and opportunities.
iii) Adequate resources are provided to achieve Council's risk management objectives.

iv) Adequate information, training and support is provided to all staff and key stakeholders in the interests of achieving risk management objectives.

v) All incidents and hazards related to Council assets or activities are reported and investigated and that remedial actions identified are adopted and communicated to prevent recurrence.

vi) Council's Risk Management Framework (Appendix A) is effectively supported by consultation and communication at all levels.

vii) Council's Risk Management Framework, including Council's Risk Management Policy and Handbook (Appendix AA), is reviewed on a regular basis.

3 RESPONSIBILITIES

a) Council is committed to excellence in Risk Management in order to benefit the community and manage the cost to Council. To meet this commitment, risk is to be every employee’s responsibility. All employees are required to be competent and accountable for adequately managing risk within their area of responsibility.

b) Implementation of a risk management strategy will be a Council priority and will be implemented through consultation with the General Manager, MANEX, and all employees.

c) The General Manager is responsible for risk management across Council.

d) The Director Corporate Management – is the senior staff member responsible for establishing the process for managing risk throughout the organisation.

e) Managers, at all levels, are required to create an environment where managing risk is accepted as the personal responsibility of each employee of the Council. The managers are accountable for the implementation and maintenance of sound risk management within their area of responsibility in conformity with the Risk Management and Insurance Policy.

f) All staff are to be actively involved in the risk management process.

VARIATION

Council reserves the right to renew, vary or revoke this procedure which will be reviewed periodically to ensure it is relevant and appropriate.
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Glossary of Terms

Consequence
Refers to the outcome of a risk occurring. There can be a range of consequences that can have both positive and negative effects on objectives.

Ineffective Control
An internal control which, by reason of its not operating as intended or some other factor, is making little or no contribution to mitigating the fraud or corruption risk under consideration and therefore makes little or no contribution towards the entity's achievement of its business goals and objectives.

Inherent risk
The level of risk that exists prior to the implementation of any controls ("worst case" scenario).

Likelihood
The chance of the risk occurring.

Monitoring
Continual checking, supervising, critically observing or determining the status in order to identify changes from the performance level required or expected. Monitoring can be applied to a risk management framework, process or control.

Residual Risk
The level of risk remaining after consideration of existing controls or implementation of risk treatment strategies.

Review
The activity undertaken to determine the suitability, adequacy and effectiveness of subject matter to achieve established objectives. A review can be applied to a risk management framework, process or control.

Risk
The effect of uncertainty on objectives. A risk may have a positive or a negative consequence.

Risk Analysis
The process to comprehend the nature of risk and to determine the level of risk. Risk analysis provides the basis for risk evaluation and decisions about risk treatment, and includes risk estimation.

Risk Assessment
The overall process of risk identification, risk analysis and risk evaluation.

Risk Attitude / Tolerance
Council's approach to assess and eventually pursue, retain, take or turn away from risk.

Risk Control
Is a process, policy, device, practice or other action undertaken to eliminate or minimise adverse risk. Examples of controls could include inspections, signage, security etc.

Risk Criteria
The terms of references against which significance of a risk is evaluated. Risk criteria are based on Council's objectives and external and internal context. In particular, Council's risk criteria are reflected in Table 2 attached at Annexure C - Consequence Rating.

Risk Evaluation
Process comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable. Risk evaluation assists in the decision about risk treatment.

Risk Identification
The process of finding, recognising and describing risks. Risk identification involves the identification or risk sources, events, causes and their potential consequences. Risk identification can involve historical data, theoretical analysis, informed and expert opinions, and stakeholder’s needs.

Risk Management
The co-ordinated activity directed at reducing overall risk.

Risk Management Framework
A set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

- Foundations include policy, objectives, mandate, commitment to manage risk.
- Organisational arrangements include plans, relationships, accountabilities, resources, processes, activities.
The risk management framework is embedded within the organisation's overall strategic and operational policies and practices.

Risk Owner
Is the person or entity with the accountability and authority to manage a risk.

Risk Management Handbook
Scheme within the risk management process specifying the approach, the management components (procedures, practices, responsibilities, sequence of timing of activities) and resources to be applied to the management of risk.

Risk Management Policy
Statement of the overall intentions and direction of Council in relation to risk management.

Risk Management Process
The systematic application of management policies, procedures and practices to the tasks of establishing context, identifying, analysing, evaluating, treating, monitoring and communicating in relation to risk.

Risk Number
Is simply a number by which you can identify each risk listed and keep track of how many risks you have identified.

Risk Profile
Description of any set of risks that can contain those that relate to the whole organisation, part of the organisation or as otherwise defined.

Risk Rating (Level of Risk)
Magnitude of a risk or combination of risks, expressed in terms of the combination of consequence and their likelihood.

Risk Reduction/Mitigation
A selective application of appropriate techniques and management principles to reduce either likelihood of a risk or its consequences or both.

Risk Source
Element which alone, or in combination, has an intrinsic potential to give rise to risk. A risk source can be tangible or intangible.

Risk Treatment
Is the process to modify a risk. Risk treatment options include:

- Reducing the risk by lowering the likelihood and/or consequences of the risk.
- Sharing elements of the risk with key stakeholders.
- Eliminating the risk by avoiding the risk or removing the risk source.
- Taking or increasing the risk in order to pursue an opportunity or retaining the risk by informed decision.

The control proposed to be implemented will depend on the type of risk treatment you decide to pursue.

Risk Treatment Action Plan
Is a plan detailing how you intend to treat the risk and implement the proposed controls.

Stakeholder
A person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity.
Introduction
Council's Risk Management Framework and associated procedures comprise the foundations and organisational arrangements necessary to embed a proactive and structured approach to risk management throughout the organisation.

Council is committed to excellence in Risk Management in order to benefit the community and manage the cost to Council.

Commitment

Mandate
Council will ensure that:

- Risk management is integrated into its strategic, operational and management practices, policies and processes in a manner that is relevant, effective and efficient.
- Information derived from the risk management process is adequately reported and used as a basis for decision making and accountability at relevant levels of Council.

Guiding Principles
Council’s Risk Management Framework is guided by the following risk management principles, detailed further in AS/NZS ISO 31000:2009 - Risk Management:

1. Risk management creates and protects value.
2. Risk management is an integral part of organisational processes.
3. Risk management is part of decision making.
4. Risk management explicitly addresses uncertainty.
5. Risk management is systematic, structured and timely.
6. Risk management is based on the best available information.
7. Risk management is tailored.
8. Risk management takes human and cultural factors into account.
9. Risk management is transparent and inclusive.
10. Risk management is dynamic, iterative and responsive to change.
11. Risk management facilitates continual improvement and enhancement of the organisation.

Objectives
Council's Risk Management Framework aims to ensure that:

- Risk management is implemented across the organisation in accordance with AS/NZ 31000:2009-Risk Management to support Council’s achievement of its strategic, operational and compliance objectives.
- Risk management is integrated into the management culture at Kempsey Shire Council and incorporated into relevant business plans where appropriate.
- Risks faced by Council are identified, understood and appropriately managed in an effective, structured and proactive manner in line with Council’s risk assessment criteria.
- An environment exists where Council staff are accountable for managing risks relevant to their area of operation and level of responsibility.
Due consideration is given to risks throughout Council's daily strategic and operational activities in order to improve decision making and to safeguard Council's, the community's and stakeholder interests.

**Purpose**
The overall purpose of the Framework is to assist in achieving the following outcomes organisation wide:

- Enhanced communication and reporting on risk.
- Improved decision making and planning.
- Enhanced identification of opportunities and threats.
- Proactive rather than re-active management.
- More effective allocation and use of resources.
- Improved stakeholder and community confidence and trust.
- Improved compliance with key regulatory requirements.
- Enhanced corporate governance.
- Risk elimination is achieved where possible or control measures implemented until risk is reduced to a level as low as reasonably practicable.

**Scope and Direction**
The activities and responsibilities necessary for a robust risk management function have been incorporated into Council's Risk Management Framework and will be shared amongst Councillors; management; staff; key stakeholders and service providers.

Council's risk management practices will be integrated into Council's strategic, operational and management plans, policies and processes and will specifically contribute to the achievement of Council's long term strategy.

**Risk Tolerance**
Assessment, analysis, evaluation and treatment of risks faced by Council will be undertaken in accordance with Council's risk tolerance as reflected in Council's risk assessment criteria attached at Annexure C.

**Legislative Responsibility**
Council's Risk Management Framework does not relieve Council's responsibility to comply with Acts of legislation. It is intended that Council's Risk Management Framework will provide guidance to staff in ensuring that all relevant factors are considered during decision making processes, including compliance with related legislation.

**Key Terminology**
The key terminology used within the Framework and associated documentation is defined in the Glossary of Terms at page 5 of this document.

Additional details regarding risk management terminology can be found in AS/NZS ISO 31000:2009 - Risk Management.

**Related Council Policies**
The following Council policies and associated procedures specifically support effective risk management throughout the organisation:

- 3.9 Risk Management and Insurance Policy
- 5.6 Work Health & Safety Policy
- 5.8 Records Management Policy
Related Documents
The following documents specifically support Council's risk management practices and procedures:

- Risk Management Handbook
- Risk Assessment Form (Annexure B)
- Risk Assessment Criteria (Annexure C)

Related Council Systems
The following systems support proactive and effective risk management throughout the organisation:

- Risk Register (JRS Profiler)
- Work, Health & Safety (WHS)

Risk Register
Council's Risk Registers (JRS Profiler & WHS) will be used to document and monitor risks and controls identified in association with Council's ongoing strategic, operational and management practices, major Council managed projects and events and internal audits.

These risks will form Council's risk profile and will be monitored and reviewed on a regular basis.

Staff will co-ordinate with Council's Manager Information Management & Governance to ensure that risk assessment information is received and recorded in Council's Risk Register as appropriate.

Record Keeping
For risk assessments undertaken that are not recorded in Council's Risk Register, staff will record relevant risk assessment information, as well as any risk treatment action plans, in HP Trim in order to:

- Ensure compliance with the State Records Act 1998 (NSW) and Council's Records and Archives Policy.
- Provide integrity to the process and support good corporate governance practices.
- Provide an audit trail and evidence of a structured approach to risk identification and analysis.
- Provide a record of why decisions were made for review by Council, senior management, stakeholders and Council's insurers, and to assist in the defence of claims brought against Council, as necessary.

Responsibilities & Accountability
Risk management is a whole of Council responsibility and staff are accountable to take an active role in the identification and management of risks relative to their area of operation and responsibility - see Annexure D.

Accountability and Performance Management
Council has adopted agreed and measurable performance indicators in light of Council’s risk management objectives, and in support of Council's vision, key directions and objectives.

Risk management responsibilities will be included in relevant staff position descriptions and accountability for these responsibilities will be monitored through annual staff performance reviews.
Risk Management Process

The risk management process provides a structured approach to the identification, analysis, evaluation and treatment of risks.

The formal risk management process will be undertaken not only as required on a strategic level, but also by staff when considered appropriate in relation to daily operations, functions and activities, including but not limited to the following circumstances:

- In relation to Council's ongoing strategic, operational, environmental, regulatory and financial risks.
- Where a new process is planned or an existing process is being reviewed.
- At the planning stages and during a Council managed major event or project.
- Following a significant incident, near miss or other event.
- Prior to the commencement of works or acceptance of any legally binding agreements for any major project proposed to be undertaken by Council or by contractors on behalf of Council.
- Where work activities, plant, substances or environments are identified or risk rated at a high residual risk level.
- When required by legislation, Council policy or procedure.
- As deemed necessary for inclusion in reports to Council in relation to matters such as requests for additional significant funding allocations and high risk projects.
- Upon the advice of Council's Manager Information Management and Governance.

Council's Manager Information Management and Governance will be available to provide guidance to staff regarding if and/or when a formal risk assessment is required to be undertaken, and in particular circumstances, whether it is required to be forwarded to Council's insurers.

Council's Risk Management Handbook provides guidance to staff on how to undertake the risk assessment process.

Risk Management Process Steps

The risk management process comprises five (5) key steps to be undertaken in order to successfully identify, analyse, evaluate and treat risks. These steps are flowcharted at Annexure E and detailed below.

**Step 1: Communication and Consultation**

Regular communication and consultation with key stakeholders is required to be undertaken throughout the risk management process and, where appropriate, a consultative team approach should be utilised.

**Specialist Advisors**

It is recognised that at times there will be a need for specific and technical risk assessments which are likely to require external expertise. The normal procedures for the engagement of consultants or contractors will be applied to employ specialist advisors in such cases.

**Step 2: Establish the Context**

Risks faced by Council will be determined by giving due consideration to the desired outcomes and boundaries of the proposed activity, project, process or event that is being assessed; and to Council's overall risk management context which involves internal and external factors affecting Council's staff, stakeholders and communities, such as:

- Social, cultural, political, legal, regulatory, financial, environmental and technological factors;
- Council's key directions and objectives, culture, risk appetite/tolerance, organisational structures, systems, processes, resources; and
- Relationships with, perceptions and values of external stakeholders.
Step 3: Risk Assessment
The identification, analysis and evaluation of risks during the risk assessment process will be undertaken in accordance with Council’s risk assessment criteria, and particular consideration will be given to the key risk areas detailed in Council’s Consequence table (Annexure C).

Step 4: Risk Treatment
To reduce Council’s exposure to the adverse effects of risk, staff will seek to implement treatment strategies that eliminate, avoid or reduce the level of risk; or share elements of the risk with key stakeholders.

Staff will determine whether identified risks require treatment giving due consideration to the actions and requirements detailed in Council’s Responsive Actions table (Annexure C). No activity that involves risks identified as Medium, High or Extreme is to proceed until the actions in the Responsive Actions Table have been undertaken.

Depending on the scope of treatment required a Risk Treatment Action Plan may be used to document and monitor proposed treatment strategies.

Step 5: Monitor and Review
In order to ensure that risk management remains effective, identified risks, controls and proposed risk treatment action plans will be monitored and reviewed on an ongoing basis.

Risk Assessment Review
Risk owners are responsible to ensure that risks and controls identified during the risk assessment process are reviewed on a regular basis to ensure:

- Changing circumstances are considered against risk priorities.
- That any additional risks that may have arisen are identified and assessed appropriately.
- Existing risk controls continue to be effective and relevant.
- Unidentified hazards associated with new plant, equipment, processes, hazardous substances or dangerous goods introduced to the workplace are controlled.
- Legislative changes requiring a review of the Risk Management process are undertaken.
- Any additional controls are identified and documented.

Risk owners are responsible to ensure that Risk Treatment Action Plans are reviewed for progress on an as needs basis and are included in their business plans and the Delivery Program where appropriate.

Risk Register Review
The Risk Register will be reviewed by relevant risk owners on at least an annual basis and/or as deemed necessary and reported to Director Corporate Management. This review will ensure:

- Identification of opportunities for improved risk management performance as appropriate.
- Changing circumstances are considered against risk priorities and any additional risks that have arisen are identified and assessed appropriately.
- Existing risk controls continue to be relevant and any additional controls are identified and recorded.
- Risks are managed in the context of each Section’s objectives for the coming year.
- Senior management can monitor high level risks.
Review
Council's Risk Management Framework and associated Policy, Handbook and risk assessment criteria will be reviewed on at least an annual basis to ensure its continued effectiveness and relevance, and in order to identify improvement opportunities.

Significant amendments will require the approval of Director Corporate Management. As deemed necessary, any proposed amendments will be placed on exhibition to provide an opportunity for comment by staff.

Risk Reporting and Review Schedule
Council's Risk Review and Reporting Schedule attached at Annexure F summarises the key actions, reviews and reports required and details who is responsible for each activity and the required timing.

Success Measures
In accordance with AS/NZ ISO31000:2009 - Risk Management, the success of Council’s Risk Management Framework and associated practices in mitigating risks and seizing positive opportunities will largely be assessed in accordance with the following five (5) key attributes of enhanced risk management:

1. Continual improvement.
2. Full accountability for risks.
3. Application of risk management in all decision making.
4. Continual communication.
5. Full integration in Council’s governance structure.

These attributes are detailed further in AS/NZ ISO31000:2009 - Risk Management
## ANNEXURE B
### Risk Assessment Form

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Identify Risk</th>
<th>Assess Risk</th>
<th>List Current Controls</th>
<th>Re-assess Risk</th>
<th>Define Actions and Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>What is the Risk?</td>
<td>Inherent Risk Rating</td>
<td>What controls exist to manage (reduce) the risk?</td>
<td>Residual Risk Rating</td>
<td>Proposed controls / treatment plans</td>
</tr>
<tr>
<td></td>
<td>(What can happen?)</td>
<td>(impact of an incident happening, giving no consideration to existing controls)</td>
<td></td>
<td>(re-rate the risk, giving consideration to effectiveness of existing controls)</td>
<td></td>
</tr>
</tbody>
</table>

- **Likelihood (L)**
- **Consequence (C)**
- **Inherent Risk Rating (IR)**
- **Residual Risk Rating (RR)**

**What is being assessed?** (Activity, project, process)

**Division / Section:**

**Risk Owner:** (Officer/Division/Section)

**Participants in Risk Assessment:**

**Date of Assessment:**

**Proposed controls / treatment plans**

**Position or Group responsible for implementing proposed control / action plan**

**Date for Review / Implementation of proposed control / action plan**
## Table 1: Likelihood Rating

<table>
<thead>
<tr>
<th>LIKELIHOOD RATING (L)</th>
<th>Frequency - 1</th>
<th>Frequency - 2</th>
</tr>
</thead>
</table>
| Rare (1)             | - The event may occur but only in exceptional circumstances.  
                       | - No past event history. | More than 25 years |
| Unlikely (2)         | - The event could occur at some time.  
                       | - No past event history. | Within 10-25 years |
| Possible (3)         | - The event might occur at some time.  
                       | - Some past warning signs or previous event history. | Once every 10 years |
| Likely (4)           | - The event will probably occur in most circumstances.  
                       | - Some recurring past event history. | Once a year |
| Almost Certain (5)   | - The event is expected to occur in most circumstances.  
                       | - There has been frequent past history. | More than once a year |
### Table 2: Consequence Rating

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>EXPLANATION</th>
<th>CONSEQUENCE RATING (C)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong> (to be considered on Council’s overall budget)</td>
<td>Risks that impact revenue, expenses, assets, liabilities, reserves.</td>
<td><strong>Insignificant (1)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Destruction or damage to property or expenditure up to 1% of budget.$10,000-$100,000</td>
</tr>
<tr>
<td><strong>Staff Safety</strong></td>
<td>Risks that impact staff wellbeing, working conditions and the working environment.</td>
<td>Couldn’t cause injury or minor injury</td>
</tr>
<tr>
<td><strong>Community Wellbeing</strong></td>
<td>Risks that impact on community and people.</td>
<td>No inconvenience for customers - &lt; 4 hours; couldn’t cause injury.</td>
</tr>
<tr>
<td><strong>Public Liability</strong> (playgrounds, sportsgrounds etc)</td>
<td>PL risks in public areas</td>
<td>First aid only required; minimal loss to Council</td>
</tr>
<tr>
<td><strong>Regulatory</strong></td>
<td>Risks that impact compliance with or enforcement of various legislation and regulatory requirements.</td>
<td>Minor fine</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Issue of improvement notice.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minor fine/penalty</td>
</tr>
<tr>
<td><strong>Service Delivery</strong></td>
<td>Risks that impact expected service level and/or service delivery.</td>
<td>No measurable operational impact to the organisation.</td>
</tr>
<tr>
<td><strong>Strategic</strong></td>
<td>Risks that impact the development and execution of mid to long term plans.</td>
<td>No measurable impact on the strategic plans and objectives of the section or organisation.</td>
</tr>
</tbody>
</table>
Table 3: Control Effectiveness

<table>
<thead>
<tr>
<th>Control Effectiveness Rating</th>
<th>Description</th>
<th>Quantification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very effective</td>
<td>The control is reliable and efficient. Fully documented processes and well communicated.</td>
<td>Up to 99% effective</td>
</tr>
<tr>
<td>Mostly effective</td>
<td>The control is mostly reliable and efficient. Documentation exists but can be better communicated.</td>
<td>Up to 80% effective</td>
</tr>
<tr>
<td>Reasonably effective</td>
<td>The control is reliable but not efficient as documentation and/or communication could be improved.</td>
<td>Up to 60% effective</td>
</tr>
<tr>
<td>Somewhat effective</td>
<td>The control may be reliable but not very effective as control design can be improved or supporting controls applied.</td>
<td>Up to 40% effective</td>
</tr>
<tr>
<td>Slightly effective</td>
<td>The control is not reliable as it is not well designed, documented and/or communicated.</td>
<td>Up to 20% effective</td>
</tr>
<tr>
<td>Not effective</td>
<td>The control does not address risk.</td>
<td>0% effective</td>
</tr>
</tbody>
</table>

Table 4: Risk Rating Matrix

<table>
<thead>
<tr>
<th>LIKELIHOOD RATING (L)</th>
<th>CONSEQUENCE RATING (C)</th>
<th>Insignificant (1)</th>
<th>Minor (2)</th>
<th>Moderate (3)</th>
<th>Major (4)</th>
<th>Catastrophic (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost certain (5)</td>
<td></td>
<td>M</td>
<td>H</td>
<td>H</td>
<td>E</td>
<td>E</td>
</tr>
<tr>
<td>Likely (4)</td>
<td></td>
<td>M</td>
<td>M</td>
<td>H</td>
<td>H</td>
<td>E</td>
</tr>
<tr>
<td>Possible (3)</td>
<td></td>
<td>L</td>
<td>M</td>
<td>M</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Unlikely (2)</td>
<td></td>
<td>L</td>
<td>L</td>
<td>M</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Rare (1)</td>
<td></td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
</tbody>
</table>

Risk Rating = Likelihood (L) x Consequence (C)
# Table 5: Responsive Actions

<table>
<thead>
<tr>
<th>Risk Rating</th>
<th>Description</th>
<th>Responsive Actions</th>
</tr>
</thead>
</table>
| E           | Extreme risk | ▪ Cease activity, process or task until directed.  
▼ Senior management attention/decision required (Director and/or MANEX).  
▼ Management responsibility to be assigned and detailed investigation to be undertaken and documented.  
▼ Corrective/preventative controls to be planned, implemented and documented (Risk Treatment Action Plan required). |
| H           | High risk   | ▪ Senior management attention/decision required (Director and/or MANEX) and management responsibility to be assigned.  
▼ Corrective/preventative controls to be planned, implemented and documented (Risk Treatment Action Plan required). |
| M           | Medium risk | ▪ Management responsibility to be assigned.  
▼ Management attention/decision required.  
▼ Corrective/preventative controls to be planned, implemented and documented. |
| L           | Low risk    | ▪ Specific staff decision required.  
▼ Manage risk by routine procedures - "business as usual". |
**ANNEXURE D**

**Risk Management Responsibilities**

**All Staff**
Within their area of operation and responsibility, Council staff are expected to:

- Understand and comply with Council’s Risk Management Policy and Framework.
- Identify, manage and report risks in line with Council’s Risk Management Framework and Handbook.
- Support risk owners and be accountable for taking practical steps to minimise Council’s exposure to adverse risks.
- Communicate honestly in relation to identified, emerging or perceived risks and related risk controls and treatment strategies.
- Provide timely assistance in relation to insurance claims and risk management issues upon request.
- Undertake risk management training as appropriate.

*In addition to the above, the following accountabilities apply within their area of operation and responsibility.*

**Councillors**
Councillors, with assistance from Council’s Management Executive and external experts, are responsible to:

- Review and approve the Risk Management Policy.
- Oversee Council’s Risk Management Framework through the normal course of good governance.
- Provide feedback to Council’s Management Executive (MANEX) on important risk management matters and issues.
- Provide adequate resources to support Council’s risk management program.
- Report potential and emerging risks and major incidents to the General Manager in a timely manner.

**General Manager**
Ensuring there is a risk management system in place based on AS/NZ ISO 31000:2009 - Risk Management and consistent with Council’s business, ethical and professional standards, including:

- Providing advice to Council on acceptable risk tolerance levels.
- Reporting risks and incidents to Council’s Risk Management Officer in a timely manner.
- Allocating adequate resources to support Council’s risk management program.
- Supporting processes that help ensure that the operations and activities undertaken by Council are compliant with established systems, procedures and regulatory requirements.
- Supporting the provision of appropriate risk management training for Directors, Managers and their staff to fulfil their risk management responsibilities.
- Developing measurable performance indicators with Directors to support Council’s Risk Management Framework and strategic objectives.
- Promotion of risk management as a vital business principle and establishing and maintaining a culture of risk awareness organisation-wide.

**Directors, Managers and Co-ordinators**

- Ensuring staff participate in appropriate risk management training
- Providing assistance to staff in relation to their risk management responsibilities.
- Maintaining Council’s Risk Register through review on at least an annual basis and keeping staff appropriately informed of required actions.
- Advise of any risk issues within their area that should be incorporated in forthcoming budgets.
- Promotion of risk management as a vital business principle and establishing and maintaining a culture of risk awareness.
- Monitoring staff compliance to Council’s risk management policies, procedures, and guidelines.
- Incorporating risk treatment action plans into Council business plans and Delivery Program where relevant.
- Developing measurable performance indicators with the General Manager to
support Council’s Risk Management Framework and strategic objectives.

- Ensure third parties working within their areas are familiar with Council’s risk management practices and comply with them as appropriate.
- Contribute to the development of risk management initiatives.
- Ensure actions are taken in relation to Risk Management Audit Reports.

**Staff Responsible for Events and Projects**

- Undertake and document a formal risk assessment for proposed major events/projects.
- Ensure decisions made and actions taken in relation to the event/project are consistent with the outcomes of the risk assessment.

**Staff Responsible for Contracts and Tenders**

- Contracts and tenders let by Council are managed in compliance with the above.

**Director Corporate Management**

- Co-ordinate the risk management and internal audit processes within Council.

**Manager Information Management and Governance**

- Develop and review Council’s Risk Management Policy, Framework and Handbook.

**Administration Support Officer**

- Encourage all staff and key stakeholders to actively employ risk management in their decision making processes.
- Assist staff with the procedural aspects of risk management, ensuring that risk management advice and guidance is readily available to staff as required.
- In liaison with relevant risk owners, ensure Council’s Risk Register (JRS Profiler) is kept up to date.
- Report regularly to Manex on the status of key risks.
ANNEXURE E
Risk Management Process

Statewide Mutual - Risk Management in Local Government - Risk Assessment & Control (Module 3)
## ANNEXURE F

### Risk Reporting & Review Schedule

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Responsibility</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review Risk Register</td>
<td>Review risks and controls contained in Council’s Risk Register and identify new or emerging risks.</td>
<td>Risk Owners</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Include Risk Treatment Plans in Delivery Program / Operational Plan</td>
<td>Ensure that actions required by Risk Treatment Plans are incorporated into the Delivery Program / Operational Plan</td>
<td>Risk Owners</td>
<td>Annually</td>
</tr>
<tr>
<td>Implement Risk Treatment Action Plans</td>
<td>Implement actions contained in Risk Treatment Action Plans</td>
<td>Risk Owners</td>
<td>As identified in the Risk Treatment Action Plan</td>
</tr>
<tr>
<td>Risk Status Report</td>
<td>Report current status of key risks and Risk Treatment Action Plans within Risk Register to Manex</td>
<td>Manager – Information Management and Governance</td>
<td>At least annually</td>
</tr>
<tr>
<td>Conduct Specific Risk Assessments</td>
<td>Conduct risk assessments as required for new or altered activities or processes and Council managed major projects or events.</td>
<td>Risk Owners</td>
<td>As required</td>
</tr>
</tbody>
</table>
Risk Management Handbook

KEMPSEY Shire Council

For Kempsey Shire Council employees

(Internal use only)
Terminology

To undertake the risk assessment process, you need to refer to the following terminology:

**Consequence (C)**
Refers to the outcome of a risk occurring. There can be a range of consequences that can have both positive and negative effects on objectives.

**Control**
Is a process, policy, device, practice or other action undertaken to eliminate or minimise adverse risk. Examples of controls could include inspections, signage, security etc.

**Inherent Risk (IR)**
Is the level of risk that exists prior to the implementation of any controls ("worst case" scenario).

**Likelihood (L)**
Is the chance of the risk occurring.

**Risk**
Is the effect of uncertainty on objectives. A risk may have a positive or a negative consequence.

**Risk Number**
Is simply a number by which you can identify each risk listed and keep track of how many risks you have identified. Numbers should be sequential as you add risks.

**Risk owner**
Is the person or entity with the accountability and authority to manage a risk.

**Residual Risk (RR)**
Is the level of risk remaining after consideration of existing controls or implementation of risk treatment strategies.

**Risk Treatment**
Is the process to modify a risk. Risk treatment options include:

- Reducing the risk by lowering the likelihood and/or consequences of the risk.
- Sharing elements of the risk with key stakeholders.
- Eliminating the risk by avoiding the risk or removing the risk source.
- Taking or increasing the risk in order to pursue an opportunity or retaining the risk by informed decision.

The control/s proposed to be implemented will depend on the type of risk treatment you decide to pursue.

**Risk Treatment Action Plan**
Is a plan detailing how you intend to treat the risk and implement the proposed controls. Council has a standard Risk Treatment Action Plan template that should be used for such plans (refer Annexure J).
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**Introduction**

As a Council employee you are required to manage the risks you face during your daily business activities and when specific projects or events are planned.

This handbook, along with the provision of training and ongoing guidance by Council, will assist you to undertake risk management procedures to assist in minimising the negative impacts of risks on the organisation and maximise positive opportunities for Council, the community and stakeholders.

In order to meet the commitment of Council's Risk Management Policy for ongoing best practice in the area of risk management, Council employees are required to follow a risk assessment process based on **AS/NZS ISO 31000:2009 - Risk Management**.

**Why Manage Risk?**

Risk management is a process undertaken to avoid, reduce or control risks.

Ignoring risks that apply to Council related activities or planned events or projects could impact on a number of things, including the following:

- The health and safety of employees, customers, volunteers and participants that could lead to workers compensation, public liability or professional indemnity claims against Council.
- Council's reputation.
- Public and customer confidence in Council.
- Council's financial position.
- Plant and equipment.
- The environment.
- Council assets.
- Council's ability to deliver services to the community.
- Compliance with regulations or legislation which could result in fines or other penalties against Council or its staff.

A structured and proactive approach to managing risk is therefore regarded as good management practice and integral to the ongoing success of the organisation.

**When should the Formal Risk Assessment Process be undertaken?**

The risk management process should be undertaken by Council employees when considered appropriate in relation to daily operations, functions and activities, including but not limited to the following circumstances:

- In relation to Council's ongoing strategic, operational, environmental, regulatory and financial risks.
- Where a new process is planned or an existing process is being reviewed.
- At the planning stages and during a Council managed major event or project.
- Following a significant incident, near miss or other event.
- Prior to the commencement of works or acceptance of any legally binding agreements for any major project proposed to be undertaken by Council or by contractors on behalf of Council.
- When required by Council policy or procedure.
- As deemed necessary for inclusion in reports to Council, such as when requests are put forward for additional significant funding allocations and high risk projects.
Guidance Notes and Best Practice Manuals

Statewide Mutual (Council's insurer) produces Guidance Notes and Best Practice Manuals for councils to use in relation to various services/functions. These documents provide easy to read procedural guidance from a risk management and insurance (claims management) perspective that may be helpful to staff when undertaking risk assessments and in the planning and review of various services and facilities.

The following documents are currently available and can be obtained from Council's Administration Support Officer - Information Management and Governance:

**Guidance Notes**
- BMX Tracks
- Council Sporting Facilities
- Detention Basins
- Event Management
- Giving Evidence
- Inflatable Pool Devices
- Investigation of Road Incidents
- Pyrotechnics and Smoke Effects
- Shared Paths
- Skateboard Facilities
- Swimming Pools

**Best Practice Manuals (BPM)**
- Applications
- Bitumen and Asphalting Resurfacing
- Certificates
- Footpaths
- Gathering Information for Incident Management
- Playgrounds
- Roads
- Signs as Remote Supervision
- Trees

Overview of the Risk Assessment Process

The risk assessment process involves the identification, analysis, evaluation and treatment of risks. It comprises the following five (5) key activities that must be undertaken in order to successfully assess and manage risks:

*Step 1* Communicate and Consult
*Step 2* Establish the Context
*Step 3* Risk Assessment
*Step 4* Risk Treatment
*Step 5* Monitor and Review

The forms and criteria you need to complete this process are detailed below. A Guide to the Risk Assessment Process is provided at page 7 of this document.

Forms and Criteria

- **A Risk Assessment Form** is required to be completed during the risk assessment process. An example and tips for completing this form are attached at Annexure A and Annexure B.

  An electronic (Excel) copy of Council's Risk Assessment Form and Risk Assessment Criteria is available on the intranet.

  Prior to use, save this file to an alternative location so that you have exclusive access.

- **Council's standard risk assessment criteria** are to be used when undertaking a risk assessment. These criteria are reflected in the following tables and detailed later in this document:

  - Likelihood Rating Table
  - Consequence Rating Table
  - Risk Rating Matrix
  - Responsive Actions Table
  - Control Effectiveness Table
Record Keeping

Record your information as you go!

Included with the electronic risk assessment form is a "Record Keeping" worksheet to record important information in relation to your risk assessment.

At a minimum you are required to send the following through to the Administration Support Officer - Information Management and Governance:

- Completed Risk Assessment Form.
- Any assumptions, methods, data sources, analyses, results and reasons for decisions made throughout the risk assessment process.
- Details regarding the communication and consultation that is undertaken throughout the risk assessment process.
- Risk Treatment Action Plans (where relevant).

Why?

- If an incident does occur and Council is required to defend a claim, a copy of the documentation supporting the reasons for decisions made will be readily available.
- Sometimes Council's insurers require a copy of a risk assessment to ensure provision of insurance cover for Council managed projects or events.
- To comply with the State Records Act 1998 (NSW).

Consult Council's Administration Support Officer - Information Management and Governance for further advice in relation to record keeping requirements.

Risk Register

Depending on the scope of the activity, project, process or event that you are assessing, your risk assessment may need to be recorded in Council's formal Risk Register (JRS Profiler).

This register is generally used to record and monitor risks relating to Council's strategic and operational risks and risks associated with Council managed major projects and events.

Risk owners and managers are responsible to regularly monitor risks and controls recorded in Council's Risk Register and Council's Administration Support Officer - Information Management and Governance should be notified of any changes so that the register can be updated accordingly.

For additional information regarding the risk register consult Council's Administration Support Officer - Information Management and Governance - 6566 3204.
Guide to the Risk Assessment Process

Step 1: Communicate and Consult

*Think about who needs to be involved...*

Communication and consultation with key stakeholders throughout the risk assessment process is integral. It will assist you to establish the context of your risk assessment and to identify and assess relevant risks and existing controls. It will also be helpful when deciding on what type of treatment strategies to apply to unacceptable risks.

**Who are the key stakeholders?**
Key stakeholders may be internal and/or external to Council. They may include, but are not limited to, members of the community, regulators, developers, environmentalists, politicians, unions, insurers, service providers, Councillors and Council staff.

**Do you need to consult a specialist advisor?**
Where the analysis of risk requires specific expertise, such as a structural engineer, consulting a specialist advisor throughout the risk assessment process may be appropriate. Such cases may include, but are not limited to, the assessments of major structures, complex management systems or geotechnical assessments. The normal procedures for the engagement of consultants or contractors must be applied to employ specialist advisors in such cases.

Step 2: Establish the Context

*Think about what you are assessing before you start...*

To ensure that relevant risks are identified and assessed, you need to undertake your risk assessment in the context of the following:

- The desired outcomes and boundaries of the proposed activity, project, process or event that is being assessed;

And

- External factors that effect Council as an organisation, stakeholders and the community such as:
  - Social, cultural, political, legal, regulatory, financial, environmental and technological factors;
  - Council’s key directions and objectives, culture, risk appetite/tolerance, organisational structures, systems, processes, resources; and
  - Relationships with, perceptions and values of external stakeholders.
Step 3: Risk Assessment

The risk assessment involves the completion of a Risk Assessment Form. An example and tips on how to do this are provided at Annexure A and Annexure B. Generally, a risk assessment involves the following:

1. Identification and rating of risks.
2. Identification of existing controls and analysis of their effectiveness.
3. Evaluation of the resulting risk ratings to decide which risks require additional control measures ie. treatment.

You should familiarise yourself with the terminology provided at page 3 of this document prior to commencing your risk assessment.

Once you have completed your Risk Assessment Form, continue to Step 4 - Risk Treatment.
Step 4: Risk Treatment

Risk Treatment Options

For risks that have been evaluated as requiring additional controls, the controls implemented will depend on the type of strategy chosen to treat the risk.

Types of strategies that work towards reducing unacceptable risks include:

- Lowering the likelihood of the risk occurring.
- Lowering the consequences of the risk if it does occur.
- Transferring or sharing elements of the risk with key stakeholders.
- Eliminating the risk by avoiding the risk or removing the risk source.

To determine which treatment option to pursue you should think about the following:

- How has the risk arisen?
- What is the immediate cause of the risk?
- What are the underlying factors that influence whether the proposed treatment strategy will be effective?

Depending on what you are assessing and the priority of the risk, treatment strategies can involve long or short term plans to manage the risk.

Which option is appropriate?

Depending on the type of risk, the method used to assess treatment options will vary. Methods may include, but are not limited to, Council management, staff, stakeholders and practitioners experienced in the operation and management of the asset/service undertaking the following:

- A brainstorming workshop.
- A detailed risk cost/benefit analysis.

Careful consideration must be given to how resources are allocated to risk treatment strategies. It may be more valuable to reduce higher priority risks to an acceptable level rather than eliminate them altogether, and then use any resources saved to address lower priority risks.

Communicate and consult again with key stakeholders, relevant Council staff and/or your Manager to assist in determining which treatment option is the most appropriate.

What controls should be implemented?

Once you have determined which treatment strategy you will pursue, you need to decide on the controls that need to be implemented in order to achieve that strategy.

Refer to Annexure G for additional information regarding Types of Controls.
Developing Risk Treatment Action Plans

A Risk Treatment Action Plan may be utilised to document and monitor the progress of your proposed risk treatment.

The Risk Treatment Plans should identify:

1. Proposed actions (eg. implementation of control/s) to address the risk.
2. The officer/s responsible for ensuring that the Risk Treatment Plan is carried out (usually the responsible Manager).
3. The officer/s responsible for carrying out individual actions specified in the Risk Action Plan (Responsible Officer/s)
4. Review date - when the specified actions are to be completed by.

Communicate and consult again with key stakeholders, relevant Council staff management to ensure they are aware of and understand their roles and responsibilities in relation to any risk treatment strategies that you are proposing.

Note: Action plans may be required to be included in business plans and, where appropriate, the relevant Delivery Program.

Included with the electronic risk assessment form is a standard Risk Treatment Action Plan worksheet (copy attached at Annexure J) to record the details of your action plan.

Once additional controls are implemented can I commence my activity?

Once you have implemented the necessary controls to reduce the risk, you need to re-rate the risk using the steps previously discussed in this document, ie. assess the level of control effectiveness and then rate the risk again = L x C).

Prior to proceeding with your activity, event or project etc., you need to determine if the resulting risk level is now acceptable (refer Responsive Actions Table - Annexure I). It is noted that depending on the level of residual risk, you may need approval from senior management/management.

If you are unsure, additional advice can be sought from Council’s Administration Support Officer - Information Management and Governance.
Step 5: Monitor and Review

Risks and Controls
Risk and controls are required to be regularly monitored and reviewed to ensure:

- Changing circumstances are considered against risk priorities.
- Any additional risks that have arisen are identified and assessed appropriately.
- Existing risk controls continue to be relevant.
- Any additional controls are identified and documented.

Risk Treatment Action Plans
Risk owners are responsible to ensure that actions contained in Risk Treatment Action Plans are reviewed on an as needs basis to ensure their progress and applicability.

Any additional actions taken in relation to controls and Risk Treatment Action Plans during the monitor and review process are to be documented and recorded.

Risk Register
If your risks and controls are recorded in Council's Risk Register (refer page 7) inform Council's Administration Support Officer - Information Management and Governance of any changes or additions so that the system can be updated accordingly.
## Risk Assessment Form & Example

**Additional Tips for completing the form are over page.** Don't forget to **keep records** of all information relevant to the completion of your Risk Assessment and contact Council's Administration Support Officer - Information Management and Governance if you require further assistance.

### Annexure A

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>What is the Risk? (What can happen?)</th>
<th>Inherent Risk Rating</th>
<th>What controls exist to manage (reduce) the risk?</th>
<th>Residual Risk Rating</th>
<th>Proposed controls / treatment plans</th>
<th>Position or Group responsible for implementing proposed control / action plan</th>
<th>Date for Review / Implementation of proposed control / action plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EXAMPLE: Fire at Council office/depot leading to injury to staff</td>
<td>Poss;ible Catastrophic High</td>
<td>Emergency Evacuation Procedures Unlikely Minor Low</td>
<td>Prepare a plan to carry out scheduled emergency evacuation drills at all Council offices/depots.</td>
<td></td>
<td>Human Resources Co-ordinator</td>
<td>30/10/2012</td>
</tr>
</tbody>
</table>

**Example:**

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Consequence</th>
<th>Inherent Risk Rating (IR)</th>
<th>Residual Risk Rating (RR)</th>
<th>Proposed controls / treatment plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Prepare a plan to carry out scheduled emergency evacuation drills at all Council offices/depots.</td>
</tr>
</tbody>
</table>

**Additional Tips:**
- Don't forget to keep records of all information relevant to the completion of your Risk Assessment.
- Contact Council’s Administration Support Officer - Information Management and Governance if you require further assistance.
## ANNEXURE B

### Tips for Completing a Risk Assessment Form

<table>
<thead>
<tr>
<th></th>
<th>2 Identify Risk</th>
<th>3 Assess Risk</th>
<th>4 List Current Controls</th>
<th>5 Re-assess Risk</th>
<th>6 Define Actions and Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>What is the Risk?</td>
<td>Inherent Risk Rating (impact of an incident happening, giving no consideration to existing controls)</td>
<td>What controls exist to manage (reduce) the risk?</td>
<td>Residual Risk Rating (rate the risk, giving consideration to effectiveness of existing controls)</td>
<td>Proposed controls / treatment plans</td>
</tr>
<tr>
<td></td>
<td>(What can happen?)</td>
<td>Likelyhood (L)</td>
<td>Consequence (C)</td>
<td>Inherent Risk Rating (IR)</td>
<td>Likelihood (L)</td>
</tr>
<tr>
<td>1</td>
<td>The Risk No. is a sequential number given to the risks as you list them on your form.</td>
<td>How likely is it that the risk will occur with no controls in place?</td>
<td>Refer to the Inherent Risk Rating Table</td>
<td>Controls that reduce likelihood include:</td>
<td>How effective is the control over reducing the likelihood and consequences of the risk?</td>
</tr>
<tr>
<td></td>
<td>What is the risk? What can affect your ability to achieve objectives?</td>
<td>Refer to the Consequence Rating Table</td>
<td></td>
<td>- Process engineering - safe work methods</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- What can go wrong? - How can this event occur? - What is the source of risk? Identify and document as many risks as necessary. You can always add and consolidate later.</td>
<td></td>
<td>Controls that reduce consequences include:</td>
<td>If the control is not effective, the rating will remain the same.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>What are the risks?</td>
<td>- Write a description of the risk event. eg. Destruction of water leading to permanent loss of electronic data.</td>
<td></td>
<td>- Personal Protective Equipment (PPE)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Only note why and how the risk can occur. eg. permanent loss of sensitive data due to virus, corrupt file, fire, food, hurricane etc.</td>
<td></td>
<td></td>
<td>Contract conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Document the risk event not just impact, eg., injury to staff is not a risk, it’s the impact. The risk could be unsafe premises leading to injury to staff.</td>
<td></td>
<td></td>
<td>Disaster planning</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The risk description should ‘stand alone’. It should be clear and understood by someone new.</td>
<td></td>
<td></td>
<td>System limits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- A ‘broken control’ is not a risk event, eg. bank reconciliation is not performed, approval form is not duly signed.</td>
<td></td>
<td></td>
<td>Authority limits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>For additional tips refer to Annexure G - Risk Identification.</td>
<td></td>
<td></td>
<td>Public relations</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Communication limits</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Negotiated settlement</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>For further information on controls, refer to Annexure G - Types of Controls.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>For assistance with rating the effectiveness of controls, refer to Annexure H - Control Effectiveness.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Types of Risk Treatment include:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Avoid Risk - Do not proceed with activity that generates risk (where practicable)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Do not proceed with new project</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Accept Risk - Proceed with activity that generates risk</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Undertake new project (still do a risk analysis)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Treat Risk - Control the risk. Take steps to reduce the likelihood or consequence</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- eg. Implement project controls such as project plan, define responsibilities, contacts, specifications and develop policies, procedures and/or checklists.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Transfer Risk - Shirk all or part of the risk exposure to another party - Purchase insurance, ensure others are insured</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>For additional information refer to Risk Treatment.</td>
<td></td>
</tr>
</tbody>
</table>
Risk identification is a statement of the perceived risk to Council overall or to the achievement of objectives related to the activity that you are assessing. It is based on the knowledge of the people undertaking the risk assessment and the strategic direction of Council.

You may wish to consider risks that could jeopardise a project or have a potential impact on assets, resources, management activities, performance, timing, staff, stakeholders or reputation, etc.

**Identification Methods**

To identify risks, you need to think about **what can happen?** The following methods may be used to determine your risks:

- Brainstorming sessions.
- Formal risk workshops or the constitution of an experienced panel to consider the activity, project, process or event.
- Communication and consultation with stakeholders.
- A review of checklists developed for this or a similar activity, project, process or event.
- An examination of a previous activity, project, process or event of this type.

**Asking questions can also help!**

- **What can go wrong?**
  What are the risks that could impact positively or negatively on the objectives of your activity, project, process or event?

- **Where could it happen?**
  Are the risks internal, external or random?

- **When could it go wrong?**
  Consider potential frequency.

- **How can this risk occur?**
  Consider potential causes.

- **Why would it happen?**
  What are the sources of the risk? Who is responsible?

- **Who is impacted?**
  Staff, community, stakeholders, etc.

- **How important is the risk to the stakeholders?**

Risk areas for consideration include, but are not limited to, the following:

- Financial
- Staff Safety
- Community Wellbeing
- Regulatory
- Service Delivery
- Strategic
- Environmental
- Work Health and Safety
ANNEXURE D  
Likelihood Rating

### How to use Council’s Likelihood Rating Table

Rating the identified risks involves determining how likely it is that the risk will occur.

Depending on the type of risks you are assessing, you can use either the “Frequency 1” or “Frequency 2” descriptions to determine the likelihood (whichever best suits the risk you are assessing).

#### Examples:

If you are assessing risks related to a one-off Council managed major event that will be held over one weekend, it would be most appropriate to use Frequency 1, as Frequency 2 describes likelihood in terms of how often the risk may occur over a year or a number of years.

If you were assessing risks related to Council’s financial investments, it may be more appropriate to use Frequency 2.

---

<table>
<thead>
<tr>
<th>LIKELIHOOD RATING (L)</th>
<th>Frequency - 1</th>
<th>Frequency - 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rare (1)</td>
<td>• The event may occur but only in exceptional circumstances.</td>
<td>More than 25 years</td>
</tr>
<tr>
<td></td>
<td>• No past event history.</td>
<td></td>
</tr>
<tr>
<td>Unlikely (2)</td>
<td>• The event could occur at some time.</td>
<td>Within 10-25 years</td>
</tr>
<tr>
<td></td>
<td>• No past event history.</td>
<td></td>
</tr>
<tr>
<td>Possible (3)</td>
<td>• The event might occur at some time.</td>
<td>Once every 10 years</td>
</tr>
<tr>
<td></td>
<td>• Some past warning signs or previous event history.</td>
<td></td>
</tr>
<tr>
<td>Likely (4)</td>
<td>• The event will probably occur in most circumstances.</td>
<td>Once a year</td>
</tr>
<tr>
<td></td>
<td>• Some recurring past event history.</td>
<td></td>
</tr>
<tr>
<td>Almost Certain (5)</td>
<td>• The event is expected to occur in most circumstances.</td>
<td>More than once a year</td>
</tr>
<tr>
<td></td>
<td>• There has been frequent past history.</td>
<td></td>
</tr>
</tbody>
</table>
### ANNEXURE E Consequence Rating

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>EXPLANATION</th>
<th>INsignificant (1)</th>
<th>Minor (2)</th>
<th>Moderate (3)</th>
<th>Major (4)</th>
<th>Catastrophic (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial (to be considered on Council’s overall budget)</td>
<td>Risks that impact revenue, expenses, assets, liabilities, reserves.</td>
<td>Destruction or damage to property or expenditure up to 1% of budget, &lt;$10,000</td>
<td>Destruction or damage to property or expenditure up to 3% of budget, $10,000 - $100,000</td>
<td>Destruction or damage to property or expenditure up to 10% of budget, $100,000 - $500,000</td>
<td>Destruction or damage to property or expenditure up to 20% of budget, $500,000 - $3 million</td>
<td>Destruction or damage to property or unbudgeted expenditure in excess of Annual Budget, $3 million</td>
</tr>
<tr>
<td>Staff Safety</td>
<td>Risks that impact staff wellbeing, working conditions and the working environment.</td>
<td>Couldn’t cause injury</td>
<td>First aid needed</td>
<td>Medical attention and several days off (typical MTI/LTI)</td>
<td>Long term illness or injury (major LTI)</td>
<td>Could kill or cause permanent disability or ill health</td>
</tr>
<tr>
<td>Community Wellbeing</td>
<td>Risks that impact on community and people.</td>
<td>No inconvenience for customers - &lt; 4 hours; couldn’t cause injury.</td>
<td>Minor inconvenience for customers – between 4 hours and 1 day; first aid needed.</td>
<td>Some inconvenience for customers – between 1 day – a week; medical attention required.</td>
<td>Significant inconvenience for customers – between 1 week and 2 weeks; long term illness or injury.</td>
<td>Major inconvenience for customers &gt; 2 weeks; could kill or cause permanent disability or ill health.</td>
</tr>
<tr>
<td>Public Safety</td>
<td>Risks that impact on public safety</td>
<td>First aid only required; minimal loss to Council</td>
<td>Some medical treatment required, medium loss to Council</td>
<td>Significant injury involving medical treatment or hospitalisation, high loss to Council</td>
<td>Severe injuries or fatalities to individual; very high loss to Council</td>
<td>Multiple fatalities or extensive long term injuries; worst case loss to Council</td>
</tr>
<tr>
<td>Regulatory</td>
<td>Risks that impact compliance with or enforcement of various legislation and regulatory requirements.</td>
<td>• Minor fine</td>
<td>• Adverse finding</td>
<td>• Adverse finding</td>
<td>• Adverse finding</td>
<td>• Adverse finding</td>
</tr>
<tr>
<td>Service Delivery</td>
<td>Risks that impact expected service level and/or service delivery.</td>
<td>No measurable operational impact to the organisation.</td>
<td>Minor degradation of service, impact limited to a single area of the organisation, management intervention required.</td>
<td>Substantial degradation of service, impact to multiple areas of the organisation, can be managed with substantial management intervention and possible external assistance.</td>
<td>Significant degradation of service, impact to multiple areas of the organisation, threatens the viability of the organisation, and requires significant mobilisation of resources and significant management intervention including external assistance.</td>
<td>Threatens the immediate viability of the organisation and introduces significant long term doubt on the viability of the organisation. Immediate action required to minimise or mitigate the effect on most parts of the organisation.</td>
</tr>
<tr>
<td>Strategic</td>
<td>Risks that impact the development and execution of mid to long term plans.</td>
<td>No measurable impact on the strategic plans and objectives of the section or organisation.</td>
<td>Minor impact on the strategic plans and objectives of the section or organisation.</td>
<td>Some impact on the strategic plans and objectives of multiple sections or the organisation.</td>
<td>Significant impact on the strategic plans and objectives of multiple sections or the organisation.</td>
<td>Major impact on the strategic plans and objectives of the organisation.</td>
</tr>
</tbody>
</table>
### ANNEXURE F

**Risk Rating Matrix**

#### CONSEQUENCE RATING (C)

<table>
<thead>
<tr>
<th>LIKELIHOOD RATING  (L)</th>
<th>Insignificant (1)</th>
<th>Minor (2)</th>
<th>Moderate (3)</th>
<th>Major (4)</th>
<th>Catastrophic (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost certain (5)</td>
<td>M</td>
<td>H</td>
<td>H</td>
<td>E</td>
<td>E</td>
</tr>
<tr>
<td>Likely (4)</td>
<td>M</td>
<td>M</td>
<td>H</td>
<td>H</td>
<td>E</td>
</tr>
<tr>
<td>Possible (3)</td>
<td>L</td>
<td>M</td>
<td>M</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Unlikely (2)</td>
<td>L</td>
<td>L</td>
<td>M</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Rare (1)</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
</tbody>
</table>

**How to use the Risk Rating Matrix**

*Risk rating = Likelihood (L) \times Consequence (C)*

In accordance with the matrix, if a risk has a Likelihood rating of “Likely” and a Consequence rating of “Moderate”, then the resulting risk rating will be H (High).

This method is used to determine both the Inherent Risk Rating and Residual Risk Rating.

The Residual Risk Rating will be used to determine whether risk treatment is required.

**What does the Risk Rating mean?**

<table>
<thead>
<tr>
<th>Risk Rating (Risk=L x C)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>Extreme risk</td>
</tr>
<tr>
<td>H</td>
<td>High risk</td>
</tr>
<tr>
<td>M</td>
<td>Medium risk</td>
</tr>
<tr>
<td>L</td>
<td>Low risk</td>
</tr>
</tbody>
</table>

These ratings are further defined within the Responsive Actions Table at Annexure I.
There are three types of risk controls that may reduce or mitigate risk:

**Detective Controls**
These are controls that are designed to detect irregularities, errors or non-compliance after the threat has materialised.

*Examples:*
- Accounts reconciliation, secondary approval.

**Preventive Controls**
These are controls that are designed to prevent something from happening before the threat occurs, ie. eliminate or reduce the likelihood of a risk occurring. These are pre-event measures that, if effective, will eliminate or reduce the possibility of a negative event happening.

*Examples:*
- A computer log-in control to prevent unauthorised access or segregation of duties.
- Council has an active Footpath Inspection regime, where faults and potential trip hazards are identified at an early stage. The identified faults and hazards are assessed, prioritised and repair or replacement action is taken. Injury or damage is prevented.

**Corrective Controls**
Controls designed to correct errors or non-compliance after the threat has materialised, ie. damage control measures.

*Examples:*
- Contractual remedies, business continuity plans, automatic temperature regulator.
- Council receives a report that an elderly pedestrian has suffered a bad fall on a trip hazard in a footpath. Investigation of the site confirms the existence of a fault that has created a trip hazard. The identified fault is assessed and prioritised and repair or replacement is actioned. However an incident has already occurred. This is corrective action, after the event.

Details of types of controls are detailed over the page.
**Controlling Likelihood**

Likelihood is the probability of a risk occurring. There are a number of ways to control (reduce) the likelihood, such as:

- Reference checks - pre-employment, credit checks.
- Internal controls at the process level - eg, procedures for handling dangerous chemicals.
- Direct supervision - planned inspections, physical inspections.
- Segregation of duties - separate activities, delegations.
- Formal review, audit and compliance programs - independent review.
- Physical inspections - event risk assessment, 'dial before you dig'.
- Preventative maintenance - scheduled service program.
- Testing - parallel systems testing, disaster recovery testing.
- Structured training programs - safety training.
- Communicate expectations - warning signs, formal policies.
- Appropriate documentation - formal procedures, standard forms, work method statements.
- System access - restricted access to software, password, data encryption.
- Physical security - keys, locks, alarms, fences, cameras, security officers.
- Contracts and agreements - set performance levels.
- Regulations and Acts - legal compliance obligations covering the way organisations and people conduct themselves.
- Investment and portfolio management.
- Research and development.
- Audits.
- Management plans.

**Controlling Consequence**

Even if a risk is highly likely, you may still be able to minimise the risk by reducing the consequence of the risk. There are a number of ways to control (reduce) the consequence, such as:

- Contract conditions and obligations - limits liability consequences and circumstances by setting out conditions.
- Business continuity and disaster recovery planning and testing.
- System limits.
- Accountability and authority limits.
- Good public relations - good communication and planned response to threats.
- Good communication.
- Ex-gratia payments.
- Insurance - limit loss to excess / deductible within risk tolerance.
- Portfolio planning.
- Contingency planning.
- Engineering and structural barriers.
- Succession planning.
- Research plans and strategies.
- First aid training.
- Fraud control and detection systems.
- Back up of IT data and recovery plans.
- Staff support services.
- WHS Hierarchy control implementation

**Transferring the Risk**

This is also known as risk financing. Risk transfer shifts all or part of the risk exposure to another party. Insurance is a form of transferring risk.

When deciding whether it is possible to transfer a risk, the following factors should generally be considered:

- The degree of control over the risk.
- The cost of transfer options.
- The quality / value of services.
- The opportunity cost.

It is not always possible to transfer all risk, the organisation may have to deal with the long term consequences to their reputation.

Council's Manager - Information Management and Governance should be consulted when considering this option.

**Risk Sharing**

Risk sharing is similar to risk transfer but shifts only part of the risk exposure to another party. It is a form of risk treatment involving the agreed distribution of risk with other parties, for example a contractor engaged to undertake a particular activity.
## Control Effectiveness

<table>
<thead>
<tr>
<th>Control Effectiveness Rating</th>
<th>Description</th>
<th>Quantification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very effective</td>
<td>The control is reliable and efficient. Fully documented processes and well communicated.</td>
<td>Up to 99% effective</td>
</tr>
<tr>
<td>Mostly effective</td>
<td>The control is mostly reliable and efficient. Documentation exists but can be better communicated.</td>
<td>Up to 80% effective</td>
</tr>
<tr>
<td>Reasonably effective</td>
<td>The control is reliable but not efficient as documentation and/or communication could be improved.</td>
<td>Up to 60% effective</td>
</tr>
<tr>
<td>Somewhat effective</td>
<td>The control may be reliable but not very effective as control design can be improved or supporting controls applied.</td>
<td>Up to 40% effective</td>
</tr>
<tr>
<td>Slightly effective</td>
<td>The control is not reliable as it is not well designed, documented and/or communicated.</td>
<td>Up to 20% effective</td>
</tr>
<tr>
<td>Not effective</td>
<td>The control does not address risk.</td>
<td>0% effective</td>
</tr>
</tbody>
</table>

### How to use the Control Effectiveness Table

Use the above descriptions and quantifications to determine how effective your control is over the likelihood and the consequences of the risk you are assessing. The level of effectiveness will depend on the type of risk and control you are assessing.

### Example:

*Council has implemented a footpath inspection schedule to identify faults and potential trip at an early stage. The identified faults and hazards are assessed and prioritised to be repaired or replaced to reduce the likelihood that a trip will occur.*

*This is a preventative control and it may be considered “Mostly effective”, ie. up to 50% effective, over the likelihood that a member of the public will trip on one of Council’s footpaths.*

*As the control has no impact on reducing the extent of an injury if a member of the public did trip, the control would be rated as “Not effective”, ie. 0% effective, over the consequence.*

Additional information to help you assess your control effectiveness is provided over the page.
Assessing Control Effectiveness

When assessing risk controls you should consider the following.

What is the nature of the control? Does it:

- Prevent incidents on all occasions or only on some occasions?
- Prevent transactions continuing until a requirement is satisfied?
- Require human intervention to implement the control? ie. does it require a person to identify if an incident / exception exists and to identify and select appropriate courses of action?

What does the control do? Does it:

- Reduce the likelihood of an incident / exception occurring? eg. Does it:
  - Remove the risk from the environment?
  - Reduce the frequency of the exposure to the risk?
  - Reduce the consequences of the incident if it were to occur?
- Reduce the consequences if an incident / exception occurs? eg. Does it:
  - Reduce the impact down at least 1 level of risk, eg. from High to Medium.
  - Reduce the immediate consequence, eg. from death to injury?
  - Reduce the overall consequence, eg. insurance/compensation, shortens recovery time, etc?
  - Transfer the risk to another party?

What causes the control to come into affect? We need to assess the rigour of the system in question. Is the system:

- An automated system?
- A routine operation?
- An ad hoc application when deemed necessary?

What triggers the system to respond and how reliable are the triggers. Does it:

- Always happen without fail?
- Usually happens?
- Should happen if the correct process / procedure is followed?
- May happen if the correct process / procedure is followed?
- May happen if the right person is contacted?
- Only happens by exception?

Can the control be overridden and under what circumstances?

- How?
- Whose authority?
- Is it likely to be ignored / removed repeatedly?
## ANNEXURE I

### Responsive Actions Table

<table>
<thead>
<tr>
<th>Risk Rating (Risk=LxC)</th>
<th>Description</th>
<th>Responsive Actions</th>
</tr>
</thead>
</table>
| **E** Extreme risk     |             | ▪ Cease activity, process or task until directed.  
  ▪ Senior management decision required (Director and/or MANEX).  
  ▪ Management responsibility to be assigned and detailed investigation to be undertaken and documented.  
  ▪ Corrective/preventative controls to be planned, implemented and documented (Risk Treatment Action Plan required). |
| **H** High risk        |             | ▪ Senior management attention/decision required (Director and/or MANEX) and management responsibility to be assigned.  
  ▪ Corrective/preventative controls to be planned, implemented and documented (Risk Treatment Action Plan required). |
| **M** Medium risk      |             | ▪ Management responsibility to be assigned.  
  ▪ Management attention/decision required.  
  ▪ Corrective/preventative controls to be planned, implemented and documented. |
| **L** Low risk         |             | ▪ Specific staff decision required.  
  ▪ Manage risk by routine procedures - "business as usual". |

### Risk Evaluation

**Do I need to implement additional controls?**

Whether additional controls are required is based on the Residual Risk Rating and consideration of the actions and requirements associated with this rating, as detailed in the Responsive Actions Table above.

- **Low risk**
  
  These risks are generally accepted as not requiring additional controls to be implemented. However, additional controls may be implemented to reduce the risk further if the risk owner thinks it is necessary and/or beneficial.

- **Medium risk**  
- **High risk**  
- **Extreme risk**

No activity should proceed with a risk that has been identified as Medium, High or Extreme until the identified actions and requirements in accordance with the Responsive Actions Table have been considered and/or undertaken.
To make an informed decision on whether additional controls are required, you need to undertake an evaluation in consultation with senior management/management (as required by the Responsive Actions table). You should also communicate and consult with relevant stakeholders.

It should be noted that not all risks can be eliminated. Even after treating a risk or implementing additional risk controls, there may still be some remaining risk. The remaining risk may or may not be acceptable. The cost and effort involved in treating a risk should be balanced against the benefits derived from the implementation of additional controls.

**No Additional Controls Required**
It may be decided that the risk is acceptable and *does not require additional controls* for reasons such as:

- The cost of treating the risk, in terms of time and money, does not provide any additional benefits or reduce the risk any further.
- The opportunities presented by the risk are much greater than the threats.
- The risk presents an opportunity that has a positive outcome for Council or your activity.

**Additional Controls Required**
It may be decided that the risk is too high and therefore *additional controls* are required to be implemented.

This may relate to risks that could, for example, result in a financial loss for Council, get Council into trouble with regulators, tarnish Council’s reputation or possibly result in harm to members of the community.

**Make a Recommendation and Prioritise Risks for Treatment**

Once you have evaluated each risk against the Responsive Actions Table, and consulted as appropriate, you need to document and record the following:

- **A recommendation** as to which risks:
  - Are acceptable or unacceptable.
  - Require treatment.
  
  It may even be recommended that the activity does not go ahead due to the high degree of risk.

- **Reasons** for your recommendation.

- **Prioritise** the risks that require treatment. Risks with the highest ratings should be addressed first.
# ANNEXURE J

## Risk Treatment Action Plan

<table>
<thead>
<tr>
<th>Event/Activity/Process/Project:</th>
<th>Responsible Manager:</th>
<th>Risk Number:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Description:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual Risk Level</td>
<td>Agreed Priority</td>
<td>Responsible Officer/s:</td>
</tr>
<tr>
<td>Risk Treatment Actions Required:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resources Required (people, budget, materials):</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Timing (milestones, completion date):

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
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</table>

## Reporting (to whom, when and in what format):

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

## References (to other documents or plans as appropriate):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Date completed:</th>
<th>Revised Residual Risk Level:</th>
<th>Revised Risk Acceptance:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[ ] Yes</td>
<td>[ ] No</td>
</tr>
</tbody>
</table>

Stakeholders Informed:

<table>
<thead>
<tr>
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<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

<table>
<thead>
<tr>
<th>Reviewed by:</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>