

**8.1 OUTCOME OF ADVERTISING AND ADOPTION OF AMENDED RISK MANAGEMENT POLICY**

- Attachments:**
1. **Risk Management Policy (clean copy)**
  2. **Risk Management Policy (marked up)**
  3. **Risk Appetite and Tolerance Statements**

**RECOMMENDATION:**

**That Council APPROVES the amended Risk Management Policy at Attachment 1**

**PURPOSE OF REPORT:**

To present the outcome of community consultation and seek approval of the amended **Risk Management Policy** at **Attachment 1**.

**BACKGROUND:**

Council at its meeting 16 June 2020 meeting adopted the current Risk Management Policy (Policy).

The Policy replaced the City's Policy No. 4.1.26 – Risk Management and the risk likelihood and consequence tables were updated. Further amendments required high and extreme risks to be reported to Council (via the Audit Committee) for approval of the risk management actions.

At its 6 July 2021 meeting the Audit Committee endorsed proposed amendments to the Policy subject to community consultation and formal adoption by Council.

At its 23 August 2022 meeting, Council approved undertaking community consultation of the proposed amendments to the Policy.

In accordance with the City's [Community and Stakeholder Engagement Policy](#), community consultation was undertaken between Thursday 8 September 2022 and Monday 10 October 2022, which is in excess of the 21 days required.

The policy was advertised on the City of Vincent website, social media and through the following public notices:

- Perth Voice – Thursday 8 September 2022;
- Vincent Reporter – Saturday 10 September 2022; and
- notice exhibited on the notice board at the City's Administration and Library and Local History Centre.

No public submissions were received.

**DETAILS:**

The Policy establishes the City's risk management approach and the risk management responsibilities of Council and Administration.

The key amendments are listed below:

- a policy objective has been included to appropriately document the City's position.
- minor amendments to the terminology used, including the addition of a reference to "project risks", "residual risks (risks with controls/ treatments)" and the role of the Audit Committee in risk management;
- risk consequence criteria has been updated to align with risk management best practice and the City's context, including the addition of contract / project risks, and the change in terminology of an extreme consequence to a catastrophic consequence (to avoid confusion with extreme risks);
- risk likelihood criteria has been updated to include probability (from 0 -100 percent) this is an alternative means of assessing risk likelihood to the risk frequency method;
- a controls rating table has been added, to identify what are fully effective, adequate and inadequate controls;

- risk classification matrix – likely and major risks are rated as extreme instead of high, and minor and almost certain or catastrophic and unlikely are also rated as high risks;
- terminology changes to the risk management table and inclusion of role of Audit Committee;
- an additional provision to ensure that an appropriate level of expertise is sought in relation to risk classification;
- additional provision regarding implementation of changes to the Policy within the City’s existing risk register; and
- a new clause four has been added to ensure that the City’s Risk Appetite and Tolerance Statements are reviewed within three months of each ordinary Council election.

The proposed changes were prepared in consultation with RiskWest and have been endorsed by the City’s Audit Committee.

The proposed changes will facilitate better risk management and will ensure that the City’s Risk Appetite and Tolerance Statements at **Attachment 3** are reviewed and considered by new and continuing Council Members within three months of each ordinary Council election.

#### **CONSULTATION/ADVERTISING:**

No further consultation is required.

#### **LEGAL/POLICY:**

Regulation 17 of the *Local Government (Audit) Regulations 1996* provides that the CEO is to:  
“review the appropriateness and effectiveness of a local government’s systems and procedures in relation to –

(a) risk management; and

(b) internal control; and

(c) legislative compliance

..... not less than once in every 3 financial years.”

Section 2.7(2)(b) of the *Local Government Act 1995* provides Council with the power to determine policies.

The City’s [Policy Development and Review Policy](#) sets out the process for the development and review of the City’s policy documents.

#### **RISK MANAGEMENT IMPLICATIONS**

**Low:** Adopting the proposed policy is low risk.

#### **STRATEGIC IMPLICATIONS:**

The Policy objectives, as set out above align with the City’s Strategic Community Plan 2018-2028 as follows:

##### Innovative and Accountable

*We are open and accountable to an engaged community.*

#### **PUBLIC HEALTH IMPLICATIONS:**

This does not contribute to any public health outcomes in the *City’s Public Health Plan 2020-2025*.

#### **FINANCIAL/BUDGET IMPLICATIONS:**

Nil.

# RISK MANAGEMENT POLICY



<b>Legislation / local law requirements</b>	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i> .
<b>Relevant delegations</b>	Nil.
<b>Related policy procedures and documents</b>	Risk Management Procedure supports this Policy – defines the systems and processes in place to facilitate good practice risk management, and assigns responsibilities for the identification, management and treatment of risks.

## PURPOSE

Risk management facilitates the efficient delivery of the City of Vincent’s **(City)** strategic, operational and project objectives. This Policy establishes the City’s risk management approach and the risk management responsibilities of Council and Administration.

## OBJECTIVE

To:

- provide transparent oversight of risks to enable effective decision making;
- provide guidance on acceptable risk versus return associated with the City’s projects, services and programs;
- embed appropriate and effective controls to manage risk; and
- ensure the City adheres to its statutory and regulatory obligations.

## SCOPE

This Policy applies to Council, the Audit Committee and all employees and contractors of the City of Vincent.

Responsibilities for identifying, managing and treating risks, dependant on the risk rating, are detailed in the Risk Management Procedure.

# RISK MANAGEMENT POLICY



## POLICY PROVISIONS

### POLICY

The City supports an organisation-wide risk management approach to identify and manage risks and opportunities associated with the performance of the City's functions and the delivery of services. This Policy applies to all service and project delivery and any other decision-making activities. It ensures risks are identified and understood and the risk treatment is incorporated into service unit planning and resource allocation.

1. The City will develop and implement effective risk management systems and processes, as further defined in the City's Risk Management Procedure, that:
  - facilitate the achievement of the City's vision, strategies and objectives;
  - provide transparent and formal oversight of risks and the controls implemented, to enable effective decision making;
  - provide guidance on the level of risk versus return associated with the City's services and projects
  - ensure risk controls and treatments align with the City's risk appetite and tolerance;
  - embed appropriate and effective controls to mitigate risk;
  - achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations;
  - enhance organisational resilience;
  - identify and provide for the continuity of critical operations;
  - ensure risk management becomes part of day-to-day service and project management and processes; and
  - ensure that an appropriate level of expertise is sought in relation to risk classification.
2. Risks will be identified and managed in accordance with the risk consequence and likelihood criteria at **Attachment 1**. Risks are to be classified in accordance with the risk classification matrix at **Attachment 2**. Once classified, risks are to be managed in accordance with the risk rating at **Attachment 3**.
3. The acceptance and treatment of risk is dependent on the risk classification and risk rating. The treatment of residual (i.e., with controls) risks classified as high or extreme will be subject to review by the Audit Committee and Council.
4. The City's Risk Appetite and Tolerance Statements are to be reviewed within three months of each ordinary Council election.

# RISK MANAGEMENT POLICY



## IMPLEMENTATION

Any changes to this Policy will be applied to the City's existing risk register within 60 days of the Policy being amended.

OFFICE USE ONLY	
<b>Responsible Officer</b>	Executive Manager Corporate Strategy and Governance
<b>Initial Council Adoption</b>	16/06/2020 - D20/105102
<b>Previous Title</b>	Policy 4.1.26 – Risk Management.
<b>Reviewed / Amended</b>	TBA
<b>Next Review Date</b>	TBA

# RISK MANAGEMENT POLICY



## ATTACHMENT 1 – RISK CONSEQUENCE AND LIKELIHOOD CRITERIA

### 1.1 Consequence criteria

RATING	CONSEQUENCE							
	PEOPLE (SAFETY)	INTERRUPTION TO SERVICE	REPUTATION	COMPLIANCE (LEGAL & TECHNICAL)	PROPERTY	ENVIRONMENT	FINANCIAL IMPACT	CONTRACT/PROJECT
Low (1)	Physical injuries/illnesses requiring limited first aid treatment onsite only. No expected ongoing psychological impacts.	Impact managed through normal City business practices.	Isolated individual's issue-based complaint with no media coverage.	Breach of procedure but no noticeable regulatory or statutory impact.	Localised damage to City property which can be rectified by routine internal procedures and is within operating budget.	Contained, local environmental impact and/or negligible impact on heritage asset. Immediately rectifiable.	Short term impact on operating funds, or financial loss less than \$20,000 (0.035% of operating budget).	Insignificant breach of contract or delay in project which has a minor impact on service delivery, consistent with 'low' rating.
Minor (2)	First aid injury or illness treated on site with < 3 days attributable lost time. Psychological Impacts treated on site.	Impact requires additional City management effort or response or redirection of resources to respond.	Local community impacts restricted to one area or single-issue based concerns.	One or more temporary non-compliances. Low or medium audit or regulator findings.	Localised damage to City property requiring additional resources to rectify.	Environmental damage or harm which requires additional resources to rectify but can be contained and reversible.	Medium term impact on operating funds, or financial loss between \$20,001 - \$100,000 (0.035% - 0.17% of operating budget).	Minor breach of contract or delay to project which will have minor financial impact or delay service delivery, consistent with 'minor' rating.
Moderate (3)	Physical injury/illness requiring professional treatment, hospitalisation and/or lost time between 3 – 10 days. Psychological impact requiring professional treatment.	Delays in City-critical functions, services, activities or programs. Administration subject to significant review or change, with City - critical outcomes only partially achieved. Impact requires short term significant management and organisational resources to respond.	Negative community impacts and concerns publicly expressed. Reduced confidence publicly expressed by community and stakeholders.	Short term non-compliance but with significant regulatory requirements imposed and/or significant internal audit findings.	Significant damage across City-critical properties requiring ongoing management attention.	Environmental damage or harm which requires additional management resources by the City and external organisations to contain, any damage/harm which is containable and reversibility actions.	Impact to service delivery due to impact on operating funds, or financial loss between \$100,001 to \$250,000 (0.17% - 0.43% of operating budget).	Breach of contract or delay to project which will impact service delivery or result in damages payable by the City, consistent with 'moderate' rating.

# RISK MANAGEMENT POLICY



RATING	CONSEQUENCE							
	PEOPLE (SAFETY)	INTERRUPTION TO SERVICE	REPUTATION	COMPLIANCE (LEGAL & TECHNICAL)	PROPERTY	ENVIRONMENT	FINANCIAL IMPACT	CONTRACT/PROJECT
<b>Major (4)</b>	<p>Serious physical injury/illness requiring immediate emergency response or prolonged hospitalisation.</p> <p>Serious psychological injury requiring medium/long term professional medical treatment, counselling or ongoing intervention.</p>	<p>Long term viability of the City is threatened.</p> <p>One or more critical functions, services, activities or programs cannot be delivered.</p> <p>Majority of City-critical outcomes only partially achieved or a single City-critical outcome not achieved.</p> <p>Impact requires long term significant management and organisational resources to respond.</p>	<p>Considerable and prolonged negative community impact and dissatisfaction publicly expressed.</p> <p>Criticism and loss of confidence and trust by community and stakeholders in City's processes and capabilities.</p> <p>Organisation's integrity in question. Significant media attention.</p>	<p>Non-compliance results in cessation of City-critical services or imposed penalties. Significant external audit or regulator investigations and/or intervention.</p>	<p>Significant damage across City-critical properties requiring ongoing, additional resources and approvals to rectify.</p>	<p>Environmental damage or harm which is uncontained, requires a coordinated response from the City and multiple external organisations and is irreversible.</p>	<p>Significant impact to service delivery due to impact on operating funds, or financial loss between \$250,001 to \$1 million (0.43% to 1.7% of operating budget).</p>	<p>Significant changes to a project or breach of contract which may result in termination of contract and significantly impacts service delivery. Impact consistent with 'major' rating.</p>
<b>Catastrophic (5)</b>	<p>Death or severe permanent disablements.</p> <p>Permanent/long term psychological damage requiring extensive remedial intervention.</p>	<p>Majority of City-critical functions, services, activities or programs cannot be delivered.</p> <p>Majority of City-critical outcomes not achieved.</p> <p>Impact cannot be managed within the City's existing resources and threatens survival of the organisation.</p>	<p>Significant adverse community impact and condemnation.</p> <p>Consistent ongoing community loss of confidence and trust in City's capabilities and intentions.</p> <p>High widespread media.</p>	<p>Non-compliance results in criminal charges or loss of City's social licence to operate.</p>	<p>Extensive damage requiring prolonged period of restitution or complete loss of City-critical plant, equipment and building.</p>	<p>Environmental damage or harm which is uncontained, requires the lead of an external organisation and is widespread across the City and irreversible.</p>	<p>Insufficient operating funds over sustained period, or loss of more than \$1 million (over \$1.7% of operating budget).</p>	<p>Major project cannot be completed or critical breach of contract resulting in significant damages payable by the City or non-delivery of service for extended time.</p> <p>Impacts consistent with 'extreme' rating.</p>

## 1.2 Likelihood criteria (refer to the description or the frequency)

Level	Rating	Likelihood description	Likelihood frequency	PROBABILITY
5	<b>Almost Certain</b>	The event is expected to occur in most circumstances	More than once per year	>95%
4	<b>Likely</b>	The event will probably occur in most circumstances	At least once per year	75-95%
3	<b>Possible</b>	The event should occur at some time	At least once in three years	25-75%
2	<b>Unlikely</b>	The event could occur at some time	At least once in ten years	5-25%
1	<b>Rare</b>	The event will only occur in exceptional circumstances	Less than once in 15 years	<5%

# RISK MANAGEMENT POLICY

## 1.3 CONTROLS RATING TABLE



LEVEL	DESCRIPTOR	DESCRIPTION
FE	Fully Effective	Controls are adequate, appropriate and fully effective. Overall control environment provides reasonable assurance that the risk is being managed. Control objectives are being met and no improvements to controls have been identified.
A	Adequate	A few specific control weaknesses noted however the overall control environment is adequate, appropriate and effective. Certain controls may require improvement to ensure that the overall environment will continue to operate effectively.
I	Inadequate	Numerous specific controls weaknesses or gaps were noted. Overall control environment is not adequate or effective and fails to provide reasonable assurance that risks are being managed and control objectives are being met. The control environment needs improvement.

# RISK MANAGEMENT POLICY



## ATTACHMENT 2 - RISK CLASSIFICATION MATRIX

Consequence		Low	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Medium	Medium	High	Extreme	Extreme
Likely	4	Low	Medium	High	Extreme	Extreme
Possible	3	Low	Medium	Medium	High	High
Unlikely	2	Low	Low	Medium	Medium	High
Rare	1	Low	Low	Low	Low	Medium

## ATTACHMENT 3 - RISK RATING AND MANAGEMENT

Risk Classification	Action	Risk management process	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to ongoing monitoring	Manager
MEDIUM	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to ongoing monitoring	Executive Director
HIGH	Urgent Attention Required	Risk acceptable with fully effective controls. Risk treatment requires approval by Audit Committee and Council.	CEO + Council
EXTREME	Unacceptable	Risks will typically be unacceptable. They require fully effective controls and additional risk treatments required subject to CEO, Audit Committee and Council approvals	CEO + Council

*\*\*Extreme risks require a risk treatment plan which is reported to the CEO (via the Executive Management Committee) and the Audit Committee until the risk rating is at an acceptable level.*

# RISK MANAGEMENT POLICY



<b>Legislation / local law requirements</b>	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i> .
<b>Relevant delegations</b>	Nil.
<b>Related policy procedures and documents</b>	Risk Management Procedure supports this Policy – defines the systems and processes in place to facilitate good practice risk management, and assigns responsibilities for the identification, management and treatment of risks.

## PURPOSE

Risk management facilitates the efficient delivery of the City of Vincent’s **(City’s)** strategic, **and** operational **and project** objectives. This Policy establishes the City’s risk management approach and the risk management responsibilities of Council and Administration.

## OBJECTIVE

To:

- provide transparent oversight of risks to enable effective decision making;
- provide guidance on acceptable risk versus return associated with the City’s projects, services and programs;
- embed appropriate and effective controls to manage risk; and
- ensure the City adheres to its statutory and regulatory obligations.

## SCOPE

This Policy applies to Council, the Audit Committee and all employees and contractors of the City of Vincent.

Responsibilities for identifying, managing and treating risks, dependant on the risk rating, are detailed in the Risk Management Procedure.

## POLICY

The City supports an organisation-wide risk management approach to identify and manage risks and opportunities associated with the performance of the City’s functions and the delivery of services. This Policy applies to all service and project delivery and any other decision-making activities. It ensures risks are identified and understood and the risk treatment is incorporated into service unit planning and resource allocation.

1. The City will develop and implement effective risk management systems and processes, as further defined in the City’s Risk Management **Framework Procedure**, that:
  - facilitate the achievement of the City’s vision, strategies and objectives;

# RISK MANAGEMENT POLICY



- provide transparent and formal oversight of risks and the controls implemented, to enable effective decision making;
  - provide guidance on the level of risk versus return associated with the City’s services and projects **and**
  - ensure risk controls and treatments ~~(controls implemented)~~ **align** with the City’s risk appetite and tolerance;
  - embed appropriate and effective controls to mitigate risk;
  - achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations;
  - enhance organisational resilience;
  - identify and provide for the continuity of critical operations; **and**
  - ensure risk management becomes part of day-to-day service and project management and processes; **and**
  - ensure that an appropriate level of expertise is sought in relation to risk classification.
2. Risks will be identified and managed in accordance with the risk consequence and likelihood criteria at **Attachment 1**. Risks are to be classified in accordance with the risk classification matrix at **Attachment 2**. Once classified, risks are to be managed in accordance with the risk rating at **Attachment 3**.
  3. The acceptance and treatment of risk is dependent on the risk classification and risk rating. The treatment of of residual (i.e., with controls) risks classified as high or extreme (~~with controls~~) will be subject to approval review by the Audit Committee and Council.
  4. The City’s Risk Appetite and Tolerance Statements are to be reviewed within three months of each ordinary Council election.

## IMPLEMENTATION

Any changes to this Policy will be applied to the City’s existing risk register within sixty (60) days of the Policy being amended.

OFFICE USE ONLY	
Responsible Officer	Please use title only
Initial Council Adoption	DD/MM/YYYY
Previous Title	Applicable if the policy has been renamed
Reviewed / Amended	DD/MM/YYYY
Next Review Date	MM/YYYY

# RISK MANAGEMENT POLICY

## ATTACHMENT 1 – RISK CONSEQUENCE AND LIKELIHOOD CRITERIA



### 1.1 Consequence criteria

RATING RATING	CONSEQUENCE							
	PEOPLE (SAFETY)	INTERRUPTION TO SERVICE	REPUTATION	COMPLIANCE (LEGAL & TECHNICAL)	PROPERTY	NATURAL ENVIRONMENT	FINANCIAL IMPACT	CONTRACT / PROJECT
Low (1)	Physical injuries/illnesses requiring limited first aid treatment onsite only. No expected ongoing psychological impacts. Minor injury or ailment to staff, results in loss of time less than 5 days.	Impact managed through normal City business practices. Failure of assets / disruption which results in inconvenience but no material service interruption (resolved within one day).	Isolated individual's issue-based complaint with no media coverage. An incident with low impact on community trust which is covered in a community newspaper and/or has a social media profile for maximum of a day.	Breach of procedure but no noticeable regulatory or statutory impact. Minor compliance (technical or legal) breach which is not reportable and can be resolved within 24 hours.	Localised damage to City property which can be rectified by routine internal procedures and is within operating budget \$20,000 (0.035% of operating budget).	Contained, local environmental impact and/or negligible impact on heritage asset. Immediately rectifiable. Environmental damage or harm which can be contained by an internal response within 1 week, and any damage / harm can be reversed by the City's action.	Short term impact on operating funds, or financial loss less than \$20,000 (0.035% of operating budget).	Insignificant breach of contract or delay in project which has a minor impact on service delivery, consistent with 'low' rating.
Minor (2)	First aid injury or illness treated on site with < 3 days attributable lost time. Psychological impacts treated on site. Injury or ailment to staff resulting in loss of time between 5-10 days.	Impact requires additional City management effort or response or redirection of resources to respond. Failure of assets / disruption which results in temporary interruption which can be resolved within one week (backlog cleared within one week).	Local community impacts restricted to one area or single-issue based concerns. Public embarrassment, some impact on community trust, covered in community newspaper and/or social media profile which lasts for less than a few days.	One or more temporary non-compliances. Low or medium audit or regulator findings. More than one minor compliance breach or minor breach with potential for minor damages or monetary penalty.	Localised damage to City property requiring additional resources to rectify (reallocation within operating budget – \$20,001 – \$100,000 (0.035% – 0.17% of operating budget)).	Environmental damage or harm which requires additional management resources to rectify by external agencies or contractors and can be contained within 1 week, and any damage / harm can be reversed by the City's actions but can be contained and reversible.	Medium term impact on operating funds, or financial loss between \$20,001 - \$100,000 (0.035% - 0.17% of operating budget).	Minor breach of contract or delay to project which will have minor financial impact or delay service delivery, consistent with 'minor' rating.
Moderate (3)	Physical injury/illness requiring professional treatment, hospitalisation and/or lost time between 3 – 10 days. Psychological impact requiring professional treatment. Injury or ailment to staff resulting in loss of time greater than 10 days, or causes temporary disability to staff member, or public exposed to a hazard which is attributable to the City, but immediately treatable / resolved.	Delays in City-critical functions, services, activities or programs. Administration subject to significant review or change, with City - critical outcomes only partially achieved. Impact requires short term significant management and organisational resources to respond. Failure of assets / disruption which results in one month+ interruption, may require additional resources to resolve within one month (backlog cleared within one month).	Negative community impacts and concerns publicly expressed. Reduced confidence publicly expressed by community and stakeholders. Covered in community newspaper and social media profile which lasts for more than a few days, attention by regulators or state department/ government.	Short term non-compliance but with significant regulatory requirements imposed and/or significant internal audit findings. Short to medium term non-compliance which may result in prosecution / fine. Investigation may be required.	Significant damage across to City-critical properties requiring ongoing management attention for a period of up to three months (\$100,001 to \$250,000 (0.17% – 0.43% of operating budget)).	Environmental damage or harm which requires additional management resources by the City and external agencies/organisations or contractors and takes 1 week – 1 month to contain, and any damage / harm which is containable and reversible can be reversed by the City's reversibility actions.	Impact to service delivery due to impact on operating funds, or financial loss between \$100,001 to \$250,000 (0.17% - 0.43% of operating budget).	Breach of contract or delay to project which will impact service delivery or result in damages payable by the City, consistent with 'moderate' rating.

# RISK MANAGEMENT POLICY



<b>Major (4)</b>	<p>Serious physical injury/illness requiring immediate emergency response or prolonged hospitalisation.</p> <p>Serious psychological injury requiring medium/long term professional medical treatment, counselling or ongoing intervention.</p> <p>Permanent disability or life threatening injury to staff member, or public exposed to a hazard which is attributable to the City and results in</p>	<p>Long term viability of the City is threatened.</p> <p>One or more critical functions, services, activities or programs cannot be delivered.</p> <p>Majority of City-critical outcomes only partially achieved or a single City-critical outcome not achieved.</p> <p>Impact requires long term significant management and organisational resources to respond.</p> <p>Failure of assets / disruption</p>	<p>Considerable and prolonged negative community impact and dissatisfaction publicly expressed.</p> <p>Criticism and loss of confidence and trust by community and stakeholders in City's processes and capabilities.</p> <p>Organisation's integrity in question. Significant media attention. Board intervention. Public embarrassment, high impact on community trust, covered in community and state</p>	<p>Non-compliance results in cessation of City-critical services or imposed penalties. Significant external audit or regulator investigations and/or intervention.</p> <p>Non-compliance results in termination of services or imposed penalties to City / Staff.</p>	<p>Significant damage across to City-critical properties requiring ongoing, additional resources and approvals to rectify (Council approval of funds required, \$250,000 – \$1 million (0.43% to 1.7% of operating budget) Period of restitution up to six months.</p>	<p>Environmental damage or harm which remains uncontained, for over a month and requires a coordinated response from the City and multiple external organisations and is irreversible external agencies, but is reversible by coordinated response.</p>	<p>Significant impact to service delivery due to impact on operating funds, or financial loss between \$250,001 to \$1 million (0.43% to 1.7% of operating budget)</p>	<p>Significant changes to a project or breach of contract which may result in termination of contract and significantly impacts service delivery. Impact consistent with 'major' rating.</p>
<b>Extreme/Catastrophic (5)</b>	<p>Death or severe permanent disablements.</p> <p>Permanent/long term psychological damage requiring extensive remedial intervention.</p> <p>Fatality to staff member, or public exposed to a hazard which is attributable to the City and results in widespread adverse health impacts.</p>	<p>Majority of City-critical functions, services, activities or programs cannot be delivered.</p> <p>Majority of City-critical outcomes not achieved.</p> <p>Impact cannot be managed within the City's existing resources and threatens survival of the organisation. Failure of assets / disruption which results in a prolonged interruption of core or essential services</p>	<p>Significant adverse community impact and condemnation.</p> <p>Consistent ongoing community loss of confidence and trust in City's capabilities and intentions.</p> <p>High widespread media Public embarrassment with significant reputational damage, widespread loss of community trust, widespread and sustained community, state and national newspaper and TV coverage and social media profile, third party action</p>	<p>Non-compliance results in criminal charges or loss of City's social licence to operate.</p> <p>Non-compliance results in criminal charges or significant damages or penalties to City / staff.</p>	<p>Extensive damage requiring prolonged period of restitution or complete loss of City-critical plant, equipment and building or over \$1,000,000 (1.7% of operating budget)</p>	<p>Environmental damage or harm which is uncontained, requires the lead of an external organisation and is widespread across the City and irreversible Environmental damage or harm which can not be contained and is not reversible by a coordinated response.</p>	<p>Insufficient operating funds over sustained period, or loss of more than \$1 million (over \$1.7% of operating budget).</p>	<p>Major project can not be completed or critical breach of contract resulting in significant damages payable by the City or non-delivery of service for extended time.</p> <p>Impacts consistent with 'extreme' rating.</p>

## 1.2 Likelihood criteria (refer to the description or the frequency)

Level	Rating	Likelihood description	Likelihood frequency	PROBABILITY
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year	>95%
4	Likely	The event will probably occur in most circumstances	At least once per year	75-95%
3	Possible	The event should occur at some time	At least once in three years	25-75%
2	Unlikely	The event could occur at some time	At least once in ten years	5-25%
1	Rare	The event will only occur in exceptional circumstances	Less than once in 15 years	<5%

# RISK MANAGEMENT POLICY

## 1.3 CONTROLS RATING TABLE



LEVEL	DESCRIPTOR	DESCRIPTION
FE	Fully Effective	Controls are adequate, appropriate and fully effective. Overall control environment provides reasonable assurance that the risk is being managed. Control objectives are being met and no improvements to controls have been identified.
A	Adequate	A few specific control weaknesses noted however the overall control environment is adequate, appropriate and effective. Certain controls may require improvement to ensure that the overall environment will continue to operate effectively.
I	Inadequate	Numerous specific controls weaknesses or gaps were noted. Overall control environment is not adequate or effective and fails to provide reasonable assurance that risks are being managed and control objectives are being met. The control environment needs improvement.

# RISK MANAGEMENT POLICY



## ATTACHMENT 2 - RISK CLASSIFICATION MATRIX

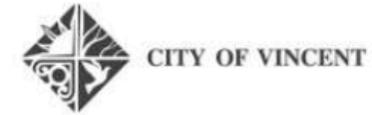
Consequence		Low	Minor	Moderate	Major	ExtremeCatastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Medium	High-Medium	High	Extreme	Extreme
Likely	4	Low	Medium	High	High-Extreme	Extreme
Possible	3	Low	Medium	Medium	High	High
Unlikely	2	Low	Low	Medium	Medium	High
Rare	1	Low	Low	Low	Low	Medium

## ATTACHMENT 3 - RISK RATING AND MANAGEMENT

Risk Classification	Action	Risk management process	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to ongoing monitoring	Manager
MEDIUM	Monitor	Risk acceptable with adequate and effective controls, managed by specific procedures and subject to ongoing monitoring	Executive Director
HIGH	Urgent Attention Required	Risk acceptable with fully effective controls. Risk-treatment subject to Council-approval. Risk treatment requires approval by Audit Committee and Council.	CEO + Council
EXTREME	Unacceptable	Risks will require an immediate plan. Only requiring fully effective controls and additional risk treatment is required, subject to CEO, Audit Committee and Council approval.	CEO + Council

**\*\*Extreme risks require a risk treatment plan which is reported to the CEO (via the Executive Management Committee) and the Audit Committee until the risk rating is at an acceptable level.**

# RISK APPETITE & TOLERANCE STATEMENTS



## Overall City of Vincent risk appetite statement

The community want us to be a Council and an organisation that is clever, creative, and courageous - willing to push the operational boundaries and willing to think and act as an enabler.

We put this into practice in our everyday work and decision making by understanding and managing the risks in being clever and creative but still taking action to meet our strategic goals.

The City seeks to minimise its exposure to key risks relating to people, financial operational and regulatory and compliance responsibilities, while still taking action. We will ensure appropriate measures to mitigate our risks are in place.

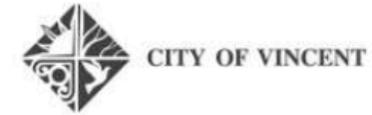
## Detailed Statements and Descriptors

Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<b>Financial Sustainability</b>		
<i>Financially Volatile Decisions</i>	The City has a <b>low appetite</b> for risk in decision making that impacts financial volatility and sustainability	These are for those decisions not specifically considered below:  Based on risk consequence criteria - Risk of loss in excess of \$100,000 (0.035% - 0.17% of operating budget)
<i>Decisions causing Budget Deficiency</i>	The City has a <b>low tolerance</b> for decisions or actions that result in material deficiency in achievement of budgeted: <ul style="list-style-type: none"> <li>- Surplus</li> <li>- Balance sheet ratios</li> <li>- Profit and loss ratios</li> <li>- Rate of return on investments</li> </ul>	Based on risk consequence criteria - Risk of loss or missing budget in excess of \$100,000 (0.035% - 0.17% of operating budget)
<b>Financial Investment &amp; Growth</b>		
<i>Sustainable financial investments</i>	The City has a <b>moderate risk appetite</b> for investments; investments must support strategic initiatives and financial sustainability. Investments must be aligned with the values and principles of the City.	Investments need to be in line with the City's Corporate Business Plan and Strategic Community Plan.

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City of Vincent Risk Appetite and Tolerance Statements - D20/26234

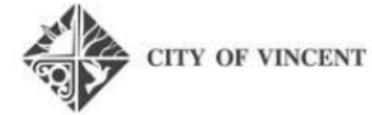
# RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<i>Forwards, hedges, and derivatives</i>	The City has <b>no tolerance</b> for investments in forwards, hedges, and derivatives.	Organisations often use financial instruments to manage the risk in commodity and foreign currency. These can be very risky if not appropriately utilised; and the City has chosen not to use these instruments.
<i>Debt for growth</i>	The City has a <b>moderate appetite</b> to take on risk to fund growth.	This ties into the investment appetite; however specifically considers the use of debt funding. Based on the consequence table, a moderate risk would be in the vicinity \$100,001 to \$250,000 (0.17% - 0.43% of operating budget).
<i>Specific ratios - No specific rating given as these are set parameters that the City has determined that it must operate within. Rations (and thresholds) are determined by the State Government.</i>	<ul style="list-style-type: none"> <li>The City's debt to service ratio must always be above 5.</li> <li>Total Liabilities are never to exceed Total Assets</li> <li>Proposals supporting debt funding must be supported by a cash flow analysis that is financially sustainable</li> </ul>	<p>The debt to service ratio measures the City's ability to pay its debt. It is calculated by the annual operating surplus (before depreciation and interest), divided by the debt service cost, and is currently 5.092.</p> <p>Financial sustainability for debt funding will need to consider:</p> <ul style="list-style-type: none"> <li>Free cash flow for monthly, capital or balloon payments</li> <li>Interest cover - refer above for the level of financial risk acceptable</li> <li>Cost of not undertaking project - i.e., repairs and maintenance of the current solution</li> <li>Future cost of new project once implemented - i.e., for a community centre, insurance, licences etc</li> </ul>
<b>Business collaboration</b>		
<i>Commercially viable collaboration</i>	The City has a <b>moderate risk appetite</b> to being more commercially adept and to explore avenues to identify cost efficiency drivers, collaboration with business partners to deliver on objectives through commercially viable arrangements and partnerships.	Within the boundaries of the appetite stated above in respect to investments being within the City's Corporate plans and strategies, the City is willing to consider proposals to use partnerships and contracts to facilitate meeting the City's objectives, where consistent with legislative requirements ( <i>Local Government Act 1995</i> ). Suggestions would include using outside service providers to deliver current services provided by the City more efficiently, i.e., Waste Collection; or working

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

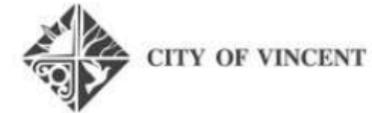
# RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
		collaboratively with an Arts organisation to set up a festival. Other projects may include working with developers.
<i>3<sup>rd</sup> party Partner (Contractor) failure</i>	The City has a <b>low risk appetite</b> for third party partner (contractors) failure.	The City utilises many outside organisations in delivering on its mandate. This low appetite means that even minor or insignificant breaches in contracts or delays in delivery of products and services will be taken seriously. Accordingly, third party risk must be considered before entering into any contract, including reputation of third party, financial viability, audit clauses etc.
<b>Procurement</b>		
<i>Procurement failure</i>	The City has a <b>low risk appetite</b> for procurement failures that lead to poor value for money or financial loss, poor quality of service; incorrect or substandard products or delayed delivery; wastage of funds or services.	This ties into the above point; and thereby requires appropriate procedures in the procurement process to ensure the required outcomes for the City and appropriate enquiry and planning prior to purchases. Note, appropriate delegations must exist to support this.
	The City has <b>zero tolerance</b> for procurement decisions that endanger our staff and community.	Procurement decision making must consider the risk of injury or harm to the staff & community of Vincent. An example of this would be allowing the Beatty Park pool to use unregulated or unauthorised chemicals.
<b>Asset &amp; Environment management &amp; sustainability</b>		
<i>Environmentally dangerous activity</i>	The City supports investments, activities and developments that result in a sustainable future for our community while meeting the current needs of our residents.  It recognises that this may at times involve accepting some degree of risk and is comfortable with this, subject to always ensuring that potential benefits and risks are fully understood before planning is approved and that appropriate measures to mitigate risk are established.	There is often a payoff. Proposals need to consider the risks and rewards based on the promises made to the community. This has been envisaged with the City's Project Management Framework implementation and future actions.

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

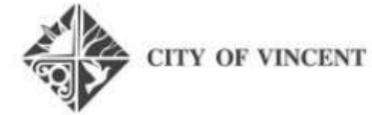
# RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<i>Ecologically sustainable decisions</i>	The City has a high risk appetite for ecologically sustainable decisions	Activities that favour environmentally conscious actions will more likely be approved than those that don't. Furthermore, the City will act swiftly against actions that are detrimental to the environment.
<i>Resource wastage</i>	The City is committed to protecting and preserving the environment and has a <b>low risk appetite</b> for activities that would significantly degrade the environment and a <b>high risk appetite</b> for decisions that promote ecologically sustainable development. The City has a <b>low risk appetite</b> for irresponsible use of its resources.	
<i>Activities against ratepayer values &amp; ethics</i>	The City has a <b>very low risk appetite</b> for investments and activities that do not align with the City's values.	The City has set its vision, purpose and guiding values based on the interpretation of those of the community it serves. When entering into new projects, investments and proposals, these values must be considered as one of the key consideration sets.
<i>Activities, structures, projects that present health risk for the community</i>	The City has a <b>low risk appetite</b> for activities, structures and projects that threaten the health of its community.	The City is committed to ensuring the health and wellbeing of its residents, this must be considered within the activities, projects, and new builds it approves or invests in. Activities that do not align with this will only be approved in exceptional circumstances. An example might be the approval of a Neo-Nazi festival to occur within the City's park space. A multi residential building with no nearby open space may be another example.
<b>Values and Behaviours</b>		
<i>Behaviour or conduct against City values</i>	The City is an equal opportunity employer that employs skilled and experienced employees in positions with clearly defined roles and responsibilities; it has a <b>low risk appetite</b> for actions and behaviours that threaten the people and organisational capacity.	This sets the City's view on the criticality of its employees and the City culture; accordingly, staff must be selected based on appropriate due diligence and fit for purpose considerations including against the City values. Behaviours and actions of current staff must be measured against their job performance criteria and against the values.
<i>Low individual and team performance</i>	The City places high importance on its values and a culture of integrity in conduct, performance excellence, innovation, equality and diversity, dignity and respect, collegiality, and cultural	Refer above.

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

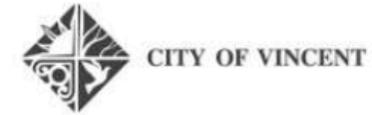
# RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
	sensitivity. It has a <b>low risk appetite</b> for behaviour or conduct which does not meet these standards.	
<b>Human Resource</b>	The City has a <b>low risk appetite</b> for human resource risk.	
<i>Lack of Staff feedback &amp; development</i>	The City has a <b>low risk appetite</b> for risk in practices or behaviours that lead to staff not receiving feedback and development; resulting in low staff performance, moral and staff retention.	KPI's need to be developed that ensure that staff performance management is undertaken within certain timeframes and parameters - timely responses and feedback provided, and that retention ratios are considered and acted on were outside norms. Regular surveys will support understanding moral & engagement and to understand what can be done to improve areas.
<i>Behaviour reducing cultural diversity &amp; awareness</i>	The City has a <b>low risk appetite</b> for practices and behaviours that result in a workforce that is not diverse and culturally aware, be this through recruitment or day to day workplace activities.	Activities and actions to involve and include staff from diverse backgrounds considering culture, age, gender, experience sets etc.
<i>Harm of staff, clients, partners, or visitors</i>	The City has a <b>very low risk appetite</b> for risk in practices or behaviours that lead to the harm of staff, clients, partners, or visitors in its premises or when undertaking work related activities (within its control and responsibility).	The City's continued focus on OH&S matters, staff and contractor induction support this appetite. All new activities and projects should further consider the impact on the City's community.
<i>Breach of code of conduct, ethics, and Law</i>	The City has <b>no appetite</b> for conduct that is unlawful, unethical, or otherwise breaches the Code of Conduct or reflects misconduct / serious misconduct.	
<b>Health and Safety</b>		
<i>Inadequate &amp; untimely reporting of breach &amp; near-miss incidents</i>	The City has a <b>low appetite</b> for health and safety risk, and in particular a <b>very low tolerance</b> for inadequate or untimely remedy and reporting of breach incidents, or near misses.	The City's continued focus on OH&S matters, staff and contractor induction support this risk.
<i>Negligent &amp; deliberate violations of health &amp; safety requirements</i>	The City has <b>no tolerance</b> for negligent, deliberate, or purposeful violations of health and safety requirements.	

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

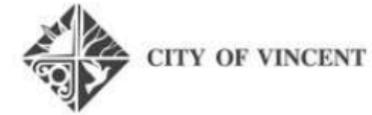
# RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<b>Business Service</b>	The City acknowledges that in order to be innovative and nimble that some degree of risk taking is inevitable, however these risks must be considered in light of maintaining continuity of services to our stakeholders.	See below
<i>Disruption to the operation of the business</i>	The City has a very <b>low tolerance</b> for risks that may result in disruption to the operation of the business. Including loss of statutory services, operational continuity, loss, or lack of documentation of corporate knowledge. These risks will be mitigated and controlled to where the cost of control is equal to the marginal cost of the risk.	Interruption to services has been included in the Consequence criteria. A very low tolerance would be considered where <i>“Failure of assets / disruption which results in inconvenience but no material service interruption (resolved within one day).”</i> So, where there is a disruption, for example the phone lines are down, then a solution needs to be found within one day. The cost of this control must also be considered in the action sought.
<i>Loss or lack of documentation of corporate knowledge</i>	The City has a very <b>low risk tolerance</b> for loss or lack of documentation of corporate knowledge.	In order for the City to continue to provide services to its stakeholders to the degree required, the City must continue to maintain adequate systems and processes that support maintenance of all corporate knowledge.
<b>Governance</b>	The City is committed to best practice governance and practices and behaviours that support ethical, consistent, and informed decision making, compliance with legislation, regulation and internal and external reporting requirements.	
<i>Breaches in regulations, professional standards, and ethics</i>	The City has a <b>very low risk appetite</b> for any breaches in regulations, professional standards, and ethics.	There is a low, but not zero appetite for breaches. An example would be the submission of a BAS late due to resource constraints within the City. See specific examples below
<i>Bribery or Fraud</i>	The City has <b>no tolerance</b> for bribery or fraud.	The City will investigate all allegations and take action to the full extent of its capacity.
<i>Less than better practice for Governance, Due diligence, Accountability and Sustainability</i>	The City has a <b>low risk tolerance</b> for less than better practice decision making for governance, due diligence, accountability, and sustainability, as measured by accepted industry standards and practices.	

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

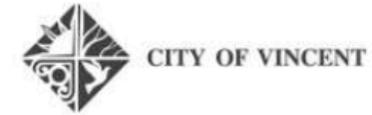
# RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<i>A breach in Delegated Authority</i>	The City has a <b>very low risk tolerance</b> for breach in delegated authority.	
<i>Poor Project or Change Management</i>	The City has <b>low risk tolerance</b> for incidents or impacts which are generated by poor project management or change management practices.	The risk consequence level will need to be considered.
<b>Information &amp; Systems management</b>		
<i>Compromising information, its management, security, and storage</i>	The City has a <b>very low appetite</b> for the compromise of processes governing the integrity of, and access to, information; the use of information, its management, security, and storage.	The City wishes to keep the information it has custody of, safe, secure, and uncompromised. Accordingly, it requires appropriate governance, a framework and processes in place for managing this risk.
<i>Information management and Security risk</i>	The City of Vincent has <b>very low appetite</b> for information management and security risk.	
<i>Internal or External threats to private information</i>	The City has <b>no appetite</b> for threats to private information arising from internal breaches or external malicious attacks.	
<i>Deliberate misuse of information</i>	The City has <b>no appetite</b> for the deliberate misuse of information.	
<i>Breaches of the Code of Conduct</i>	The City has <b>no appetite</b> for repeat breaches of the Code of Conduct.	
<i>Safe &amp; approved Systems Development</i>	The City has a <b>moderate risk appetite</b> for systems development and changes where it is within the approved strategy, budget, and plans; and appropriate safeguards are installed.	Systems development always comes with an inherent risk factor, accordingly there must be an acknowledgement that for changes to occur some risk must be taken, however appropriate project plans and procedures should be in place to manage this risk.
<b>Community Services</b>	The City seeks to create a connected community where the City's residents can interact with the built environment and nature to	

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

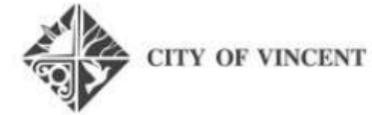
# RISK APPETITE & TOLERANCE STATEMENTS



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	create a vibrant and inclusive place to live, work and play. The City recognises that its purpose is tied to the needs and expectations of its community and in particular the rate payers. In order to meet these needs a certain level of collaboration and co-operation with these stakeholders is beneficial and necessary.	
<i>Community Engagement and Increased Participation</i>	The City has a <b>high appetite</b> for risks that will drive strong community engagement and increased participation.	The City wishes to match its community desire for high levels of engagement, and this is acknowledged to come with more risk. An example is the BMX track, which was highly desired by the community, but has associated risks.
<i>Constructive Community Consultation</i>	The City has a <b>high risk appetite</b> to engage in community consultation to deliver on our strategic objectives. This collaboration cannot be to the detriment of ensuring an efficient and effective decision-making process in the spirit of sustainability and achievement of objectives. (See sustainability above)	This point was important in driving the high engagement and participation in delivery of the City’s objectives. But this should not be used as a lever to hinder progress or unnecessarily delay decision making.
<i>Activity risking long-term values or reputation of Council</i>	The City has <b>zero risk appetite</b> in any activity that will put its long-term values or reputation at risk.	
<i>Failure to meet customer commitments and/or provide appropriate advice and address regulatory concerns</i>	The City has a <b>very low risk appetite</b> for operational risks arising from failure to meet customer commitments and/or appropriateness of advice.	The City must provide appropriate advice to stakeholders and meet its commitments.  The City will promptly take action to address ratepayer/customer complaints and regulatory concerns.
<i>Negotiate with Regulators, State &amp; Federal Government Agencies</i>	The City has a <b>high risk appetite</b> to consult and negotiate with regulators, State & Federal Government Agencies to achieve the City’s objectives.	
<i>Leasing of Community Facilities</i>	The City has a <b>moderate risk appetite</b> for financial loss in respect to the use of the City’s community facilities provided the use is: <ul style="list-style-type: none"> <li>• in the community interest</li> <li>• satisfies a recognised community purpose</li> </ul>	This is to ensure we are considering the needs of our community together with the financial impacts of decision making.

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

# RISK APPETITE & TOLERANCE STATEMENTS



Strategic Risks & Categories
<p><b>Finance, procurement &amp; contracts</b></p> <p>Risks relating to ensuring reliability and timeliness of financial and other information; as well as ensuring the financial sustainability and viability of the City. Risk of failures in the City’s procurement and contract engagement and management processes resulting in business loss or disruption.</p>
<p><b>Asset Management &amp; sustainability, environment management</b></p> <p>Risks associated with investing in, developing and maintaining the City’s infrastructure to ensure reliability and to meet its Vision and strategy. Risk of the City’s current activities compromising the ability for the future residents meeting their needs. This refers to social and environmental needs. Consideration of both physical and investment actions.</p>
<p><b>OH&amp;S, employment practices</b></p> <p>Risks relating to strategies and systems to maintain a workforce and partnerships that are productive, safe, and diverse as well as an effective and accountable organisational environment. Risks include workforce capability and capaCity, including staff, volunteers, contractors, and subcontractors.</p>
<p><b>Business service disruption:</b></p> <p>Risks or events that could cause disruption to services or operations; and/or impair or enhance the delivery of the program or project on time and within budget, or the quality of its outcomes; events that could lead to damage to your reputation, assets or compromise the security of sensitive information.</p>
<p><b>Governance, misconduct &amp; fraud:</b></p> <p>Risks resulting in failure to meet regulatory, compliance and accountability requirements; inadequate or unclear definition of roles and responsibilities; lack of effective and transparent decision-making processes; inadequate control and procedural frameworks; the robustness of any third-party systems and processes.</p>
<p><b>Information &amp; systems management:</b></p> <p>Risks that jeopardise information being authentic, appropriately classified, properly secured, and managed in accordance with legislative and operating requirements. Technology solutions must support strong internal control processes and the development of robust system and process solutions for the management and protection of information assets; and align technology, systems, processes and culture with business strategy and goals.</p>
<p><b>Community services:</b></p> <p>Risks or events that hinder the City’s ability to meet the current and changing expectations of the ratepayers and community; including ratepayers’/customers’ expectations of providing efficient, considerate, and cost-effective services; building positive and collaborative relationships and outcomes for the City.</p>

*City of Vincent Risk Appetite and Tolerance Statements - D20/26234*