POLICY REGISTER

Risk Management Policy

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1. Policy Information

Issue	Prepared/Revised by	Action Amendment Description	Approved by and Date
1.0	2021		Council 220/2021
2.0	2025	No Amendments	Minute No 2025/140

Related documents	• ISO 31000 – Risk Management • Enterprise Risk Management Plan • Risk Register • Integrated Planning & Reporting documents • Audit Committee Charter • Business Continuity Plan • Code of Conduct • Fraud Control Policy and Plan • Project Management Framework • Incident Management Procedures • Office Local Government 2010 Audit and Risk Paper
Author	Group Leader Governance Services
Section / Department	Governance Services
Linkage to Our Community Vision	5 Civic Leadership
Objective	5.1 Council is an organisation that embraces business excellence
Strategy	5.1.3 High quality services to the communityand vcost effective solutions are delivered

Table of contents

2. Purpose

The purpose of this policy is not to eliminate risk but to ensure that risk is managed at an acceptable level (Council's risk appetite) and in a cost-effective manner, so that the community receives best value for money from the performance of Council functions and the delivery of Council services.

Effective risk management will assist Council to:

- increase the likelihood of achieving objectives
- encourage proactive management
- raise awareness of the need to identify and treat risk throughout the organisation
- improve identification of opportunities and threats
- comply with relevant legal and regulatory requirements
- improve financial reporting
- improve governance
- improve stakeholder confidence and trust
- establish a reliable basis for decision making and planning
- improve controls
- effectively allocate and use resources for risk treatment
- improve operational effectiveness and efficiency
- enhance health and safety performance as well as environmental protection
- improve loss prevention and incident management
- minimise losses
- improve organisational learning; and
- improve organisational resilience.

This policy is part of an enterprise risk management framework, developed in accordance with AS NZS ISO 31000-2018 Risk management - Principles and Guidelines.

3. Scope

This policy applies to all councillors, permanent staff, temporary staff, contractors, employees of contractors and volunteers at Balranald Shire Council.

4. Objective

Through the adoption and promotion of sound risk management practices, Council aims to:

- reduce the cost of risk that may be realised, including injury and property damage
- protect Council's assets, including people, property and financial assets
- reduce the cost of insurance premiums
- protect the quality and continuity of Council's service delivery
- continually improve operational effectiveness, efficiency, performance and resilience
- increase the likelihood of achieving objectives.

Council aims to achieve this through:

- fostering a risk aware culture amongst Council employees, contractors and volunteers so that risk management is seen as a positive attribute of decision-making
- creating an environment where staff assume responsibility for managing risk
- the development, implementation, management and maintenance of a risk management framework
- adopting an integrated approach to managing risk throughout all areas of Council's business operations to support the achievement of Council objectives.

5. Definitions

The definitions used within this policy are consistent with the risk terminology used by Council as part of its Risk Management Framework. Council has adopted the definitions of risk as contained in AS/NZS ISO 31000 and ISO Guide 73.

Term	Meaning
Enterprise Risk Management Framework	The set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
Risk	Effect of uncertainty on objectives. (Note: effect is a deviation from the expected and may be positive and/or negative).
Risk Appetite:	Amount and type of risk that Council is willing to pursue or retain.
Risk Attitude:	Council's approach to assess and eventually pursue, retain, take or turn away from risk.
Risk Management	The coordinated activities to direct and control Council's risks.
Risk Management Process	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.
Risk Treatment	Selection and implementation of an action or process identified to address or mitigate a risk.

6. Policy Statement

Balranald Shire Council recognises that risk is inherent in all of Council's activities. Having a proactive and structured approach to resourcing and managing those risks is regarded as essential to sound management and good governance.

Council recognises risk management as an integral part of effective management practice and decision making and is committed to the application of risk management principles in all areas of its operation to facilitate the achievement of its strategic and operational objectives. Appendix C identifies risks in local government. Appendix D is a Global Risk Table to allow the internal Audit Committee or staff to identify risks to be reviewed from highest to lowest priority.

In support of this, Council will develop, implement and maintain a Risk Management Framework consistent with Australian Standard AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines, to guide and support consistency in its approach to risk management and decision making.

7. Risk Appetite

Council provides an extensive and diverse range of services. In providing these services Council accepts and takes on a level of risk. However, as a public authority Council has a predisposition towards a naturally conservative attitude towards risk. The level of acceptable risk is assessed and determined on a case by case basis.

In undertaking the provision of services and management of assets, Council has a low tolerance for any risk that:

- affects the financial sustainability of Council
- arises from non-compliance of legislation resulting in litigation
- impacts negatively on the environment resulting in long-term or irreparable environmental damage
- compromises employee or public safety; or
- disrupts the delivery of critical Council services.

8. Roles and Responsibilities

Council management and staff are to be familiar with and competent in the application of risk management principles and practices and are accountable for applying them within their areas of responsibility. Specific responsibilities are as follows.

The **Audit Risk and Improvement Committee's** full responsibilities are detailed in the INTERNAL AUDIT CHARTER at APPENDIX A . Audit Risk and Improvement Committee Charter.

They include reviewing:

- Councils' risk management framework to ensure comprehensive processes exist to identify operational, strategic, financial, legal, compliance and fraud risk
- risk controls to ensure effective processes to reduce risks to an acceptable residual level
- monitoring the implementation of improvement actions
- whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings
- the impact of the risk management framework on its control environment and insurance arrangements
- whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically
- and endorse the Risk Management (and related) policies and procedures
- the risk management framework and risk management strategy; determining the adequacy of policies, procedures and internal controls; and ensuring that the financial statements comply with applicable accounting standards.

The **General Manager** has ultimate responsibility for the resourcing, implementation and application of this policy across Council's activities, operations and services.

Members of the Executive Leadership Team have responsibility for the implementation and application of risk management across their respective divisions or areas of responsibility.

The **Co Ordinator Governance and Risk Management** (replace name of position)

The **Group Leader Governance Services** has responsibility for Council's internal audit function, and the development and review of risk management practices and documentation across the organisation, as well as overall implementation of the risk management framework.

All **Managers** are accountable for the implementation, maintenance and evaluation of risk management within their areas of responsibility in accordance with the risk management framework. They are responsible for creating an environment where each staff member is responsible for and actively involved in managing risk.

All **Employees with supervisory responsibilities** are accountable for the management of risks within their areas of responsibility as determined under any risk treatment plans.

All **Employees** are responsible for and should be actively involved in identifying and managing risk in day-to-day activities and projects. All employees shall comply with risk management procedures and processes, and not seek to circumvent controls contained within procedures, processes or technological systems which are intended to ensure compliance with this policy.

Contractors, committees and volunteers are to comply with this policy when engaged in providing Council services or managing of Council facilities and assets. All committees are required to consider relevant risks and their management as a regular item of all meetings.

Council shall **Review** its risks against the questions asked at Appendix B and D. This will assist staff and management to reflect on risk management and working towards risk reduction.

9. Implementation

Council is committed to ensuring that a strong risk management culture exists and to developing and maintaining a risk management process that meets the objectives of this policy. This includes:

- the allocation of appropriate funding and resources to risk management and risk treatment activities
- providing Councillors and staff with appropriate training
- assigning clear responsibilities and authorities to Councillors and staff at all levels for managing risk
- embedding key controls to manage business risks
- the promotion of honest and ethical behaviour when considering risk as a means of encouraging accountability and transparency in decision-making.

10. Review

This Policy shall be reviewed within 12 months of an election, and thereafter at intervals of no greater than four years.

Appendix A - Sample Internal Audit Charter

The mission of internal auditing is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
Internal Audit at Balranald Shire Council is managed by the **General Manager** who is the designated Head of Internal Audit within the organisation. The Head of Internal Audit is the top position within an organisation for internal audit activities, as defined in The International Standards for the Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors.

1. Introduction

This Internal Audit Charter is a formal statement of purpose, authority and responsibility for an internal auditing function within Balranald Shire Council.

It establishes Internal Audit within Balranald Shire Council and recognises the importance of such an independent and objective service to the organisation.

It outlines the legal and operational framework under which Internal Audit will operate.

It authorises the Head of Internal Audit to promote and direct a broad range of internal audits across Balranald Shire Council and, where permitted, external bodies.

2. Role and Authority

The Head of Internal Audit is authorised to direct a comprehensive program of internal audit work in the form of reviews, previews, consultancy advice, evaluations, appraisals, assessments and investigations of functions, processes, controls and governance frameworks in the context of the achievement of business objectives.

For this purpose, all members of Internal Audit are authorised to have full, free and unrestricted access to all functions, property, personnel, records, information, accounts, files, monies and other documentation, as necessary for the conduct of their work.

3. Objectivity, Independence and Organisational Status

Objectivity requires an unbiased mental attitude. As such, all Internal Audit staff shall perform internal audit engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Further, it requires Internal Audit staff not to subordinate their judgment on internal audit matters to that of others.

To facilitate this approach, Internal Audit shall have independent status within Balranald Shire Council, and for this purpose shall be responsible directly through the Head of Internal Audit to the Audit Committee and administratively to the General Manager. Internal Audit shall be independent of the activities reviewed, and therefore shall not undertake any operating responsibilities outside internal audit work. Neither shall Internal Audit staff have any executive or managerial powers, authorities, functions or duties except those relating to the management of Internal Audit. Internal Audit staff and contractors shall report to the Head of Internal Audit any situations where they feel their objectivity may be impaired. Similarly, the Head of Internal Audit should report any such situations to the Audit Committee.

The work of Internal Audit does not relieve the staff of Balranald Shire Council from their accountability to discharge their responsibilities. All Balranald Shire Council staff are responsible for

risk management and the operation and enhancement of internal control. This includes responsibility for implementing remedial action endorsed by management following an internal audit.

Internal Audit shall not be responsible for operational activities on a daily basis, or in the detailed development or implementation of new or changed systems, or for internal checking processes.

4. Scope of Work

The scope of services provided by Internal Audit shall encompass:

- The examination and evaluation of the adequacy and effectiveness of systems of internal control, risk management, governance, and the status of ethical behaviour.
- Ascertaining conformity with the goals and objectives of Balranald Shire Council.
- Assessment of the economic and efficient use of resources.
- The examination of compliance with policies, procedures, plans and legislation.
- Assessment of the reliability and integrity of information.
- Assessment of the safeguarding of assets.
- Any special investigations as directed by the Audit Committee.
- All activities of Balranald Shire Council, whether financial or non-financial, manual or computerised.

5. The scope of work may include

Assurance services – objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organisation. Examples may include financial, performance, operational, compliance, system security, and due diligence engagements.

Consulting services – advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

6. Internal Audit Methodology

Internal Audit shall use the most appropriate methodology for each internal audit engagement, depending on the nature of the activity and the pre-determined parameters for the engagement. Generally, internal audits will include:

- Planning.
- Reviewing and assessing risks in the context of the audit objectives.
- Examination and evaluation of information.
- Communicating results.
- Following up on implementation of audit recommendations.
- Utilisation of industry review forms e.g. Auditor General NSW – Financial Review or ICAC – Assessment of Planning Approval Process.

7. Operating Principles

Internal Audit shall conform with:

- The Standards and Code of Ethics issued by the Institute of Internal Auditors.
- Where relevant, the Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association.
- Relevant auditing standards issued by the Auditing and Assurance Standards Board.

8. Internal Audit shall:

- Possess the knowledge, skills, and technical proficiency essential to the performance of internal audits.
- Be skilled in dealing with people and in communicating audit issues effectively.
- Maintain their technical competence through a program of continuing education.
- Exercise due professional care in performing internal audit engagements.

9. Internal Audit staff shall:

- Conduct themselves in a professional manner.
- Conduct their activities in a manner consistent with the concepts expressed in the Standards and the Councils Code of Conduct.

10. Reporting Arrangements

The Head of Internal Audit shall at all times report to the Audit Committee. At each Audit Committee meeting the Head of Internal Audit shall submit a report summarising all audit activities undertaken during the period, indicating:

- Internal audit engagements completed or in progress.
- Outcomes of each internal audit engagement undertaken.
- Remedial action taken or in progress.

On completion of each internal audit engagement, Internal Audit shall issue a report to its audit customers detailing the objective and scope of the audit, and resulting issues based on the outcome of the audit. Internal Audit shall seek from the responsible senior executive an agreed and endorsed action plan outlining remedial action to be taken, along with an implementation timetable and person responsible. Responsible officers shall have a maximum of ten working days to provide written management responses and action plans in response to issues and recommendations contained in internal audit reports.

The Head of Internal Audit shall make available all internal audit reports to the Audit Committee. However, the work of Internal Audit is solely for the benefit of Balranald Shire Council and is not to be relied on or provided to any other person or organisation, except where this is formally authorised by the Audit Committee or the Head of Internal Audit.

In addition to the normal process of reporting on work undertaken by Internal Audit, the Head of Internal Audit shall draw to the attention of the Audit Committee all matters that, in the Head of Internal Audit's opinion, warrant reporting in this manner.

11. Planning Requirements

Internal Audit uses a risk-based rolling program of internal audits to establish an annual Internal Audit Plan to reflect a program of audits over a 12-month period. This approach is designed to be flexible, dynamic and more timely in order to meet the changing needs and priorities of Balranald Shire Council.

The Head of Internal Audit shall prepare an annual Internal Audit Plan for review and approval by the Audit Committee, showing the proposed areas for audit. The annual Internal Audit Plan shall be based on an assessment of the goals, objectives and business risks of Balranald Shire Council, and shall also take into consideration any special requirements of the Audit Committee and senior executives.

The Head of Internal Audit has discretionary authority to adjust the Internal Audit Plan as a result of receiving special requests from management to conduct reviews that are not on the plan, with these to be approved at the next meeting of the Audit Committee.

12. Quality Assurance & Improvement Program

The Head of Internal Audit shall oversee the development and implementation of a quality assurance and improvement program for Internal Audit, to provide assurance that internal audit work conforms to the Standards and is focused on continuous improvement.

Source: Guidelines under section 23A of the Local Government Act 1993 September 2010

Appendix B – Risk Management Assessment Tool

This tool is designed to assist the Audit Committee's consideration of risk management, through the review of material, and discussion or presentations from senior management.

The Committee's charter will determine the extent to which the Audit Committee needs to consider risk management or whether this is to be overseen by a separate Risk Committee.

The tool consists of a series of questions, or high level prompts, which should be tailored to meet the Council's particular circumstances. The extent and nature of the Committee's consideration of risk will largely be dependent on whether or not the Council has in place a formal and structured risk management framework.

Some elements, for example, questions on risk strategy and structure, could be addressed on an annual basis while others could be considered on a more regular basis, depending on Council's individual risk management activities, and the Committee charter.

A 'no' answer does not necessarily indicate a failure or breakdown in Council's risk management framework but may indicate where more detailed discussion or consideration by the Committee is warranted	**Yes**	**No**
Risk Strategy		
Is Council's risk management framework clearly articulated and communicated to all staff?		
Is Council's risk posture clear? (i.e. the amount of risk Council is willing to take)		
Has the 'tone at the top' from the General Manager's perspective permeated the risk culture of the Council?		
Is there a clear link between risk management, the control environment and business planning?		
Risk Structure	**Yes**	**No**
Is responsibility and accountability for risk management clearly assigned to individual managers?		
Are risk management activities/responsibilities included in job descriptions, where appropriate?		
Are the primary risk management activities		

(for example, business continuity planning, fraud control plan, annual risk assessment, and so on) across Council, clearly defined?		
Is responsibility for co-ordinating and reporting risk management activity to the Audit Committee, or other relevant committee clearly defined?		
Does Council have a risk management support capability to assist the development of emerging risk management practices?		
Is there a common risk management language/terminology across Council?		

Source: Guidelines under section 23A of the Local Government Act 1993 September 2010

Appendix C - Common risks in the Council Environment

Source: Guidelines under section 23A of the Local Government Act 1993 September 2010

This appendix lists some of the more significant risk exposures which are likely to be faced in the council environment.

Warning - This list is provide as an aid to check completeness. It should only be used after a thorough risk identification process is conducted and should not be used as a substitute for an effective risk identification process. Not adhering to this advice is likely to result in significant risks which are specific to your council not being identified, which may have significant consequences if that risk were to eventuate.

Governance

- Advocacy processes ineffective at State and Federal Government level leading to unwanted results/lack of funding etc.
- Governance training processes (Code of Conduct, Protected Disclosures, Conflict of Interests, councillor interaction with staff, identifying fraud) not undertaken/ineffective leading to higher risk of fraud and corruption.
- Corruption (development applications/rezonings/election funding) leading to loss of reputation of Council.
- Lack of cohesion of Councillors leading to lack of strategic direction/poor decision making.
- Complaints handling processes ineffective leading to legal disputes/lack of transparency.
- Misuse of personal information leading to penalties under Privacy legislation or loss of confidence in Council.
- Poor processes for the disclosure and management of staff conflicts of interest leading to partial decision making.
- Inappropriate delegations or delegations not properly exercised.
- Failure to implement council resolutions leading to breakdown of council/staff relationships.

Planning and Regulation

- Unanticipated population growth leading to unsustainable natural environment/infrastructure demand.
- Planning strategies not developed in timely manner leading to delayed delayed/inappropriate development/community angst.
- Population decrease leading to community breakdown.
- Planning controls outdated, leading to poor urban design.

- Legislation not complied with leading to legal disputes/penalties

- Poor planning controls leading to poor planning decisions

Assets and Finance

- Adequate asset management processes not being in place, leading to substantial additional long term financial burdens to council.

- Adequate long term financial management processes not being in place leading to poor decision making by council.

- Limited opportunities to increase rates and user charges, leading to increasing reliance on grants/one off funding.

- Cost of infrastructure to be funded under section 94 contributions under-estimated/unaffordable, leading to funding shortfalls/reduced level of infrastructure.

- Limited regional collaboration between councils, leading to on-going inefficiencies and additional costs to regional residents.

- Operational unit business plans not effectively in place, leading to poor decision making/performance monitoring.

- Inadequate disaster/crisis management processes, leading poor response in real situation.

- Community assets under-utilised leading to closure in longer term.

- Quasi commercial operations of Council (child care/tourist parks/cultural centres etc) not operated effectively leading to higher than appropriate council subsidisation.

- Project management practices not effectively in place, leading to cost overrun/quality issues.

- Appropriate procurement processes not undertaken, leading to value for money issues/questions of probity.

- Council assets under insured leading to financial exposure to Council

- Plant fleet underutilised leading to additional costs to Council.

- Minor road condition unable to be maintained at satisfactory level leading to community dissatisfaction.

- Mismanagement of Council supported community entities leading additional financial burden to Council/cessation of service.

- Knowledge management processes not effectively in place leading to poor decision making.

- Inadequate information security leading to issues of confidentiality or legal/financial penalties to Council.

Community and Consultation

- Inability to maintain/increase employment base leading to adverse socio/economic consequences.

- Poor issues management, leading to sustained loss of public support for council in media and/or public.

- Unnecessary bureaucratic processes/red tape leading to additional costs to those dealing with Council.

Workforce Relations

- Productivity levels of council below industry/commercial benchmarks or not measured, leading to additional costs/perpetuation of inefficiencies.

- Skill shortages in professional areas, leading to inability to maintain standards/deliver services.

- Loss of trained staff with specific knowledge, leading to loss of knowledge, ability and experience.

- Inadequate/insufficient staff training leading to reduced skills, currency of knowledge, errors and omissions, turnover of staff.

- Information technology systems outdated leading to on-going inefficiencies.

- OHS not appropriately embedded in operational areas

Appendix D - Global Risk Table (Sample)

The following table is a sample of Internal Audit Reviews that Balranald Shire Council may undertake over the term of Council. Additional locally identified areas should be included in the Global Risk Table for assessment. Priority should be based on Risk Assessment by the internal Audit process, community concern or inhouse concerns. Risk factors will require regular review as to expenditure, community concerns, legislation changes or public interest (councillor's questions).

The Global Risk Table should be cut and pasted to an excel file for ease in formatting and reporting.

Reference to the types of risk should be considered in accordance with Appendix C.

Global Risk Table

Corporate Services	Level of Risk	Last Audited	Additional Factors (if any)	Priority
Procurement				
Council Meetings				
Gifts & Benefits Compliance				
Corporate Reporting				
Customer Service				
Fraud & Corruption Control				
Governance & Policy Management				
Delegations				
Property Services and Community & Crown Land Management				
Integrated Planning and Reporting				
Media and Communications				
Legal Services				
Risk Management Framework				
Insurance Arrangements				
Human Resources				
Safety and Wellness (WHS Framework)				
Training and Development				
Contractor Management				
Volunteer Management				
Information Technology Management				
Security				
GIS				
Web Site				
Disaster Recovery Planning				
Telecommunications				
RMS/Drives Compliance				
Records & Document Management				
GIPA Compliance				
Privacy Management				
Inventory Management				
Councillor Support				

Finances	Level of Risk	Last Audited	Additional Factors (if any)	Priority
Accounting and Financial Services				
Accounts Payable and Receivable				
Cash Handling				
Financial Operations				
Budgeting				
Investments				
Tax compliance				
Payroll				
Rates				
Reporting				

Community Services	Level of Risk	Last Audited	Additional Factors (if any)	Priority
Swimming Pools				
Children's Services and Child Care				
Community & Cultural Facilities				
Community Development Programs				
Community Engagement				
Community Transport				
Grants				
Social Planning				
Family Day Care				
HACC Services and Development				
Library and Information Services				
Recreation and Facilities Management				
S.355 Committees				

Economic Development and Tourism	Level of Risk	Last Audited	Additional Factors (if any)	Priority
Events				
Tourism				

Regulatory and Planning Services	Level of Risk	Last Audited	Additional Factors (if any)	Priority
Animal Control and Pound Operations				
Building Assessment				

Building Certification
Development Assessment
Development Control
Land Use Planning
Parking
Planning Certificates
Public Health Compliance
s94 Planning (Division 7.1 EP&A Act)
Tree Management
Voluntary Planning Agreements

Environmental Services	Level of Risk	Last Audited	Additional Factors (if any)	Priority
Environmental Compliance				
Environmental Education				
Parks Maintenance				
Environmental Planning				
Floodplain Management				
Water and Sewage Management				
Vegetation Management				
Noxious Weed Management				
Waste				
Parks Maintenance				

Engineering, Infrastructure and Works	Level of Risk	Last Audited	Additional Factors	Priority
Building Maintenance				
Asset Management				
Civil Asset Maintenance				
Design				
Civil Asset Construction				
Project Management				
Road Safety and Education				
Traffic Management				
Transport Planning				
Emergency Planning and Management				
Fleet Management				
Procurement Plant				

Risk Scoring Factors

Element	Description	Score
A Materiality	System/activity accounts for less than $100,000.00 per annum	0
	System/activity accounts for greater than $100,000.00 per annum	2
	System/activity accounts for greater than $500,000.00	3
	System/activity accounts for greater than 1 million dollars ($1000,000.00)	5
B Control Environment Vulnerability	Well controlled system with little risk of error	0
	Reasonably controlled system with some risk of error	3
	System with history of poor control with high risk of error, lack of appropriate formalised policies and procedures, lack of training, lack of accountability for employees for their actions.	5
C Public Exposure / Reputational Sensitivity	Minimal external profile to the system to impact negatively on reputational effects or embarrass Council.	0
	Potential to impact negatively on reputational effects or embarrass Council if the system is not effective.	3
	Major public relations problems and damage to reputation to Council is the system is not effective	5
D Complexity of Activity/Legislative Requirements	Low level complexity	0
	Medium level complexity	3
	High level complexity	5
E Management Concerns	Low concern level	0
	Medium concern level	3
	High concern level	5

Risk Weighting Factors	Each of the factors is given a weighting using judgementment of the relative importance of each of the risk factors
Element	Weighting
A Materiality	2
B Control Environment Vulnerability	3
C Public Exposure/Reputational Sensitivity	2
D Complexity of Activity	1
E Management Concerns	4

Risk Index Formula
Risk Index = (A x 3) + (B x 2) + (C x 2) + (D x 1) + (E x 4)

Each audit object is then categorised as Very High, High, Medium or Low risk based on the following risk index score:

Risk Index Score	Risk
Over 50	Very High
45-50	High
35 - 45	Medium
Below 35	Low

Priority Ranking for Audit (after all considerations)	
High	
Medium	
Low	