

# **ATTACHMENT TO AGENDA ITEM**

**Ordinary Meeting**

**19 November 2019**

**Agenda Item 10.1      Risk Management Policy**

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# GREATER SHEPPARTON CITY COUNCIL

Policy Number 79.POL1

## Risk Management Policy

Version 3.0

Adopted by Council: 19 November 2019

<b>Business Unit:</b>	Corporate Services
<b>Responsible Officer:</b>	Manager Corporate Governance
<b>Approved By:</b>	Chief Executive Officer
<b>Next Review:</b>	September 2021

**DOCUMENT REVISIONS**

Version #	Summary of Changes	Date Adopted
3	<b>Risk appetite statement on Page 6 changed to remove the different treatment of Health and Safety and Legal and Compliance Risks.</b>	16/10/2019

Risk Management Policy

## PURPOSE

The purpose of this document is to formalise and communicate Greater Shepparton City Council's (Council's) approach to managing risk, including the manner in which key risks impacting the achievement of objectives are identified, assessed, treated, monitored and reported. It aims to ensure that Council's functions and business activities are fully supported by an integrated approach to risk management.

## OBJECTIVE

The objectives of this policy are to:

- (a) Support the Council in achieving its strategic and operational objectives by helping to ensure that risks are effectively managed;
- (b) Help ensure that risks associated with Council projects are effectively managed;
- (c) Support the creation of a culture of risk awareness and accountability through communication and education;
- (d) Provide assurance to the Council and the community that risks are managed through a structured process;
- (e) Clarify the roles and responsibilities for managing risks;
- (f) Define the council's appetite for risk.

## SCOPE

This policy applies to all people employed by, and working with the Council. This includes Councillors, employees, committees, contractors and volunteers. The policy should be read and applied in conjunction with Council's Risk Management Procedure.

## DEFINITIONS

Reference term	Definition
Council Plan	The Council Plan outlines Council's objectives, strategies and activities that contribute to the achievement of the community's aspirations.
Consequence	The impact on Council objectives, should an event occur.
Contractor	An independent entity that agrees to furnish a certain number or quantity of goods, material, equipment, personnel, and/or services that meet or exceed stated requirements or specifications, at a mutually agreed upon price and within a specified timeframe.
Corporate Governance	The systems by which Council is directed and controlled.
Council	Democratically elected by the residents and ratepayers of the municipality to represent their interests.
Event	Occurrence or change of a particular set of circumstances.
Executive Leadership Team	Comprises the Chief Executive Officer and Directors.
Level of Risk	Magnitude of a risk expressed in terms of the combination of consequences and likelihood.
Likelihood	Probability of an event occurring.
Operational Risk	Risk which may impact on the ability of a department or

	directorate to deliver on their day to day or service delivery objectives.
Project Risk	An uncertain event or condition that, if it occurs, has a positive or negative effect on the projects objectives.
Risk	<p>Effect of uncertainty on objectives. Effect is a deviation from the expected – positive or negative.</p> <p>Objectives can have different aspects, (such as financial, health and safety, technology and environmental goals) and can apply at different levels (such as organisation-wide, operational, project, product and process)</p> <p>Risk is often expressed in terms of combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.</p> <p>The definition emphasises that risk is not just about downside or adverse events, it is also about missing out on the upside or added value that opportunities bring. We must recognise opportunities in time and capitalise on them. High risk, high reward is often a phrase utilised and highlights the opportunities aspect of risk.</p>
Risk Appetite	The level and type of risk the Council is prepared to accept in pursuit of its objectives.
Risk Assessment	The overall process of risk identification, risk analysis and risk evaluation.
Risk Management	The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.
Risk Management Framework	A 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 Procedure	Is the systematic application of procedures that guide risk management. It includes communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing the risk.
Risk Owner	Person or entity with the accountability and authority to manage a risk.
Risk Treatment	Process to modify risk, including avoiding the risk, changing the likelihood and/or consequence, sharing the risk or retaining the risk.
Strategic Risk	Risks which could significantly impact on the achievement of Council strategic objectives, as defined in the Council Plan.

Stakeholder(s)	Person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity. Stakeholders include both internal i.e. Councillors, managers, staff, contractors, volunteers etc. and external stakeholders which include local businesses, rate payers and general public.
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## POLICY

### 1. Commitment to Risk Management

- a) All Councillors, employees, advisory committees, section 86 committees, contractors and volunteers shall comply with the Risk Management Policy and thus are responsible for practicing risk management in a proactive and effective manner.
- b) Risk management will be incorporated and practised at all levels within Council.
- c) Risk management will be an integral part of all facets of Council's operations.
- d) Risk management will be aligned to support Council's strategic objectives.
- e) Risk Management will be practised as described by the Risk Management Policy and Risk Management Procedure
- f) Each risk will be assigned to a Risk Owner who will be accountable for its management

### 2. Resourcing

- a) Staff will receive appropriate training to practice risk management effectively.
- b) The necessary support and resources are to be allocated by Council to effectively practice risk management.

### 3. Culture of Risk Management

- a) Culture refers to the combined set of individual and corporate values, attitudes, competencies and behaviours that impact upon Council. It includes:
  - i. Awareness of risk
  - ii. Awareness of Council's appetite to take risk
  - iii. Commitment to manage risk
  - iv. Commitment to sharing openly, failures and successes in managing risk.

It is supported by a commitment by the Council and Executive / Senior Management to instil a philosophy of risk management throughout Council.

Council's risk culture will reflect:

- i. A risk awareness which challenges the balance of risk and reward as part of the decision-making process;
- ii. Accountability for risk management; and
- iii. Transparency of risks across Council.

### 4. Risk Appetite

- a) A certain level of risk is inherent in Council's business activities. It is for Council, with input from the Audit and Risk Management Committee (ARMC), to determine the level

that is acceptable. The level of risk accepted constitutes Council's risk appetite and will be one that trades off a level of risk against the drivers of stakeholder value. The risk appetite levels set by the Council help to ensure a high level of visibility and accountability for risks. The allowance for risk owner discretion in making risk management decisions also supports employees in upholding Council values, by providing an environment where risk ownership exists and the ability to courageously lead through informed risk decision making is enhanced.

- b) Council's risk appetite is that:
- i. Those risks assessed as **Extreme** are unacceptable. The event/project/activity is not to proceed without authorisation from the Executive Leadership Team.
  - ii. A revised risk rating of **High** is generally considered unacceptable and requires treatment as quickly as possible.
  - iii. If a revised risk rating of **High** is not avoidable, then it will need to be reported appropriately for consideration and if accepted, managed according to a risk treatment plan.
  - iv. **Medium** level risks may be acceptable or may require treatment depending on the context and factors such as the cost-effectiveness of the treatment.
  - v. Organisational level risks that are rated **Low** are generally considered to be acceptable and do not generally require treatments.

***Council may choose to INCREASE the level of any risk where this is deemed appropriate and in line with the achievement of its strategic objectives.***

- c) For rules around the risk appetite associated with each risk level, the urgency with which risks need to be addressed, and responsibility for managing risks, refer to the Risk Treatment table on the next page.

Figure 1. Risk Treatment Table

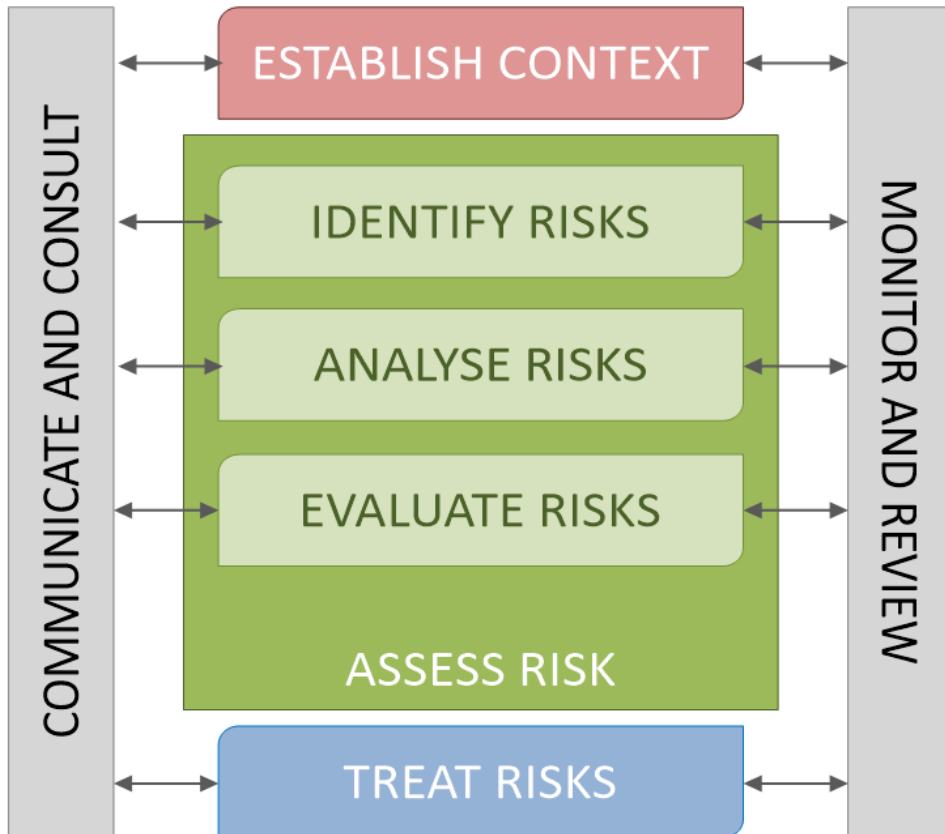
Residual Risk Level	Risk Appetite	Action	Time Line	Responsibility	Action Plan Required?
<b>Extreme</b>	Unacceptable	Immediate action is required to mitigate this risk to an acceptable level. Event/Project/Activity is not to proceed without authorisation.	Reduce to acceptable level in <3 months	Executive Team & Risk Owner	Yes –endorsed by the Executive and reported to the ARMC. Risk is to be closely monitored by the Executive Team for the long term.
<b>High</b>	Unacceptable	Attention is needed to treat risk	Reduce to acceptable level in <6 months	Executive Team & Risk Owner	Yes –endorsed by the Executive and reported to the ARMC. If the expected time-frame required to reduce the risk to an acceptable level is greater than 6 months, the reasons for this must be justified to and approved by the ELT. High risks are to be closely monitored by the Executive Team for the long term.
<b>Medium</b>	Variable	May be willing to accept the risk in conjunction with monitoring and controls. Safety and Legal and Compliance risks are more likely to be intolerable at this level.	Review 6 monthly	Risk Owner & Management Team	Variable – the Risk Owner & Management Team will evaluate controls effectiveness & monitor accordingly.
<b>Low – all categories</b>	Acceptable	Managed by routine procedures	Review annually	Risk Owner & Management Team	No – the Risk Owner & Management Team will review as required.



5. Risk Management Process

Council has a consistent and proactive approach to the practice of risk management as per Figure 2. This aligns with the *AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines*. For more information on how this risk assessment process is to be applied, refer to the Risk Management Procedure.

Figure 2. Risk Management Process



**6. Risk Assessment Matrix**

The matrix depicted below is used in the “Analyse Risks” phase of the risk management process to determine the risk level for each individual risk.

		Consequence				
		Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Likelihood	Almost Certain (5)	LOW	MEDIUM	HIGH	EXTREME	EXTREME
	Likely (4)	LOW	MEDIUM	MEDIUM	HIGH	EXTREME
	Possible (3)	LOW	LOW	MEDIUM	HIGH	HIGH
	Unlikely (2)	LOW	LOW	LOW	MEDIUM	HIGH
	Rare (1)	LOW	LOW	LOW	MEDIUM	HIGH

## 7. Risk Management Roles and Responsibilities

### a. Councillors

- i. Provide guidance and governance to management by adopting and supporting the Risk Management Policy and risk framework, endorsing the Risk Appetite, and considering risk management in its decision making.
- ii. Are ultimately responsible for monitoring compliance with the risk management framework and the policies that reflect Council's tolerance and appetite for risk.
- iii. Must satisfy themselves that significant risks faced by Council are being managed appropriately and that the system of risk management within Council is robust enough to respond to changes in Council's business environment.
- iv. Should ensure that management develops and implements a risk management framework that is appropriate for Council's operating and compliance environment.

### b. Audit and Risk Management Committee

- i. Provide independent review and advice to Council on matters relating to the effectiveness of Council's practice of risk management.
- ii. Recommend acceptable risk appetite limits for approval by the Council.
- iii. Maintain a strong environment to facilitate sound and prudent risk taking and risk management activities.
- iv. Review reports on Council's risk exposures and considering the effectiveness and integrity of its risk management arrangements.
- v. Oversee the implementation and on-going monitoring of Council's risk management program including promoting awareness of risks and controls.
- vi. Approve and review the work performed by Council's internal audit in relation to risk management.
- vii. Monitor all aspects of internal control including the appropriateness of accounting policies, the adequacy of financial reporting and those controls relating to risk management, and the associated monitoring processes and procedures.

**c. Chief Executive Officer**

- i. Ensure the effective practice of risk management within Council.
- ii. Recommend to Councillors the risk strategies, policies and controls for managing risk, after consultation with the Audit and Risk Management Committee.
- iii. Report to Councillors on the management of risk across the Council
  - i. Review and approve adequate resources and reporting structure put in place to support risk management on an ongoing basis.
  - ii. Monitor the strategic and operational risk registers for the Council
  - iii. Monitoring the risk management policy, procedures and performance and ensuring that the framework is reviewed at regular intervals.
- iv. Receiving and reviewing reports from management and the Risk Management Team on the effectiveness of the risk management systems.
- v. Ensuring that adequate resources are assigned to manage risk.

**d. Executive Team**

- i. Ensure the effective practice of risk management within Council.
- ii. Provide risk management leadership through championing a risk management culture and managing Council's strategic and operational risk exposures in accordance with the defined risk appetite.

**e. Directors**

- i. Oversee the effective application of risk management in their Directorate.
- ii. Support the CEO in managing strategic risks and key operational risks that affect their Directorate.
- iii. Delegate ownership of operational risks to their Managers.
- iv. Monitor, manage and improve risk management in their Directorate.
- v. Determine risk-taking limits and targets for their Departments within the policies and guidelines established by the Council and Executive Team.
- vi. Apply Council's risk management procedure in the identification, assessment, management, monitoring and reporting of risks, including appropriate assessment of the impact of new services, projects and processes.

**f. Risk Management Team**

- i. Facilitate the development, implementation and improvement of the Council's Risk Management framework, providing risk management expertise and support to Council.
- ii. Provide the Executive Team, the Audit and Risk Management Committee, and Directorates with an expert internal risk management consulting service. This includes providing risk management advice and presenting accurate and timely risk information.
- iii. Monitor actual risk positions against the approved limits and escalate items that exceed these limits.
- iv. Ensure risk standards, measures and methodologies are consistently applied and that risk management strategies are consistent with internal risk management policies.

**g. Managers and Team Leaders**

- I. Act as risk owners, being accountable for managing risks within their departments and their sphere of influence.
- II. Ensure operational risks are recorded in the IRM tool
- III. Address and report any risk treatments which are not effective or past due date.
- IV. Facilitate improvement to risk management practices in their department.
- V. Delegate or coordinate daily/operational risk management activities in their Departments.

**h. Project Managers**

- i. Maintain, review and update on a regular basis, risks associated with projects under their control.
- ii. Communicate any risks above the defined risk appetite level to the Manager of Projects and the relevant Director, who will evaluate whether the risks need to be escalated to the executive.

**i. All employees, contractors and volunteers**

- i. Through appropriate preventative action, take reasonable care to prevent loss, to maximise opportunity and to ensure that Council operations, reputation and assets are not adversely affected.
- ii. Comply with and practice risk management processes defined in the Risk Management Policy and Risk Management Framework.
- iii. Work with their colleagues, Coordinators and Team Leaders to monitor, manage and improve risk management in their areas.
- iv. Be aware of and understand the risks associated with their actions and comply with the risk management policy, supporting guidance and procedures.
- v. Identify new risks to their area of accountability and responsibility and to manage and/ or escalate to management those risks as appropriate.
- vi. Report significant risk matters to their senior management and/or in exceptional circumstances to use the Council's Compliance/ Whistleblowing process.

**RELATED POLICIES AND DIRECTIVES**

- *Risk Management Procedure*

**RELATED LEGISLATION**

- *Local Government Act (Victoria) 1989*

**REFERENCES**

- AS/NZS/ISO 31000:2009, Risk Management Principles and Guidelines
- AS 8000:2003, Good Governance Principles
- HB 254:2005, Governance, Risk Management and Control Assurance
- Greater Shepparton City Council: Plan 2017-2021

**REVIEW**

This Policy will be reviewed every two years by Council. It may be reviewed earlier upon recommendation from Council's Executive Team. It is the responsibility of the Manager Corporate Governance to ensure that this review occurs.

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**Peter Harriott**  
**Chief Executive Officer**

**Date**