



Ararat Rural City

# Risk Management Framework

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# Risk Management Framework



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## 1 INTRODUCTION

Ararat Rural City Council operates within the framework of local government defined by the *Local Government Act 2020* and provides a wide variety of services, compliance and regulatory functions to the community.

Council recognises that risk exists in all aspects of its operations. It takes seriously the impact of risk on business continuity and is committed to an approach that embraces a strong risk management culture. In other words, risk management should become the business and culture of everyone in the organisation, with ownership extended to all staff, volunteers and contractors.

Consideration to risk management will be undertaken at all stages of an activity, function, asset or project and is an integral part of the overall management process. Along with the Risk Management Policy, the Risk Management Framework supports Council's strategic objective of "6.2 Ensure appropriate risk management is applied to Council and organisational decisions. Council's internal function is applied to areas of perceived risk"..

The Risk Management Framework provides an operational aid to assist the organisation to prevent or minimise the adverse effects of all types of risks associated with its operations and capitalise on positive opportunities, including:

- Positively influence Council's risk management culture;
- Increase the organisation's capacity to deliver services, in particular Council's strategic objectives;
- Focus the organisation on its critical risk issues; and
- Reduce Council's exposure to risks.

The key objectives of effective management of risks are identified below:

- A process that focuses on ensuring the achievement of the Council Plan strategic objectives;
- Increasing stakeholder confidence in the Council;
- A greater awareness of the risks that could interrupt service delivery;
- Clear accountability for actions developed to reduce the impact of risks on service delivery;
- Engagement of the whole of the organisation in a consistent way of thinking about risk management;
- Processes that provide for input and evaluation of any risks identified by an employee.;
- Increased ability to deal with cross-functional activity. A process that brings together different parts of the organisation to address a risk that impacts across their areas of work;
- Recognition from insurers of Council's progress towards reducing risks;
- Management ability to report to Council and the Audit and Risk Committee on performance in the management of critical risks;
- Facilitates innovation, cooperation and sharing of resources.

The AS ISO 31000:2018 – Risk Management Guidelines defines risk as “the effect of uncertainty on objectives”. Council utilises the framework provided by the standard to develop and implement its approach to:

- Communication and consultation;
- Risk identification;
- Risk analysis;
- Risk evaluation;
- Risk treatment;
- Monitoring and review; and

(refer to Figure 1 – Risk Management Framework and Process)

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Risks can emerge as circumstances change and as such the process of risk management is continual.

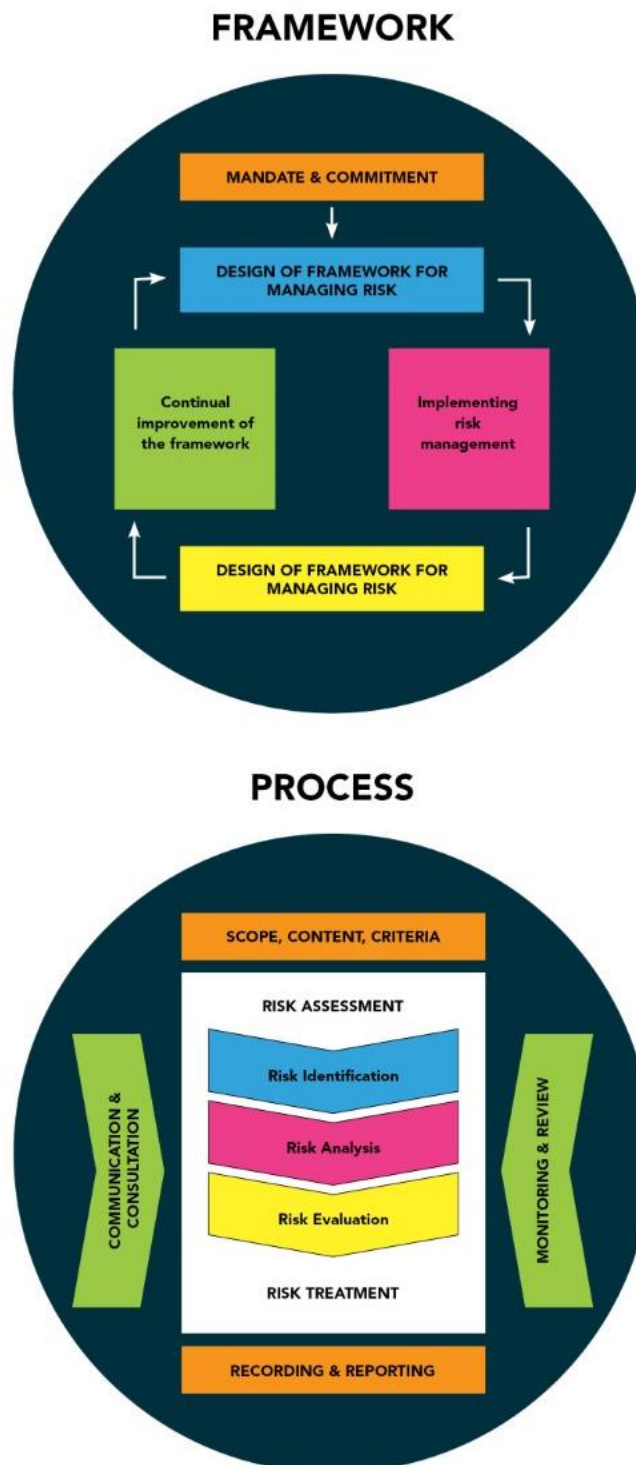


Figure 1 - Risk Management Framework and Process

## 2 INTEGRATION

The Risk Management Framework provides the methods and processes Council uses to manage risks and identify opportunities in every part of the organisation. Governance guides the direction of the organisation and provides the rules, processes and practices necessary for Council to achieve its strategic objectives.

Risk management is not just about the risk assessment process nor is it a standalone discipline. In order to maximise the risk management benefits and opportunities, it requires integration through Council's entire operations, as follows:

### 2.1 Decision Making

Risk implications will be incorporated into all Council and Committee reports to aid decision making.

### 2.2 Council Policies and Procedures

Council policies and procedures assist to direct response and organisational direction and minimise risk through promoting consistency, establishing precedents and expected actions/outcomes, helping to avoid inefficient, inconsistent and ineffective decisions. Council policies and procedures are of direct relevance to ratepayers and the community and help establish parameters that align with community expectations, ensuring legislative and statutory compliance and therefore assisting in risk management.

### 2.3 Council Planning

Risk management raises issues ranging from the highest strategic level of the organisation down to the detailed issues of service delivery and the management of community assets.

The Risk management process will be considered as part of the Council Planning process, from the capital works and other asset management programs to the business planning activity of Council's business.

### 2.4 Audit and Risk Committee Process

The processes of risk management will feed into the reporting mechanisms required by the Audit and Risk Committee. It will inform the Audit and Risk Committee of the work done to address risks within the organisation.

### 2.5 Strategic and Organisational Risks

Strategic Risks are identified from both the external environment and Council's strategic objectives. Operational Risks arise from Council's day-to-day functions and operations to deliver services. Strategic Risks and Operational Risks are monitored by the Chief Executive Officer, with all risk assessments captured in the Risk Register.

### 2.6 Emergency Management

Council plans for and undertakes prevention, preparedness, response and recovery activities to support its community in the event of emergencies and natural resources. This process includes alignment and cooperation with lead agencies and other Councils in the region as well as providing information and training for employees to protect them from harm whilst responding to emergencies and natural disasters. The Municipal Emergency Management Plan (MEMP) includes a Community

Emergency Risk Assessment (CERA) process conducted by the members of the Municipal Emergency Management Planning (MEMP) Committee with input from other various agency experts.

## 2.7 Business Continuity Plan / Disaster Recovery Plan

Council is obliged to ensure that critical business functions continue after a business interruption. Council has developed the Business Continuity Plan and Disaster Recovery Plan, taking into consideration reasonably foreseeable risks and their potential impact on the achievement of Council's strategic objectives.

## 2.8 Asset Management

Asset Management includes the prioritisation of asset defects in line with criteria as outlined in specific asset management plans to determine the risk ranking to each defect.

## 2.9 Event Planning

Risk management processes are incorporated into the event planning process and are crucial to efficient planning and delivery of events that ensure public safety and event success.

## 2.10 Project Management

Risk management is an integral part of project management. It is imperative that risks are identified at the project development stage so that designs and processes can be adjusted to minimise or eliminate exposure to risk.

## 2.11 Occupational Health and Safety

The Occupational Health and Safety system is implemented to manage occupational health and safety risks for employees. Occupational Health and Safety is a critical component of the risk management system and will address risks facing employees conducting their specific duties. Council already has in place an Occupational Health and Safety system and Return to Work process, with a suite of administration policies and procedures to assist in managing safety related risks.

## 2.12 Community Engagement

Council recognises that effective community engagement is good business practice and is critical in managing reputational risks. Council is committed to engaging with the community and its stakeholders.

A Community Engagement Policy provides direction on engagement processes, including guidance on when and how Council should engage with the community.

## 2.13 Procurement

Risk assessments are conducted prior to the procurement of all major contracts, including plant and equipment, to ensure the relevant parties are consulted, any plant and equipment acquired is suitable for its intended purpose and will meet the needs of Council now and into the future.

## 2.14 Fraud and Corruption

Council has a zero tolerance in relation to fraud and corruption. Fraud and corruption can erode confidence in the Council, deprive the public of resources, reduce the effectiveness of Council assets and equipment, harm customers, employees or the public and damage employee morale. By utilising the relevant policies and procedures Council can assess and measure its vulnerability to fraud and

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implement robust controls for its prevention. Refer to Council's Fraud and Corruption Policy, which is reviewed every two years.

## 2.15 AS ISO 31000:2018 Guidelines

The Risk Management Policy and Framework is structured to meet AS ISO 31000:2018 guidelines and to support the delivery of the Council services and Council Plan strategic objectives

## 2.16 Organisation Risk Management

The Risk Management Framework assists Council by embedding sound risk management practices into the organisation, and the creation of a safer community environment, by ensuring policies and procedures reflect risk mitigation relating to public liability matters.

Council's insurers provide a risk management service, which includes risk appraisals, property management and inspections, policy development, training, workshops and advise on potential risk areas.

## 2.17 External Influences

### *Auditor-General's Office Reviews*

The Auditor-General is an independent officer of the Victorian Parliament, appointed to examine the management of resources within the public sector on behalf of Parliament and Victorians. The Victorian Auditor General's Office conducts both financial and performance audits of government departments and councils.

### *Ombudsman Victoria Reviews*

The Ombudsman is an officer of the Victorian Parliament and has the power to investigate decisions, actions and conduct of Victorian government departments and statutory bodies and employees of local government (councils). The Ombudsman investigates complaints about administrative actions and decisions taken by government authorities and about the conduct or behaviour of their staff.

## 3 REPORTING

### 3.1 Key Performance Indicators

Key Performance Indicators have been developed for the risk management program and measures against these are used to focus on necessary improvements and/or to recognise good performance and progress.

Indicators have been considered from various resources, which included the Local Government Performance Reporting Framework, Victorian Auditor-General's Office and AFS and Associates Pty Ltd (internal auditor's) recommendations.

Risk Management Key Performance Indicators (KPIs)		
Activity	Performance Indicator	Target
Review Fraud and Corruption Policy	Fraud and Corruption Policy reviewed every two years	100%
Roles and responsibilities for risk management are clearly defined at all levels of the organisation.	Process in place to respond to incidents, near misses, incidents, hazards and complaints.	80% to 100%
Develop and embed a risk management culture within Council.	Risk management included in position description and relevant documentation	100%



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Liquidity ratio	Defined as current assets as a percentage of current liabilities	100% to 400%
Unrestricted cash to current liabilities ratio.	Defined as unrestricted cash as a percentage of current liabilities	10% to 300%
Asset renewal compared to depreciation.	Defined as asset renewal expense as a percentage of depreciation	60% to 130%
Loans and borrowings compared to rates income.	Defined as interest bearing loans and borrowings as a percentage of rate revenue	0% to 70%
Loans and borrowings repayments compared to rates income.	Defined as interest and principal repayments on interest bearing loans and borrowings as a percentage of rate revenue	0% to 20%
Indebtedness (non-current liabilities to own sourced revenue)	Defined as non-current liabilities as a percentage of own source revenue	2% to 70%
Adjusted underlying result (adjusted result/adjusted revenue)	Defined as the underlying surplus (or deficit) as a percentage of adjusted underlying revenue	-20% to 20%
Significant Rate Debtors overdue	Reduce the level of outstanding rates at 30 June each year	Reduce the amount of outstanding rates from the previous year
Excessive Annual Leave	Reduce annual leave liability	Reduce the amount of annual leave liability from the previous year
Capital program schedule assessment	Complete the budgeted capital works	80% to 100%
Satisfaction in Council decisions	Defined as the community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community	40% to 100%
Satisfaction with Sealed Local Roads	Defined as the community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads	50% to 100%
Satisfaction with Community Consultation and Engagement	Defined as the community satisfaction rating out of 100 with the consultation and engagement efforts of the council. This includes consulting and engaging directly with the community on key local issues requiring decisions by council	40% to 100%

## 4 ROLES AND RESPONSIBILITIES

All Councillors, employees, volunteers and contractors are responsible for ensuring that risk is identified, assessed, adequately managed and reported. The key responsibilities for the management of risk across all levels of Council are listed below:

## 4.1 Councillors

- Set strategic direction and policy in relation to strategic risk management.
- Approve the Risk Management Policy and note the Risk Management Framework.
- Appoint the Audit and Risk Committee.
- Consider risk as an important element of Council's strategic planning and decision-making processes.
- Receive reports from the Audit and Risk Committee.

## 4.2 Audit and Risk Committee *(as per Audit and Risk Committee Charter)*

- Monitor Council's Risk Management System by receiving risk management updates.
- Receive presentations from management/service delivery owners on strategic risk applicable to their areas of Council twice a year to ensure material strategic business risks are adequately managed.
- Review Council's risk and fraud policies every two years.

## 4.3 Chief Executive Officer

- Responsible for the management of risk across Council.
- Endorse the Risk Management Policy for approval by Council, approve the Risk Management Framework, and monitor implementation.
- Manage and monitor strategic, operational and project risk and advocate risk management within Council.
- Ensure that risks are considered and integrated into Council planning and organisational processes.
- Manage process for reviewing recommendations from VAGO and Internal Audits and identifying appropriate actions as required.
- Immediately report any fraud and corruption incidents.
- Commitment to monitoring employees progress on their assigned risk management activities.
- Fosters and promotes a strong risk management culture.
- Ensure that employees are adequately trained in the identification, assessment and procedures available for the minimisation of risk.

## 4.4 Officers

- Develop and foster working relationships with other agencies with whom Council has a shared risk.
- Responsible and accountable for management of risks that are directly related to their areas.
- Acknowledge that the management of risk is an integral part of service delivery.
- Arrange for advice and assistance to be provided to the Governance and Administration (Risk) Coordinator regarding information in relation to insurance claim or risk management issues, in a timely manner.
- Responsible for raising awareness and leading the culture of managing risk responsibilities across the organisation by assisting with the implementation of risk management policies, procedures, standards.

## 4.5 Governance and Administration (Risk) Coordinator

- Responsible for providing platforms to record strategic risks and operational risks.
- Ensuring that risk management platforms are functional and provide advice and guidance to users.
- Ensure that the Strategic and Organisational Risk Registers are properly maintained.

- Report on high and extreme risks with existing control measures and recommendation for further mitigation.
- Ensure the Key Performance Indicators set out in the Risk Management Framework are achieved and reviewed on an annual basis.
- Oversee the review and implementation of the Risk Management Framework, including training and awareness across the organisation.
- Assist in the planning, monitoring and review of risk assessments for Council assets and activities.
- Provide regular reporting to the Chief Executive Officer on risk management issues, statistics and strategies including insurance claim management.
- Provide advice and assistance to all employees in relation to the identification, assessment and treatment of risks.
- Manage Council's insurance portfolio, ensuring that adequate insurance coverage exists for all classes of insurable risk.
- Review the Business Continuity Plan and Disaster Recover Plan every two years.

The Governance and Administration (Risk) Coordinator provides guidance and advice on risk exposure issues as required by all Council areas. The risk owners are responsible for managing the risks of their areas and should seek assistance from the Governance and Administration (Risk) Coordinator as soon as an exposure or an emerging risk becomes known or suspected.

#### 4.6 All Employees and Volunteers

- Reporting any risk, potential risk or incident immediately when it is brought to their attention.
- Ensuring that they conduct their daily duties in a manner that does not expose Council to loss or risk, and that these duties are conducted in accordance with relevant policies, procedures and legislative requirements.
- Assist in the investigation of any incident that may have occurred and for which they were involved or have knowledge of, as a result of a risk or hazard.
- Acknowledge that all employees have a part to play in managing risk, as outlined in the Employee Position Description (PDP).
- Ensure compliance with Council's Risk Management Policy and Risk Management Framework.

The involvement and commitment of all employees is fundamental to a successful Risk Management program.

#### 4.7 Contractors

- Ensure that contractual and legal obligations are met in accordance with Council's Risk Management Policy, Risk Management Framework, Occupational Health and Safety systems and policies.
- Respond immediately to the investigation of any report of a hazard or incident received from an employee, resident or visitor.
- Maintain appropriate and adequate insurances as required under their contract.
- Ensure compliance with all lawful directions issued by Council's nominated contract/project manager.

#### 4.8 Community Asset Committees

- Community Asset Committees are committees created under Section 65 of the Local Government Act 2020. They exist to undertake functions, duties or powers on behalf of Council. Community Asset Committees are provided with an Instrument of Delegation which documents their functions, duties, or powers that they undertake on behalf of Council.

Committees are advised that they must operate within their delegation to be afforded public liability protection by Council.

For those committees undertaking any functions or hiring of facilities, the delegation clearly states their responsibility to ensure third parties have the appropriate public liability insurances. Council officers are available to meet with committees on request to provide information and support.

## 4.9 External Stakeholders

- The involvement and commitment of external stakeholders is critical to a successful Risk Management program.
- External stakeholders will be given the opportunity to identify risks and prioritise them in accordance with Council's Risk Management Framework.
- Risks of an operational nature will be managed and addressed by Council's operational procedures. Defects and actions taken to rectify defects in Council assets, reported by external stakeholders, will be recorded in the Customer Request Management System.
- Other types of risks, such as strategic risks, will be identified by corporate liability risk audits, internal and self-audit reviews conducted in accordance with approved plans. The risks identified by these processes may be recorded in Council's Strategic Risk Register.

## 5 TRAINING AND RESOURCES

### 5.1 Employees

Risk management is resourced to provide effective and stable processes to increase awareness, responsibility and ownership across the organisation.

The successful engagement of employees is essential for the success of the Risk Management Framework. The Risk Management Framework and supporting policy, procedures and forms are made available to all employees. Information and awareness sessions are provided to employees to improve transparency and increase Council's risk management culture.

Training is designed to increase the knowledge and awareness of employees in several risk management topics including general risk management, liability, fraud awareness and procedures.

In addition to formal training, the Governance and Administration (Risk) Coordinator acts as a specialist advisor to employees. This includes assistance in identifying and assessing risk exposures and the steps in developing, implementing and monitoring of sustainable control measures.

### 5.2 Councillors

Councillors are key strategic decision makers and it is therefore imperative that they have an understanding of Council's Risk Management Policy and Framework and their role in informed decision making based on sound risk management principles.

### 5.3 Audit and Risk Committee

Audit and Risk Committee members should understand their roles and responsibilities as outlined in Council's Risk Management Policy and Framework, including the monitoring and review of risk management reports and outcomes from management and external auditors.

## 5.4 Performance Management

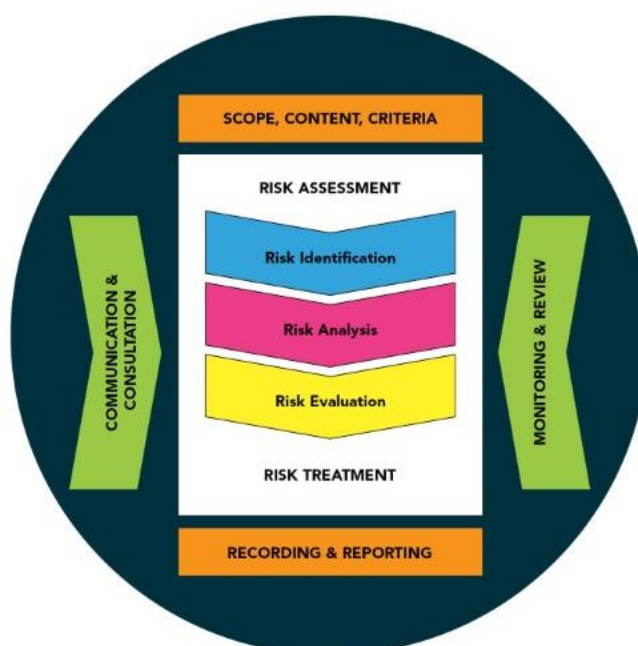
Risk management is a corporate priority and as such, all employees are required to actively participate in the risk management process, as outlined in their position descriptions. The Performance Development Process gives way to any risk management related indicators being reviewed on a quarterly basis.

Actions arising from treatment action plans for specific risks may be used as performance measures for individual or business unit performance plans.

## 6 RISK MANAGEMENT PROCESS

The process of risk involves the identification and analysis of risk, an evaluation of controls and the implementation of the appropriate treatment plans. It also involves consultation with stakeholders as well as regular monitoring and review.

The risk management process taken from AS ISO 31000:2018 - Risk Management Guideline, involves establishing the context, assessing the risk, treating the risk, monitoring the risk and reviewing the risk (*refer to diagram below*). The whole process needs to be communicated to stakeholders who are consulted with throughout the process.



### 6.1 Communication and Consultation

Establishing a communication and consultation plan with internal and external stakeholders is critical to the success of the risk management process. Effective communication and consultation throughout the process is essential to ensure that those responsible for implementing risk management understand the basis on which risk management decisions are made and why particular actions are required.

Council will engage with stakeholders throughout the risk management process to:

- Correctly identify risks and understand context.

- Gain a better understanding of the views and interests of stakeholders and how their expectations may be managed.
- Capitalise on the diversity of knowledge, opinions and experience to enhance identification and management of risks and opportunities.
- Build a sense of inclusiveness and ownership amongst stakeholders.

## 6.2 Scope, Context and Criteria

The establishment of the context is specific to each individual risk. The key stakeholders will vary from one risk to another and should include individuals from a range of levels who are involved in the delivery of the service or identified activity.

### ***Defining the Scope***

As the risk management process is applied at different levels throughout the organisation, it is important to define the scope and the alignment with Council's strategic objectives; this should include consideration of:

- Goals and objectives of risk management activities;
- Proposed outcomes and timing;
- Responsibilities and accountabilities for the risk management process;
- Risk management methodologies;
- Processes, activities and projects and how they may interact with other processes, activities and projects of Council;
- How effectiveness and/or value will be measured and monitored; and
- Availability of resources to managed risk.

### ***Defining the context***

Defining the context is important because:

- Risk management takes place in the context of Council's strategic objectives and activities; and
- Organisational factors can be a source of risk; and
- The context should reflect the specific environment of the activity to which the risk management process is to be applied.

### ***Defining risk criteria***

Risk criteria are used to evaluate the significance of risk and are reflective of Council's values, strategic objectives and resources and the views of Council's stakeholders. Council's risk criteria are documented throughout the Risk Management Framework. It should be noted that, whilst risk criteria are established at the beginning of the risk management process, they are dynamic and should be continually reviewed and amended, if necessary.

## 6.3 Risk Assessment

### ***Identifying Risk***

This step identifies the risks associated with a program or project. It is important that this be fully performed to ensure that all major risks are identified. The outcome of this step is a list of events, which might affect programs or projects being analysed.

#### *Where could risks come from?*

Risk can come from many areas and each of the generic risk sources below have many components. Together with people above and below your position in the organisation, identify potential risks.

The following list can be used as a checklist to identify risks.

- Commercial and legal relationships



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- Economic circumstances
- Human behaviour
- Natural events
- Political circumstances
- Technology and technical issues
- Management activities and controls
- Individual activities

Use the guide above and the following risk categories for where risks may come from. Identify risks in scheduled exercises and ad-hoc as they become evident. Identification should include risks, whether or not their source is under the control of the Council, even though the risk source or cause may not be evident.

Classification	Type
Governance	Council Plan, Council Policies and Procedures, Compliance (Laws/Acts/Local Laws), Audit, Legal, Business Continuity, Fraud and Risk, Liability and Insurance, Media, Lease and Committee Management.
Finance	Council Budget, Forecasting and Strategic Resource Plan, Loans, Ownership / Title, Contract Management and Procurement, Accounts Payable, Accounts Receivable, Investment, Debt Management.
Service Delivery	Human Resources, Customer Service, Information Systems, Planning, Asset Management, Human Resources, Operational Services, Project Management, Information Technology, Records Management, Waste Management, Animal Control, Parking
Environmental	Sustainability, Pollution, Cultural Heritage, Native Vegetation,
Reputation	Political, Public Relations, Promotion and Marketing, Events
Occupational Health and Safety	OH&S Management System, Injury Management and Response, Incident Management

## **Risk Analysis**

Risk analysis is about assessing the importance of each of the identified risks. After the risk identification phase you will have a long list of risks. It would not be possible, or even necessary, to attend to all of these risks.

The following process will assist you to find the risks that threaten your business or project outcomes the most. You can then focus your attention on managing the most important risks.

The analysis of risks has three steps:

1. Determine the likelihood of the risk.
2. Determine the consequence of the risk.
3. Review existing controls.

The Risk Management Framework is built upon the understanding that some risks, no matter how many controls are in place, involve potentially very serious consequences. Council provides various services and activities that have a high-risk rating irrespective of controls in place.

## **Risk Management Appetite**

Risk appetite refers to the risk exposure or potential adverse impact from an event that Council is willing to accept to achieve its strategic objectives.

The Chief Executive Officer in consultation with the Council are responsible for defining Council's risk appetite. The following are to be considered when arriving at Council's position on its risk appetite:

- Do Council understand the degree to which they are permitted to expose Council to the consequences of an event or situation?

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- Does Management understand their aggregated and interlinked level of risk to determine whether it is acceptable or not?
- Do the Council and Management understand the aggregated and interlinked level of risk for Council as a whole?
- Are Council and Management clear that risk appetite is not constant (there must be flexibility to adapt and build in)?
- Are risk decisions made with full consideration of reward? The appetite needs to assist Council and the Management take an appropriate level of risk for Council, given the potential for reward.

Council's risk appetite will be included in the review of the Risk Management Policy and Framework. This review of appetite will be incorporated into the structure of Council at each level of responsibility due, in part, to the differing focuses with regards to the risk that Council faces at each of these levels.

## ***Inherent and Residual Risks***

A risk rating can be determined by combining the effect (consequence rating) and cause (likelihood rating). The risks are to be assessed against all consequence categories and the highest consequence rating will be used.

The first rating obtained will be the **inherent risk** rating, (i.e. the level of risk at time of risk assessment with no controls.)

Once further and additional controls are added to reduce the consequence and/or likelihood, the risk is rated again to determine the **residual risk**, (i.e. the level of risk remaining after risk treatment).

## ***Likelihood***

### ***Determine Likelihood***

The next step in evaluating risk is to assess the likelihood of an event occurring. Like the assessment of consequence, the assessment of likelihood is performed knowing the existing controls exist.

Likelihood is categorised into the following descriptions:

- Almost Certain;
- Likely;
- Possible
- Unlikely; and
- Rare

Guidance for assessing the likelihood is detailed in the following table. When considering how likely is it that the business will be exposed to a specific risk, considering factors such as:

- Anticipated frequency;
- The external environment;
- The procedures, tools, skills currently in place;
- Staff commitment, morale, attitude;
- History of previous events.

Likelihood Rating	
Name	Description
Almost certain	The event is expected to occur in most circumstances or at least twice a year.
Likely	Expect this event at least annually.
Possible	The event might occur at some time over an extended period.
Unlikely	The event could occur at some time but is not usually experienced.
Rare	The event may occur only in exceptional circumstances.



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## Consequence

### Determine Consequence

What will be the impact of an event occurring? Any event can have a range of impacts. Council's risk management process makes formal assessment of the potential impact of the event by giving it a consequence category of Insignificant, Minor, Moderate, Major or Catastrophic.

To provide guidance to staff and to ensure there is consistency in the evaluation of risk across the organisation a consequence table is included below.

CONSEQUENCE RATING	CONSEQUENCE					
	Environmental Responsibility	Finance	Governance	Occupational Health and Safety	Reputation	Service Delivery
Catastrophic	Uncontained damage with major impact/major fine/public reaction	Cannot be managed within Council budget (<\$1,000,000)	Widespread policy/legislative/non-compliance/failure	Loss of life probable and serious injury inevitable	Public media outrage, official public investigation, public criticism of Council and its operations	Critical operational service failure or loss of delivery (>5 days)
Major	Major breach or impact/fines	Major rework of Council budget (\$250,000 - \$1,000,000)	Systematic policy/legislative non-compliance	Loss of life possible and serious injury probable	Loss of community confidence in Council and/or intense local media concern/national media coverage or formal inquiry	Major operational service failure or loss of service delivery (>1 day)
Moderate	Moderate breach, impact or complaint	Significant departmental rework of budget or minor rework of Council budget (\$50,000 - \$250,000)	Frequent policy/legislative non-compliance	Loss of life unlikely, but serious injury possible	Concerns raised by community and/or broad adverse media coverage	Moderate operational service failure or loss of service delivery (>3 hours)
Minor	Minor breach, impact or complaint	Some rework of budget required (\$2,000 - \$50,000)	Isolated policy/legislative non-compliance	Serious injury unlikely, but minor injury possible	Minor or isolated concerns raised by community, customers or suppliers and/or adverse local media	Loss of operational service delivery (>1 hour)
Insignificant	Negligible breach, impact or complaint	Financial impact easily managed within budget (<\$2,000)	No policy/legislative non-compliance	Would cause minor injuries that are able to be treated	No inconvenience to the community or organisation	No loss of operational service delivery

# Risk Management Framework



Ararat Rural City

	CONSEQUENCES				
	1: Insignificant	2: Minor	3: Moderate	4: Major	5: Catastrophic
LIKELIHOOD					
<b>Almost Certain:</b> The event is expected to occur in most circumstances or at least twice a year	Moderate	High	High	Extreme	Extreme
<b>Likely:</b> Expect this event at least annually	Moderate	Moderate	High	High	Extreme
<b>Possible:</b> The event might occur at some time over an extended period	Low	Moderate	Moderate	High	High
<b>Unlikely:</b> The event could occur at some time but is not usually experienced	Low	Low	Moderate	Moderate	High
<b>Rare:</b> The event may occur in exceptional circumstances	Low	Low	Moderate	Moderate	High

## Existing Controls

Council has a wide range of controls, which assist staff to achieve quality outcomes. Often these controls are unrecognised. The process of identifying existing controls assists in the evaluation of risk in an appropriate context.

The following list of controls is used in commonly in Local Government.

Audits	Electronic diaries	Organisational structure
Benchmarking	Evaluations	Performance Reviews
Budgets	Formal reporting	Partnerships
Checklists	Information management	Procedures and policies
Codes of Conduct	Legal opinions	Professional advice
Computer systems	Legalisation	Quality control
Contracts	Library membership agreements	Safe operating procedures
Corporate and business plans	Local Government Act	Staff education and training
Corporate culture and values	Meetings	Staff recruitment practices
Delegations	Minutes and agendas	Standard operating procedures
Division of responsibility	OH&S action plans	

## ***Risk Evaluation***

Risk evaluation is the process used to assist in making decision, based on the outcomes of the risk analysis, about which risks need treatment and the priority for implementation of controls.

Decisions should take account of the wider context of the risk and include consideration of the risks borne by parties other than Councils who may benefit from the risk.

There are also circumstances whereby, despite the risk level, risks cannot be treated.

After the risks have been analysed it is easy to evaluate the risk. A risk rating can be assigned to the risk, the risk ratings are:

- **Extreme Risk**

Urgent and immediate action is required, it is a risk, which requires immediate action and the development and implementation of a risk action plan. It is an unacceptable risk. The risk must be referred to the Chief Executive Officer. Officers are to be involved in developing a detailed plan for understanding, managing and reducing the risk.

The Chief Executive Officer will monitor the status of these risks.

- **High Risk**

Management oversight needed and responsibility given to officers to apply specific procedures to research the risk, implement specific response procedures and / or monitor the risk.

The status of these risks will be monitored by senior management.

- **Moderate Risk**

Operational management is to apply specific procedures to monitor the risk and to implement specific response procedures. A risk action plan does not need to be developed unless there are concerns about the reliability of related controls or where action is required to stop the risk from being more serious.

The status of the risk is to be monitored by managers, coordinators, supervisors or team leaders.

- **Low Risk**

No action required. Managed by routine procedures and is unlikely to need specific application of resources.

# Risk Management Framework



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The status of the risk is to be monitored by responsible team members reporting to their managers, coordinators, supervisors or team leaders.

Risk Rating	Action Required
Extreme	Management is to be involved in developing a detailed plan for understanding, managing and reducing the risk. Management will monitor the status of these risks.
High	Management oversight is needed and responsibility given to operational management to apply specific procedures to research the risk, implement specific procedures and/or monitor the risk.
Moderate	Operational management to apply specific procedures to monitor the risk and to implement specific response procedures.
Low	Managed by routine procedures and is unlikely to need specific application of resources. Status is to be monitored by responsible team members reporting to their managers.

## 6.4 Risk Treatment

### ***Risk Treatment (Controls)***

At the completion of the risk assessment process, you must consider each risk and decide if the level of the risk is acceptable in the context of the business objectives.

The object is not to eliminate all risk but rather to ensure that risk is maintained at an acceptable level in a cost-effective manner.

Risk treatment can be conducted using a variety of methods. When looking at risks, treatments are aimed at reducing or removing the potential for consequences occurring. However, when looking at opportunities, treatments look at ensuring that consequences are realised.

Risk treatment involves selecting one or more options for modifying risks, and implementing those options. Once implemented, treatments provide or modify the controls. An action should be implemented to treat certain risks.

Justification for risk treatment is broader than solely economic considerations and should consider all of Council's obligations, voluntary commitments and stakeholder views. Appropriate risk treatment options should have regard to Council's strategic objectives, risk criteria and available resources. Agreed controls will be recorded in the Risk Assessment/Treatment Template (Appendix A) and the date for completion should also be agreed and recorded.

# Risk Management Framework



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## ***Risk Treatment Options***

Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances. Some of the options available for treating risks may include:

<b>Risk Treatment Options</b>	
Eliminate	Remove the asset or service completely so as to eliminate the risk altogether
Share	Allocate risk to a third party, such as through appropriate contactor management
Mitigate	Implement a type of treatment control to reduce or remove the risk. This may include but is not limited to options such as substitution (swapping), isolation (barricade), engineering (modify by design) or administration (policy/process)
Accept	Risk can be accepted for a number of reasons including: <ul style="list-style-type: none"><li>• no extra treatments being available;</li><li>• meets the stated target for the type of risk;</li><li>• informed decision has been made about that risk; and</li><li>• risk treatment is worth more than the risk exposure</li></ul>

If you don't accept the risk, develop an action plan to reduce the likelihood or consequence of the risk.

If significant costs are involved in the risk reduction, it may be necessary to do a cost benefit analysis to decide how much resource is worth spending on risk reduction. Obtain approvals.

### ***Reduce Likelihood***

Risk can be reduced by making the chance of its occurrence less likely. Preventative maintenance on vehicles is an example of an activity which reduces the likelihood of an accident occurring. Likelihood reduction treatments tend to assist the activity to occur with increased supervision, planning or skill. These treatments have an emphasis on improving preparation and improving controls.

The types of actions which can reduce or control likelihood include:

- Audit and compliance programs;
- Contract conditions;
- Formal review or requirements, specifications, design, engineering and operations;
- Inspection and process controls;
- Investment and portfolio management;
- Project management;
- Preventative maintenance;
- Quality Assurance, management and standards;
- Research and development, technological development;
- Structured training and other programs;
- Supervision;
- Testing;
- Organisational arrangements; and
- Technical controls.

### ***Reduce Consequences***

Once an event has occurred it will have consequences or outcomes. There are a range of actions that can be undertaken to reduce the unpleasant consequences of the event. The installation of air bags in vehicles is an example of a treatment which reduces the consequences of an accident.

The types of actions which can reduce or control consequence include:

- Contingency planning;
- Contractual arrangements;
- Contract conditions;
- Design features;
- Disaster recovery plans;
- Engineering and structural barriers;
- Fraud control planning;
- Minimising exposure to source of risks;
- Portfolio planning;
- Separation or relocation of an activity and resources;
- Public relations.

## ***Transfer the risk***

There are a limited number of opportunities where it may be possible to transfer the risk to other parties. Insurance is an example of sharing a risk. One of the reasons many Councils no longer collect domestic waste was the concern about growing compensation for accidents relating to the collection of waste. Councils were able to transfer the risk to another party who was better placed to manage this risk.

Care needs to be taken when assessing transferred risk to ensure that Council effectively transfers risk. Council may contract out the work but unless it is careful it may retain residual risk (e.g. if a contractor does not maintain their Public Liability Council may have some residual liability).

## ***Avoid Risk***

You avoid risk by deciding not to proceed with the activity likely to cause the risk. For Local Government this is not always possible as it often has a statutory responsibility to carry out certain activities. Sometimes this strategy can be carried out where risks are not fully understood or examined.

Inappropriate risk avoidance can sometimes inadvertently increase the significance of other risks. For instance, banning drinking in an area may cause the activity to occur somewhere else.

## ***Control Characteristics***

Risk treatments need to be designed in a manner to ensure they are sufficient to mitigate that risk, and have some of the following characteristics if they are to become an adequate control:

- Documented (e.g. Policies, procedures, task lists, checklists);
- Systems-oriented (e.g. integrated and/or automated);
- Preventative (e.g. system controls) or detective;
- Consistent and regular (including during staff absence);
- Performed by competent and trained individuals;
- Clear responsibility and accountability;
- Create value (i.e. benefits outweigh costs);
- Achievable for the organisation (based on available resources);
- Evidenced;
- Confirmed independently.

## ***Tips for developing risk treatments***

- Review the cause of the risk and attempt to tackle the cause of the risk, not just its symptoms
- Take ownership of the risk. Do not put in risk strategies that become someone else's responsibility. Follow the issue through to ensure that risk is effectively mitigated.
- Be creative and positive in your response. Don't limit yourself to reactive responses.
- Look for opportunities when treating risk. The purpose of risk management is to achieve improved outcomes. Make sure that you use the opportunity that reviewing risk provides to

identify any opportunities you have for improving your service or the way you provide your service.

- Engage your stakeholders positively to gain their support in putting your risk plans into effective actions. Your stakeholders will be often be the solution to your issue.
- Use teams to review and manage risks. Groups of people can add valuable perspective to issues.

### ***Preparing and implementing risk treatment plans***

Risk treatment plans specify how the risk treatment options will be implemented, so that those involved understand what arrangements are in place and to allow progress against the plan to be monitored. Risk treatment plans may be integrated into Council's existing processes, (e.g. project management plans, risk registers,) and provide the following information:

- Rationale for selection of treatment options;
- Responsibilities and accountability for approving and implementing the plan;
- Proposed actions and timeframes;
- Resourcing requirements;
- Constraints and contingencies; and
- Required reporting and monitoring.

### ***Seek Expert Advice***

Management may decide that expert advice is required to validate their assessments and / or assist in reviewing the options available to manage specific risks. The Governance and Administration (Risk) Coordinator should be consulted, as they may be more familiar with best practice in a particular area. This can also benchmark data that can be used measure performance against.

### ***Review the Risks***

After completing the treatment actions, re-check the likelihood and consequences – then decide if the risk rating is now acceptable; once accepted, schedule a review date (refer to Section 6.5).

## **6.5 Monitor and Review**

### ***Review of risks and controls***

Monitoring and review must be a formal part of the risk management process and involves regular checking of the effectiveness and efficiency of the risk management processes implemented.

A monitoring and review process will:

- Ensure that implemented controls are effective and adequate;
- Provide further information to improve risk assessment and treatment plans;
- Allow for the identification of emerging risks;
- Identify any (new) activities that may influence established strategies to mitigate risks.

It is essential to monitor all activities and processes in order to capture any new or emerging risks arising from the changing environment, (both internal and external) and the activities undertaken by Council.

### ***Internal audit***

The audit process plays an important role in evaluating the internal controls (and risk management processes) currently employed by Council. The internal audit program should be 'risk based' and provides assurance that we are managing our risks appropriately.

In developing the Internal Audit Plan consideration is given to the extreme, high and moderate risks identified by the risk assessment process.



Internal audits assess the adequacy of selected controls identified. The internal audit process will measure risk by:

- Measuring compliance – has Council met its Policy objectives;
- Measuring maturity – measuring against best practice and Council benchmarking; and
- Measuring value add – has the framework and risk culture added to the achievement of Councils strategic objectives.

Information is shared between the risk management and internal audit functions. Changes in our risk profile are reflected in our Internal Audit Plan. Similarly, control issues identified through internal audit will inform our Risk Management Framework. The internal audits are conducted to provide assurance that key risks have been identified and the controls in place are adequate.

### ***Risk Management Policy and Risk Management Framework***

The context within which risks are assessed may change over time. Changes occur in the operating environment, for example emergencies, politics, legislation, statutory rules, and Council Plan strategic objectives.

It is necessary to review the Risk Management Policy and Risk Management Framework every two years. The next scheduled review is September 2023.

## **6.6 Recording and Reporting**

The risk management process and its outcomes should be documented and reported, in order to:

- Communicate risk management activities and outcomes;
- Provide information for decision making;
- Continuous improvement;
- Assist interaction with stakeholders, including those with responsibility and accountability for risk management activities.

### ***Risk Register***

Councils Risk Register (RelianSys) is used to record and manage Council's risk management data.

The register will be accessible across the network to allow broad access to enter data and manage action plans designed to reduce the level of risk.

The register is used to:

- Record identified risks and establish a risk register
- Identify the staff member responsible for each risk
- Determine the risk rating
- Develop treatment plans to reduce the risk
- Manage the risk treatment action plans
- Track actions taken by individuals and monitor progress of planned actions
- Provide written risk management reports

The register will support the audit function within Council and provide a measure of progress for the overall Risk Management Framework.

A review of the Risk Register will involve revisiting each of the identified risks and considering the following points.

- Have the descriptors changed or are they still current?
- Has the level of risk changed?
- Has the nature of the Controls or mitigating factors shifted?
- Are there any new risks that should be considered for the risk register?



# Risk Management Framework



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## **Strategic Risks**

Council will identify and record Strategic Risks on Council's Risk Register. Strategic level risks are identified by Management and the Council, as part of a biannual review. Any risks identified at the Strategic level may be reflected in other documents, for example: Strategic Plan, Annual Business Plan, Asset Management Plans and mitigated through action details in these documents, however these should be collated in the Risk Register for ease of monitoring and review.

Recording and reporting of Strategic level risks is the responsibility of the Governance and Administration (Risk) Coordinator via the Chief Executive Officer and Audit Committee.

## **Operational Risks**

Council will record and maintain Operational Risks on Council's Risk Register, and reviewed biannually. The Risk Register will incorporate unit area risks and proposed mitigation techniques, as determined by the evaluation process. Recording operational level risks in the register and reporting of implementation and effectiveness of controls is the responsibility of all employees.

## **Risk Treatment and Management**

Actions to manage unacceptable risks will be evident in annual business planning documents. If there are any indications that some new or prompt treatment is required, "Control" will be updated and reviewed in consideration of the identified risks.

All relevant information will be recorded in the live risk register (RelianSys) following this process by relevant responsible officers.

## **Review of Risk Management Documents**

To ensure transparency of risk management documentation the following outlines the title and review process:

Name	Review Process	Review Frequency
Risk Management Policy	Document to be reviewed by Governance and Administration Coordinator, then approved by CEO, Audit and Risk Committee and Council	Every two years
Risk Management Framework	Administrative document providing guidance to the organisation.	Every two years
Strategic Risks (Organisational Level)	CEO to review all strategic and operational risks (significant to extreme) and treatments. Report to Audit and Risk Committee on biannual basis or where a change is made	At a minimum biannually
Operational Risks (Unit Level)	CEO and Relevant Officer to review risks and treatments when data at the task level has changed. Regular monitoring and review to be undertaken (on all significant risks) and reported to CEO.  Checking the process used reflects up to date information. May be prompted by an incident where a control failed or was not in place.	At a minimum biannually

# Risk Management Framework



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## 7 DEFINITIONS

<b>Consequence</b>	The outcome of an event affecting objectives.
<b>Control</b>	The measure that maintains or modifies a risk.
<b>Contractor</b>	An independent entity that agrees to furnish a certain number of 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.
<b>Employees</b>	Includes all permanent and temporary employees of Council.
<b>Environment</b>	Risks arising relating to the environmental consequences of progressing Council's strategic objectives (energy efficiency, pollution, recycling, waste management, landfill, emissions). Those relating to pollution, environmental noise, energy, efficiency and ongoing service operation.
<b>Financial</b>	Risks arising from financial planning, budgetary control and the adequacy of insurance cover. Include issues that affect the ability of Council to meet its financial commitments.
<b>Frequency</b>	A measure of the number of occurrences
<b>Hazard</b>	A source of potential harm or a situation with a potential to cause injury, damage
<b>Likelihood</b>	The level of possibility that the Ararat Rural City Council could be exposed to risk.
<b>Monitor</b>	To check, supervise, observe critically or measure the progress of an activity, action or system on a regular basis to identify performance levels.
<b>Operational Risks</b>	Operational risks are take into consideration risks which will prevent units from delivery services to the community.
<b>Reputation / Brand Image / Political</b>	Risks arising from community expectations change of government, implementation of laws / regulations that apply to local government and how it conducts its business, governmental services, and activities. May include failure to deliver either local or State Government policy, or meet State Government requirements. Failure to meet current and changing community needs. Includes the threat to the reputation of Council due to conduct of staff or elected members.
<b>Residual Risk</b>	The remaining level of risk after risk treatment measures have been taken
<b>Risk</b>	Anything that could prevent the Council from achieving its objectives. Risk may arise from an event, an action, or from a lack of action. It is measured in terms of consequences and likelihood.
<b>Risk Analysis</b>	A systematic process to determine the level of risk after consideration of sources, consequences and likelihood.
<b>Risk Appetite</b>	The amount and type of risk that an organisation is willing to take in order to meet its strategic objectives. Risk Appetite is best described as an organisation's pursuit of risk or its willingness to take risks as opposed to avoiding them.
<b>Risk Assessment</b>	The overall process of risk analysis and risk evaluation.

# Risk Management Framework



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<b>Risk Category</b>	Source or risk used to assess consequence
<b>Risk Criteria</b>	Measures / standards by which the significance of risk can be assessed.
<b>Risk Control</b>	That part of risk treatment which involves the implementation of policies, standards, procedures and physical changes to a thing, work process or system of work to eliminate or minimise the impact of the risk.
<b>Risk Evaluation</b>	The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.
<b>Risk Identification</b>	Process of determining what, where, when. Why and how something could happen
<b>Risk Management</b>	The culture, processes and structures directed towards the effective management of potential opportunities and adverse effects.
<b>Risk Management Framework</b>	Set of elements and the Council's management system concerned with managing risk.
<b>Risk Management Policy</b>	The statement of overall intention and direction of an organisation related to risk management
<b>Risk Management Process</b>	The systematic application of management policies, procedures and practices to the tasks of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.
<b>Risk Owner</b>	The person or entity with the accountability and authority to manage a risk.
<b>Risk Profile</b>	The description of any set of risks.
<b>Risk Rating</b>	Risk priority based on consequence and likelihood assessments.
<b>Risk Reduction</b>	Actions taken to lessen the likelihood, negative consequence, or both, associated with a risk.
<b>Risk Reduction</b>	Acceptance of the potential for loss, or benefit of gain from a particular risk.
<b>Risk Transfer</b>	Shifting the responsibility or burden for loss to another party through legislation, contract, insurance or other mean. Risk transfer can also refer to shifting a physical risk or part thereof elsewhere.
<b>Risk Treatment</b>	The selection and implementation of appropriate options for dealing with risk.
<b>Service Delivery</b>	Risks arising from Council's ability to provide services to the community, dependence on outside suppliers, goods, services, utilities. May include risks associated with changes in demographic, residential or social economic trends and Councils ability to deliver its objectives. May include risks arising from community health issues, transport strikes or other event impacting Council ability to deliver services.
<b>Stakeholder</b>	A person or organisation that can affect, be affected by or perceive themselves to be affected by a decision or activity.
<b>Strategic Risks</b>	Strategic risks are the risks that have the potential to influence the achievement of strategic objectives outlined in the Council Plan

## **8 ADMINISTRATIVE UPDATES**

It is recognised that, from time to time, circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter this document, such a change may be made administratively. Examples include a change to the name of a Council department, a change to the name of a Federal or State department, and a minor update to legislation which does not have a material impact. However, any change or update which materially alters this document must be by resolution of Council.

## **9 REFERENCES**

AS ISO 31000:2018 Risk Management Guidelines  
Occupational Health & Safety Act 2004  
Local Government Act 1989  
Risk Management Policy  
Risk Register  
Fraud and Corruption Incident Register and Form  
Business Continuity Plan  
Disaster Recovery Plan

## **10 APPENDICES**

Appendix 1 – Risk Review Record  
Appendix 2 – Risk Treatment Plan

# Risk Management Framework



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Risk Assessment/Treatment Template							
Unit:		Location:					
Activity/Process:		Date of Assessment:					
Assessed by (Name):							
Risk Analysis			Risk Treatment (Controls)				
Identified Risks	Risk Analysis (refer Table A)		Risk Level (refer Table A) Low - Extreme	Description of Risk Treatment (How will the identified risks be controlled)	Responsible Officer (Name)	Due Date*	Completed Date**
	Likelihood	Consequence					
1							
2							
3							
4							
5							
6							
Signed by Assessor:			Position (Name):				
Signed by Manager:			Name of Manager:		Date Controls to be reviewed:		
Comments/Notes:							
Governance and Administration Coordinator:			Risk Register ID No: .....		Date of Review:		

\*\*Enter a date when the control measure was actually implemented.

\*Enter a date when the control measures are expected to be implemented.

# Risk Management Framework



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**Risk Assessment/Treatment Template**  
**TABLE A**  
**Likelihood / Consequences / Level**

LIKELIHOOD	CONSEQUENCES				
	1: Insignificant	2: Minor	3: Moderate	4: Major	5: Catastrophic
<b>Almost Certain:</b> The event is expected to occur in most circumstances or at least twice a year	Moderate	High	High	Extreme	Extreme
<b>Likely:</b> Expect this event at least annually	Moderate	Moderate	High	High	Extreme
<b>Possible:</b> The event might occur at some time over an extended period	Low	Moderate	Moderate	High	High
<b>Unlikely:</b> The event could occur at some time but is not usually experienced	Low	Low	Moderate	Moderate	High
<b>Rare:</b> The event may occur in exceptional circumstances	Low	Low	Moderate	Moderate	High

# Risk Management Framework



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Risk Treatment Plan	
Unit:	
Risk Treatment Description: (As per Risk Assessment/Treatment Form)	
Treatment Goal: (example - reduce risk rating from extreme to high by reducing likelihood and/or consequence)	
Current Risk Rating:	
Responsible Officer: (As listed in the risk register)	
Treatment Action:	
Activity (what & how):	
Treatment Action Responsible Officer:	
Resources Required:	
Reporting & Monitoring Required	
Compiled By:	Date:
Revised Risk Rating (After actions have been implemented)	
Revised Consequence Rating:	Revised Likelihood Rating:
	Revised Risk Rating: