



Ararat Rural City

# Risk Management Policy

## DOCUMENT CONTROL

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Governance and Administration Coordinator

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Council  
Audit and Risk Committee  
Chief Executive Officer  
Governance and Administration Coordinator

## INTENT

Ararat Rural City Council provides a wide variety of services and facilities, and operates in an environment that is often challenging and complex.

Council is committed to achieving sound risk management practices by identifying, assessing, treating and monitoring risks and ensuring that the organisation is able to achieve its long term financial objectives. Council will establish an organisational culture that ensures that an effective and integrated risk management approach is embedded in all activities and business processes.

The Risk Management Policy supports Council's strategic objective of "Organisational Risk - Plan for and manage Council's strategic, reputational and operational risk". Council has established a set of values which are implicit in work practices, including risk management and guide Council in servicing the community. Council's values are Respect, Excellence and Passion.

## POLICY

The purpose of this policy is to understand, manage and mitigate the potential risk that Council is exposed to.

This policy supports a structured and focused approach to managing risk. It complements the strategies adopted by Council to achieve its strategic objectives, in order to increase confidence and enhance the value the Council provides to its stakeholders.

Risk management principles will be applied at all stages of an activity, function, asset or project and is an integral part of the overall management process.

As far as is reasonably practicable Council will ensure that the organisation's operations do not place people, property or the environment at unacceptable levels of risk or harm. This includes, but is not restricted to, observing procedures agreed between management, employees, committees, volunteers and contractors.

Council is committed to ensuring that effective risk management provides:

- Protection for the organisation, Council assets and Councillors, employees, contractors, stakeholders and community against reasonably foreseeable risks;
- Promotion and support of risk management practices, which encourage and empower staff in managing risk;
- Monitoring of risk management practices to ensure a more effective allocation and use of resources;
- Improved incident management and reduce loss and the cost of risk, including commercial insurance premiums;
- Improved stakeholder confidence and trust; and
- Improved compliance with relevant legislative requirements.

Council is responsible for adopting a Risk Management Policy and ensuring there is adequate budgetary provision for the implementation and maintenance of this policy.

Risk management as a practice is integrated with the Council Plan, Budget, key performance indicators, staff position descriptions and staff performance appraisals, with training needs identified and delivered through a training plan.

The Policy should be read in conjunction with the Risk Management Framework.

### **Risk Management Framework**

To effectively implement the Risk Management Policy, Council has developed a Risk Management Framework. Council utilises the Risk Management Framework to provide guidance for managing risks within the organisation. The objective of the Risk Management Framework is to provide readily accessible, user-friendly and comprehensive materials that enable Council to:

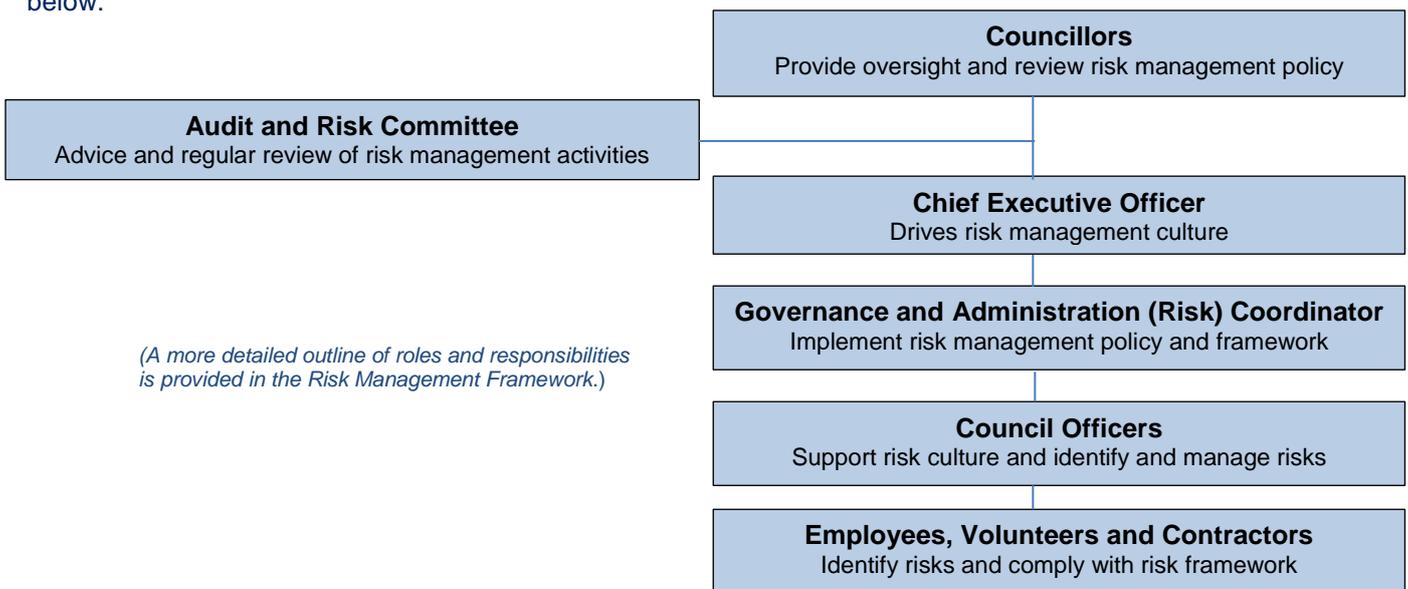
- Respond to the strategic objectives of the Council Plan;
- Embed into the organisation a commitment to the Risk Management Framework;
- Document the accountability for the management and reporting of risks; and
- Support a consistent risk management practice aligned to the Standard.

Set out below is a diagram illustrating how the Risk Management Framework interacts with other key organisational documents.



### Risk Management Framework, Roles and Responsibilities

It is important that everyone is aware of their individual and collective risk management responsibilities. Risk Management is not the sole responsibility of one individual, but is supported at all levels of Council as illustrated below:



### Strategic Risk Management

Council will maintain a strategic risk register including the key risks in the external and internal operating environment that could materially impact the delivery of Council services and its strategic objectives.

A summary of strategic risks, controls and improvement actions will at a minimum:

- Be considered by the Council at the commencement of the annual planning process;
- Be considered by the Audit and Risk Committee as part of development of the Internal Audit and Compliance Plan; and
- Be considered by the Chief Executive Officer on a quarterly basis.

### Operational Risk Management

Council will maintain an operational risk register including the key risks faced by each area of Council in the internal operating environment.

While risk management will be continuous, a full operational risk review will be conducted at the start of the annual planning process each year.

Officers are accountable for the management of operational risks within their respective areas.

## Risk Appetite and Tolerance

Council's Risk Management Policy and Framework are built upon the understanding that some risks, no matter how many controls are in place, involve potentially very serious consequences. Council is statutorily mandated to undertake and provide some services and activities that have a high-risk rating irrespective of controls in place.

Risk appetite expresses Council's attitude towards risk and its aspirations. It provides guidance for management on how to approach the treatment of risks that are inherent in undertaking Council activities. Where we have expressed "no appetite" for certain risks, in many cases it may not be possible and/or economically feasible to reduce risk to zero however this does not deter Council from its endeavour to minimise risk using all practicable steps in these areas.

The management of risk is subject to the same discipline of business case consideration that applies to all Council activities and controls. In considering its approach to risk Council has developed the following appetite statements for each of Council's risk categories.

<b>Finance</b>	We have a low appetite for decisions that have a significant negative impact on Council's long-term financial sustainability.
<b>Governance</b>	We have a low appetite for compliance breaches. We have a low appetite for non-compliance with legal, professional and regulatory requirements. We have a low appetite for risk associated with the loss of knowledge.
<b>Service Delivery</b>	We have a low appetite for risks that have a significant impact on the core operating or corporate systems of the organisation. We have a low appetite for risks arising from inadequate trained employees or failed internal processes. We have a high appetite for risks associated with innovations that create and encourage a flexible workforce. We have a low appetite for system failures or information and data security breaches. We have a low appetite for third party partner (contractors) failure which significantly impacts on Council and the community. We have a high appetite for improvements to service delivery and improved efficiency of Council operations.
<b>Environmental</b>	We have a medium appetite for decisions that promote economically sustainable development.
<b>Reputation</b>	We have a low appetite for risks that may result in widespread and sustained damage to its reputation We have no appetite for internal fraud, collusion, theft and associated reputational risk. We have a medium appetite for risks associated with changes in policy or the political environment.
<b>Occupational Health and Safety</b>	We have no appetite for compromising the safety and welfare of Councillors, employees, volunteers, stakeholders and members of the public.

## Performance and Monitoring

Risk management performance and monitoring is measured and reported in a number of ways including:

- Undertake risk assessments for key operations, projects and strategies on a regular basis;
- Ensuring that risk management system and strategic risks report are presented to the Council, the Audit and Risk Committee and Chief Executive Officer on a regular basis;
- Effectively responding to internal and external audit recommendations;
- Develop and monitoring of Key Performance Indicators (KPI's) as outlined in the Risk Management Framework;
- Review of Risk Management Policy and Risk Management Framework every two years or as required.
- Review of the Fraud and Corruption policy every two years or as required; and
- Monitor issues, topics and subjects that may impact on future operations to identify emerging risks.

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

## 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.

## SUPPORTING DOCUMENTS AND REFERENCES

AS / NZS ISO 31000:2018 Risk Management – Principles and guidelines  
2030 Council Vision  
Council Plan 2017-2021  
Risk Management Framework  
Risk Management Registers  
Fraud and Corruption Policy

## DEFINITIONS

TERM	DEFINITION
<b>Controls</b>	Measurable activities that are intended to modify the level of risk.
<b>Monitoring</b>	Continual checking or surveillance to determine the status and effectiveness of controls and treatments.
<b>Operational Risks</b>	Risks associated with daily operations to deliver core services.
<b>Risk</b>	An event or uncertainty that will stop the organisation in achieving its objectives.
<b>Risk Appetite</b>	The level of risk Council is prepared to accept, tolerate or be exposed to at any point in time. Once the risk appetite threshold has been breached, risk management controls and actions are required to bring the exposure level back within the accepted range.
<b>Risk Management</b>	The coordinated activities (culture, processes, and systems) to identify, analyse, mitigate, monitor and report risks.
<b>Risk Tolerance</b>	The level of risk that Council is prepared to accept, before action is deemed necessary to reduce it.
<b>Strategic Risks</b>	Risks associated with high level strategic objectives that align to the Council Plan.