



Risk Management Policy

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|----------------------------|---|
| Responsible Manager | Executive Director Corporate Services |
| Head of power | <i>Local Government Act 2009</i> <i>Local Government Regulation 2012</i> |
| Authorised by | Council |
| Authorised on | 24 October 2023 |
| Implemented from | 1 November 2023 |
| Last reviewed | 2023 |
| Review history | 2020 |
| To be reviewed | November 2025 |
| Corporate Plan | Sustainability |

1. Purpose

Torres Strait Island Regional Council is committed to effective enterprise wide risk management in long term planning, decision making, and immediate responses to risk in all aspects of Council's functions and operations.

The implementation of this policy, supported by related policies, capabilities, systems and processes, will ensure that a consistent risk management approach is applied across Council so that risks are effectively managed in the achievement of the strategic and operational objectives which include:

- Torres Strait Island Regional Council conducting itself as a responsible and ethical organisation, protecting employees, volunteers, and visitors from harm, in accordance with Corporate Plan objectives;
- Protecting Council's tangible and intangible assets from loss or damage;
- Ensuring compliance to a diverse range of statutory and regulatory requirements, internal policies, and documented risk treatment plans;
- Establishing the right balance between the control and the risks Council is willing to seek and accept in the environment within which it operates; and
- Protecting and enhancing Council's reputation.

Torres Strait Island Regional Council will manage risk in accordance with AS ISO 31000:2018 – Risk Management – Guidelines.

Torres Strait Island Regional Council will consistently apply the management of risk across all areas and levels of council.

2. Application

This policy applies to all Councillors, employees, contractors, and volunteers including those involved with any affiliated entity, program, or initiative.

Risk Management will be applied across all areas and levels of Torres Strait Island Regional Council activities, including strategies and decisions, operational compliance, asset management, financial management, business continuity plans, data and information management and work, health and safety management.

3. Legislation/Policies

This policy is established with reference to obligations specified in the Local Government Act 2009 and Local Government Regulation 2012.

Torres Strait Island Regional Council has an obligation to act in accordance with the local government principles set out at Section 4 of the Local Government Act 2009, namely ensure:

- (a) transparent and effective processes, and decision-making in the public interest;
- (b) the sustainable development and management of assets and infrastructure, and delivery of effective services;
- (c) democratic representation, social inclusion and meaningful community engagement;
- (d) good governance of, and by, local government; and
- (e) the ethical and legal behaviour of councillors, local government employees and councillor advisors.

Section 207 of the *Local Government Regulation 2012* requires Council's 'internal audit plan' to detail:

- (a) the way in which the operational risks have been evaluated; and
- (b) the most significant operational risks identified from the evaluation; and
- (c) the control measures that the local government has adopted, or is to adopt, to manage the most significant operational risks.

Section 164(1) of the *Local Government Regulation 2012* requires a local government to keep written records stating:

- (a) the risk the local government's operations are exposed to, to the extent they are relevant to financial management; and
- (b) the control measures adopted to manage the risks.

The International Risk Management Standard ISO 31000:2018 reinforces the practical integration of risk management into key decision-making processes and is used to create and protect value in organisations by managing risks, making decisions, setting and achieving objectives and improving performance.

Other guiding documents have been issued by the Queensland Audit Office, Crime and Corruption Commission and Local Government Mutual Services.

4. Definitions

| Term | Definition |
|------------------------------|--|
| Control | A thing or action that influences the likelihood and/or consequence of a risk event by: <ul style="list-style-type: none">• Preventing the risk event• Detecting the occurrence of a risk event• Mitigating the consequence of a risk event. |
| Control effectiveness | An assessment of the effectiveness of a control by considering: <ul style="list-style-type: none">• Design – should the control work?• Operation – is the control in place or operating as designed? |
| Inherent Risk | The level of risk as expressed as a function of risk likelihood and risk consequence before the impact of controls. |
| Key control | Where multiple controls may impact a risk, the most impactful control is the key control. |
| Material Risk | Risk with a residual risk rating of 'high' or 'extreme'. |
| Residual Risk | The level of risk as expressed as a function of risk likelihood and risk consequence, after the impact of controls. |

| Term | Definition |
|-------------------------|--|
| Risk | Risk is defined by the Australian Standard for Risk Management as the “effect of uncertainty on objectives”. A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. Risk is measured in terms of a combination of the consequences of an event and their likelihood. |
| Risk Appetite | The level of tolerance established by Council for classes or risk or risk class outside of which TSIRC may only operate with express permission from Council. |
| Risk Cause | A risk cause is a condition or other event that will cause a risk to take place. |
| Risk Class | A collection of similar risks events. |
| Risk Consequence | The impact of a risk event occurring. |
| Risk Event | Risks events are events that might or might not happen in a set period of time, impacting the organisations performance and achievement of objectives. |
| Risk Likelihood | The probability of a risk event occurring. |
| Risk Management | Coordinated activities to direct and control a risk. |
| Risk Owner | The Council officer who has control of or is performing or undertaking a task where there is a Risk of a Risk Event occurring. |
| Risk Register | A record of information about risks controls and treatments |
| Risk Treatment | Changes to existing controls or the implementation of new controls to reduce residual risk. |
| Target Risk | Where the residual risk is considered too high by the Risk Owner, or is outside of appetite, a target or desirable risk rating may be identified which will be achieved by the completion of risk treatment. |

5. Roles and Responsibilities

| Role | Responsibility |
|--|--|
| Torres Strait Island Regional Council (Council) | <p>The Council will:</p> <ul style="list-style-type: none"> • retain ultimate responsibility for risk management; • set an expectation for a positive risk culture; • establish and communicate its risk appetite, guiding itself and management in their actions and ability to accept and manage risks; • review the Risk Management Policy in accordance with the risk rating of the document or more frequently as circumstances require • comply with its reporting requirements to the Audit Committee, as required by Section 207 of the <i>Local Government Act</i> (Qld); and • receive, consider, and action as appropriate, risk management reporting from the CEO and the Audit Committee. |
| Chief Risk Officer (CRO) | <p>The CRO (Executive Director Corporate Service) is responsible for Council's risk management operations, including:</p> <ul style="list-style-type: none"> • managing, identifying, evaluating, reporting, and overseeing the firm's risks to Council; • working collaboratively with the CEO, other Executive Directors, the Audit Committee and Councillors; and • fostering a positive risk management culture at the executive level. |
| Audit Committee | <p>The role of the Audit Committee (an advisory committee of the Council) is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability. This includes:</p> <ul style="list-style-type: none"> • supporting Councillors to discharge their responsibilities; • monitoring reports of systems and processes to ensure that Council's material risks and risk profiles are appropriately identified, assessed, managed, monitored and reviewed; • liaising with the CEO and CRO to ensure the development and implementation of appropriate Risk Management policies and procedures; • evaluating and monitoring the adequacy of control systems and management actions, by reviewing internal audit reports annually; and • reviewing risk reporting and making recommendations to the Council in respect of key risk issues arising during its deliberations. |

| Role | Responsibility |
|--------------------------------------|--|
| Chief Executive Officer (CEO) | <p>The CEO is responsible for ensuring:</p> <ul style="list-style-type: none"> • Leading from the top – ensuring risk management activities, are carried out effectively within Council in accordance with this Policy and setting an example for a positive risk management culture. • Supporting and appropriately resourcing the CRO in the discharge of their duties. • Ensuring reporting of significant risks across Council is undertaken and reviewed during decision making and planning. • Holding management and workers to account for their responsibilities with respect to risk management. |
| Risk Manager | <p>The Risk Manager is responsible for:</p> <ul style="list-style-type: none"> • Supporting the CRO in the performance of their responsibilities to develop the Risk Management framework, including systems, and reporting. • Provide expert risk management guidance. • Assist in maintaining the risk registers to a high standard, which documents strategic risks, operational risks, controls and treatments. • Promote effective risk informed decision making and the reduction of Council's risk exposure. • Coordinate and deliver activities and training to raise risk awareness. |
| Department Heads | <p>Department Heads are responsible for the implementation of this Policy and associated procedures within their areas of responsibility.</p> |
| Managers | <p>Managers are accountable for the delivery and adherence to this Policy and associated Procedures within their areas of responsibility.</p> |
| Workers | <p>All workers (including employees, contractors, volunteers and all others who perform work on behalf of Council) are to be competent and accountable for managing risk within their area of responsibility.</p> |
| Risk Owners | <p>It is the Risk Owner's responsibility to:</p> <ul style="list-style-type: none"> • update risks in the register, and • provide the Manager Risk and Assets with information to be included in reports to the Council, the Audit Committee and the CEO on the progress of risk mitigation plans and risk assessment performed on new initiatives. |

6. Policy

This policy defines (in Sections 7 to 11) minimum requirements for the management of risk at Torres Strait Island Regional Council. Details of process and guidance can be found in the Torres Strait Island Regional Council Risk Management Guidelines document.

All departments will maintain an operational risk register. The risk registers will be consolidated with Strategic Risks to form the Enterprise Risk Register.

Torres Strait Island Regional Council Risk Registers will be recorded and maintained in the RiskWare software platform.

7. Identifying and Measuring Risk

Identifying and measuring risk is the foundation process of risk management. The goal of risk identification and measurement is to develop a risk profile across the entire organisation that is:

- **Complete:** including all risks and all departments.
- **Accurate:** identify and measures risk using evidence, data, and experience
- **Current:** so that it provides a current point in time snapshot and allows for the identification of trends over time.
- **Comparable:** measured using a consistent methodology so that the comparison of one risk to another is possible, to assist in determining where TSIRC efforts are needed most.

The process should be collaborative, engaging subject matter experts within TSIRC and drawing on specialist external skills as deemed necessary.

The process should be continuous, ensuring that changes in the organisation are monitored and Council's assessment of risks is adjusted as required.

It is the responsibility of the Risk Owner to ensure the Risk Registers are up to date.

Risk is expressed as the function of the likelihood and consequence of a risk event i.e., will it happen, and what impact will it have, Council will measure risk using a 5 x 5 matrix of likelihood and consequence as approved by the Council (refer to Appendix 1 and 2).

| Likelihood | Rating | Consequence | | | | |
|----------------|--------|---------------|-------|----------|-------|--------------|
| | | 1 | 2 | 3 | 4 | 5 |
| | | Insignificant | Minor | Moderate | Major | Catastrophic |
| Almost certain | 5 | L | M | H | H | E |
| Likely | 4 | L | M | M | H | E |
| Possible | 3 | L | M | M | H | H |
| Unlikely | 2 | L | L | M | M | M |
| Rare | 1 | L | L | L | L | L |

L = low, M = medium, H = high, E = extreme

Based on an initial assessment, the Inherent Risk environment is identified, reflecting the current Torres Strait Island Regional Council risk exposure before any remediation actions are taken.

An assessment of the risk appetite that is acceptable to Torres Strait Island Regional Council will also be undertaken and the identification of additional or enhanced controls required to achieve Council's Residual Risk environment.

The ability to move from Inherent Risk to Residual risk will represent the effectiveness of the controls operating within Torres Strait Island Regional Council.

Residual risk will be calculated by assessing the impact of controls, and the control effectiveness will include an assessment of key control design and control operation, where:

- **Control design:** assesses whether the control design is suitable to impact the risk in the expected way; and
- **Control operation:** assesses whether the control in place is working as designed.

Control effectiveness represents the interplay between control design and control operation.

| Control Assessment | Description |
|-------------------------------|---|
| Excellent | Effective treatments implemented, communicated, and monitored on a regular basis to determine the level of effectiveness. |
| Adequate | Controls are well documented and implemented. The controls address the identified risk and there is little scope for improvement There is no convincing cost/benefit justification to change the approach. |
| Fair | Controls have been determined, but not well implemented, documented, or monitored to determine their level of relevance. |
| Opportunities for Improvement | Information is inconsistent, not well communicated, implemented in an ad hoc manner. The controls contain some inadequacies and scope for improvement can be identified. There is some cost/benefit justification to change the approach. |
| Inadequate/Poor | The controls do not appropriately address the identified risk and there is an immediate need for improvement actions. There is a significant cost/benefit justification to change the approach. |

Where key control effectiveness is less than adequate, it is expected that action will be taken to remediate the control.

8. Escalation, Actions and Monitoring

The Residual Risk rating of any risk will define the immediate and ongoing escalations and actions are required.

Escalations

| Risk Level | Notification On Detection |
|------------|---|
| Extreme | Mayor, CRO, CEO, Chair of the Audit Committee, all Department Heads |
| High | CRO, CEO, Responsible Department Head |
| Medium | Responsible Department Head |
| Low | None |

Actions and Monitoring

Monitoring involves reviewing control effectiveness and reconfirmation of Residual Risk ratings and progress to achieve Target Risk level.

| Risk Level | Action Required | Monitoring |
|------------|---|------------|
| Extreme | Immediate action required and must be managed by senior management with a detailed plan to achieve a medium risk rating. * | Monthly |
| High | Senior management attention needed, and management responsibility specified with a detailed plan to achieve a medium risk rating. | 3 months |
| Medium | Management responsibility must be specified, and response procedures monitored. | 6 months |
| Low | Manage by routine procedures at local management level. | 12 months |

* If it is not possible to reduce the Residual Risk rating to lower than extreme, the risk acceptance process is to be used.

9. Risk Acceptance

Where a Residual Risk rating for particular risk cannot be reduced below extreme, written authority from the CEO and Mayor should be obtained before continuing to operate in the area to which the risk is related to.

10. Risk Appetite

TSIRC will develop a risk appetite statement that defines the type and amount of risk that Council is able and willing to absorb.

Defining Council's risk appetite establishes boundaries for prudent decision-making and risk taking and it will be reviewed annually.

Council's risk appetite levels are defined below.

| ZERO | MINIMAL | MODERATE | OPEN |
|--|---|---|---|
| (Little to no appetite) | (Small appetite) | (Medium appetite) | (Larger appetite) |
| Avoid exposure to risks, even when potential outcome benefits are higher | A general preference for safer options with small amounts of adverse exposure | Options are selected based on outcome benefits with a reasonable degree of protection | Seek opportunity and outcome benefits while monitoring potential exposure |

11. Risk Reporting

The CRO will present risk reports to the Executive, Audit Committee and Council periodically. The CEO may ask Risk Owners to discuss their risks any time and in any forum.

Manager Responsible for Review:

Risk Manager

Adoption: November 2023
Due for Revision: November 2025



James William
Executive Officer

Appendix 1 – Consequence Ratings

| Consequence | Rating | Strategy | Financial | Workplace Health and Safety | People | Infrastructure & Assets (A key asset is one that the Council or communities relies on to deliver essential services.) | Environmental | Legal Compliance, Regulatory & Liability | Reputation/ Political | Service Delivery |
|---------------------|--------|--|--|--|---|---|---|--|---|---|
| Catastrophic | 5 | <p>Failure to deliver the TSIRC strategic plan or multiple corporate plans.</p> <p>Require reindorsement from Council.</p> | Catastrophic financial loss (e.g., > \$1M of revenue or > 50% budget). | <p>More than 1 or fatality.</p> <p>Permanent impairment to >30% of bodies for more than 1 or more people.</p> | <p>Turnover > 30% in 12 months.</p> <p>Key roles vacant for more than 12 months.</p> <p>More than 5 staff fair work claims at once.</p> <p>Levels of unplanned absenteeism which are unacceptable.</p> | <p>More than one key asset becomes unavailable and are unable to be replaced without emergency support from external agencies.</p> <p>A key asset is one that the Council or communities relies on to deliver essential services.</p> | <p>Extinction of unique flora or fauna.</p> <p>Permanent destruction of habitat</p> <p>Introduction of invasive species that are able to sustain themselves.</p> <p>Contamination incident that destroys unique flora, fauna, sacred site or habitat.</p> | <p>Systematic or individual severe breaches of law and regulations that may result in:</p> <ul style="list-style-type: none"> * intervention from State Government * Legal action against Council * Jail terms * Class actions * Extensive fines, damages, other penalties * Legal fees of >\$200,000 | <p>Loss of State Government support with scathing criticism and possible removal of the Council.</p> <p>Prolonged negative national media exposure and social media backlash.</p> <p>Loss of power and influence restricting decision making and capabilities.</p> <p>Extensive and long-term public relations management required.</p> | <p>Substantial loss of operating capacity to deliver essential service > 1 week.</p> <p>Revenue generation activities halted for > 1 week.</p> <p>Community impact requires urgent alternate arrangements to be made and communications from Council.</p> |

| Consequence | Rating | Strategy | Financial | Workplace Health and Safety | People | Infrastructure & Assets (A key asset is one that the Council or communities relies on to deliver essential services.) | Environmental | Legal Compliance, Regulatory & Liability | Reputation/ Political | Service Delivery |
|--------------|--------|---|--|---|---|---|---|---|--|--|
| Major | 4 | <p>Major adjustment required of strategic plan or corporate plans - cancellation of initiatives or programs.</p> <p>Require reindorsement from Council.</p> | Major financial loss (e.g., \$250,001 to \$1M of revenue or >40% budget) | <p>Single fatality.</p> <p>Permanent impairment to >30% of bodies for 1 person.</p> <p>List time greater than 14 working days.</p> | <p>Turnover > 10% in 12 months.</p> <p>Key roles vacant for more than 6 months.</p> <p>More than 2 staff fair work claims at once.</p> <p>Levels of unplanned absenteeism which impact service delivery.</p> | One key asset becomes unavailable and are unable to be replaced without emergency support from external agencies. A key asset is one that the Council or communities relies on to deliver essential services. | <p>Endangerment of unique flora or fauna.</p> <p>Destruction of habitat that requires remediation.</p> <p>Introduction of invasive species that requires effort to eradicate them.</p> <p>Contamination incident that endangers unique flora, fauna, sacred site or habitat and requires remediation.</p> | <p>Systemic or individual breaches of law and regulations that may result in:</p> <ul style="list-style-type: none"> * investigation by the State Government * Legal action against Council * Jail terms * Class actions * Extensive legal costs (\$100,000 - \$200,000), damages, other penalties | <p>Negative state level and social media coverage.</p> <p>Public concern/ exposure with possible long-term loss of support from shire residents.</p> <p>Reputational damage that increases the chances of intervention by State Government or reduces the likelihood of obtaining grant funding.</p> <p>Significant active public relations management required.</p> | <p>Substantial loss of operating capacity to deliver essential service up to 1 week.</p> <p>Revenue generation activities halted for up to 1 week.</p> <p>Community impact requires alternate arrangements to be made and communications from Council.</p> |

| Consequence | Rating | Strategy | Financial | Workplace Health and Safety | People | Infrastructure & Assets (A key asset is one that the Council or communities relies on to deliver essential services.) | Environmental | Legal Compliance, Regulatory & Liability | Reputation/ Political | Service Delivery |
|-----------------|--------|--|--|---|--|--|--|---|--|--|
| Moderate | 3 | Moderate adjustment required of strategic plan or corporate plans - cancellation of initiatives or programs. | High financial loss (e.g., \$50,001 to \$250,000 of revenue or > 30% budget) | <p>Medical treatment required.</p> <p>Lost time of up to more than 3 and less than 14 working days.</p> | <p>Staff reporting stress/taking stress related leave.</p> <p>Higher than expected unplanned absences.</p> | Short to medium term reduction in service capacity of key assets and infrastructure. | <p>Temporary endangerment of unique flora or fauna.</p> <p>Temporary destruction of habitat that will recover.</p> <p>Introduction of invasive species that will not be permanent.</p> <p>Contamination incident that endangers unique flora, fauna, sacred site or habitat and will resolve without action.</p> | <p>Individual or sporadic breaches of law and regulations that may result in:</p> <ul style="list-style-type: none"> * significant changes to internal controls and changes to processes * reporting obligations to regulators * Legal costs (\$50,000 to \$100,000) | <p>Significant state-wide concern/ exposure and short to mid-term loss of support from shire residents</p> <p>Reputational damage that might increase the chances of intervention by State Government or reduce the likelihood of obtaining grant funding.</p> <p>Active public relations management required.</p> | <p>Temporary or intermittent failure of Council delivery of essential service up to one week.</p> <p>Community impact expected - communications required to manage expectations.</p> |

| Consequence | Rating | Strategy | Financial | Workplace Health and Safety | People | Infrastructure & Assets (A key asset is one that the Council or communities relies on to deliver essential services.) | Environmental | Legal Compliance, Regulatory & Liability | Reputation/ Political | Service Delivery |
|----------------------|--------|--|--|---|---|--|---|---|--|---|
| Minor | 2 | Minor adjustment required of strategic plan or corporate plans - timelines and small changes to deliverables adjusted. | Minor financial loss (e.g., \$10,001 to \$50,000 of revenue or > 20% budget) | First aid treatment. Lost time between 1 and 3 working days. | Temporary stress due to high activity or absenteeism. Minor complaints about management or colleagues. | Minor loss/damage with limited downtime. Repairs required through normal operations. | Minor impact to environment that may require minimal effort to clean up or temporary isolation of an area until resolved. | Individual or sporadic breaches of law and regulations that may result in: * retraining for personnel * minor changes to controls and process. * Legal costs (<\$50,000) | Minor local community concern manageable through good public relations. | Temporary or intermittent failure of Council delivery of essential service for more than 1 days and less than one week. Some impact on community. |
| Insignificant | 1 | Insignificant adjustment required of strategic plan or corporate plans - timelines adjusted. | Insignificant financial loss (e.g., < \$10,000 of revenue or < 20% budget) | First aid treatment. Lost time up to 1 working day. | Few complaints about management or colleagues. | Isolated or minimal damage where repairs are required however facility or infrastructure is still operational. | Insignificant impact that should be avoided but that will have no measurable impacts to flora, fauna or habitat. | Individual or sporadic breaches of law and regulations that require increased awareness and training for personnel. | Transient matter, e.g., Customer complaint, resolved in day-to-day management. | Interruption of Council delivery of essential service for less than 1 day or that otherwise will have little or no impact on community. |

Appendix 2 – Likelihood Ratings

| Likelihood | | |
|-----------------------|--|------------------------------------|
| Short Description | Long Description | Likelihood of Occurrence/Frequency |
| Rare | <p>Evidence: Nobody has ever heard of it happening.</p> <p>History: Has not happened previously in our industry but is a conceivable occurrence.</p> <p>Experience & expectation: Almost sure this won't happen.</p> | May occur once in 10 years |
| Unlikely | <p>Evidence: Never heard of it, but it sounds like something that I know has happened elsewhere before.</p> <p>History: Happened previously in our industry.</p> <p>Experience & expectation: I will be surprised if this happened.</p> | May occur once in 5 years |
| Possible | <p>Evidence: Similar event occurred, not sure when/where/more than one occasion.</p> <p>History: Logged at least once within our organisation/previous employer(s).</p> <p>Experience & expectation: 50/50 chance that this will happen - not surprised if this happens.</p> | More than once in 2 years |
| Likely | <p>Evidence: Similar event occurred several times over the years.</p> <p>History: Logged several times in our organisation or my previous employer(s).</p> <p>Experience & expectation: I will not be surprised if this happened.</p> | At least once in 2 years |
| Almost Certain | <p>Evidence: Examples of similar events known to occur frequently.</p> <p>History: Logged regularly in this area and others on site, a known industry issue.</p> <p>Experience & expectation: Almost sure it will happen.</p> | At least once in 12 months |