7.1. Audit Risk and Improvement Committee Minutes - 25 March 2022

AUTHOR: Peita Rose, Governance Officer

ENDORSED BY: Shane Sullivan, Executive Manager Governance

ATTACHMENTS:
1. 25 March ARIC Minutes [**7.1.1** - 9 pages]
2. Enterprise Risk Management Policy 2019 Revision August 2021 [**7.1.2** - 5 pages]
3. 2022 NSC Risk Management Framework Draft [**7.1.3** - 48 pages]

PURPOSE:

Council is required to consider the Minutes of this Committee under the Code of Meeting Practice.

EXECUTIVE SUMMARY:

This report presents the recommendations of the last meeting of the Audit, Risk and Improvement Committee held on 25 March 2022 for Council adoption. The minutes are attached for information.

This report also provides the Enterprise Risk Management Framework and Enterprise Risk Management Policy endorsed by the Committee to be provided to Council for adoption.

FINANCIAL IMPLICATIONS:

Nil.

RECOMMENDATION:
1.THAT the Minutes of the 25 March 2022 Audit, Risk and Improvement Committee meeting be noted.
2.THAT Council adopt the Enterprise Risk Management Framework and Enterprise Risk Management Policy as endorsed by the Committee and attached to this report.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

5. Our Civic Leadership
5.2 Council is well governed and customer focused

BACKGROUND

In accordance with Council's Code of Meeting Practice: *20.24 The minutes of meetings of each Committee of the Council must be confirmed at a subsequent meeting of the committee.* In accordance with the Audit, Risk & Improvement Committee Charter: *7. The endorsed Minutes of the Committee Meetings will be submitted to the next available Council meeting for adoption subject to any confidentiality requirements of specific items.*

CONSULTATION REQUIREMENTS

Community engagement is not required.

DETAIL

This report presents the recommendations of the last meeting of the Audit, Risk and Improvement Committee held on 25 March 2022 for Council adoption. The minutes are attached for information.

One of the matters considered by the Committee was on the Enterprise Risk Management Framework. The Committee consider an Enterprise Risk Management Framework which aligns to AS ISO 31000:2018 *Risk Management – Guidelines* and by extension the Office of Local Government *Risk Management and Internal Audit for local councils in NSW Guidelines* (Draft).

The Committee endorsed the Enterprise Risk Management Framework and Enterprise Risk Management Policy noting that they would be provided to Council for adoption. It was further noted that Councillors are to be engaged in a review of the Risk Appetite Statement (which forms part of the Framework) as part of the annual review of the Enterprise Risk Management Framework.

The Enterprise Risk Management Framework and Enterprise Risk Management Policy are attached to this report.

Attachment 7.1.1

MINUTES

The Minutes of the **AUDIT RISK & IMPROVEMENT COMMITTEE MEETING** held in the Supper Room, 200 Miller Street, North Sydney on Friday 25 March 2022.

1.ATTENDANCE

Chair:

Brian Hrnjak, Independent Chair

Committee Members:

Ron Switzer, Independent Member
Councillor William Bourke
Councillor Godfrey Santer

Staff:

Ken Gouldthorp, General Manager
Shane Sullivan, Executive Manager Governance
Robert Glinksi, Team Leader IT Operations and Security

Visitors:

Susan Leahy, Head Internal Audit North Shore Councils
Unaib Jeoffrey, NSW Audit Office
Jarrod Lean, Grant Thornton
Adam Kim, Grant Thornton

Observers

Councillor James Spenceley

2. Apologies

Apologies received to be noted.

Apologies:

Alex Hardy, Prosperity Advisors (External Auditor)
Margaret Palmer, Director Corporate Services (North Sydney Council)

3. Disclosures of Interest

There were no new Disclosures of Interest.

4. Confirmation of Minutes

The Minutes of the previous meeting held on 19 November 2021 copies of which had been previously circulated, were taken as read and confirmed.

5. Committee Reports

5.1. Risk Management - Enterprise Risk Management Framework

AUTHOR: Shane Sullivan, Executive Manager Governance

The purpose of this report is for the Committee to consider the attached Enterprise Risk Management Framework which aligns to AS ISO 31000:2018 *Risk Management – Guidelines* and by extension the Office of Local Government *Risk Management and Internal Audit for local councils in NSW Guidelines* (Draft).

The purpose of this report is also for the Committee to consider the attached Enterprise Risk Management Policy Review which aligns Council's policy to the policy model included in the Office of Local Government *Risk Management and Internal Audit for local councils in NSW Guidelines* (Draft).

Council's Enterprise Risk Management Framework document brings together the Risk Appetite Statement and translates it to risk tables for the classification and measurement of risks. The proposed framework has been endorsed by MANEX for consideration by the Committee.

The Enterprise Risk Management Policy is the overarching policy which has now been reviewed to align with the draft Policy issued by the Office of Local Government. The Policy was last reviewed in November 2018.

Provided in this report and attached is information as at the end of 2021 drawn from the current Risk Register.

There are no specific financial implications associated with this report.

Recommending:
1.THAT the Committee endorse the attached Enterprise Risk Management Framework.
2.THAT the Committee endorse the attached Enterprise Risk Management Policy.
3.THAT a report be provided to Council for adoption of the Enterprise Risk Management Framework and Enterprise Risk Management Policy, noting that Councillors are to be engaged in a review of the Risk Appetite Statement as part of the annual review of the Framework.

Resolved to Recommend:
1.THAT the Committee endorse the attached Enterprise Risk Management Framework.
2.THAT the Committee endorse the attached Enterprise Risk Management Policy.
3.THAT a report be provided to Council for adoption of the Enterprise Risk Management Framework and Enterprise Risk Management Policy, noting that Councillors are to be engaged in a review of the Risk Appetite Statement as part of the annual review of the Framework.

Voting was unanimous

5.2. Workers Compensation - Lost Time Report

AUTHOR: Shane Sullivan, Executive Manager Governance

The purpose of this report is to update the Committee regarding Workers Compensation - Lost Time Injuries in accordance with the adopted Annual Audit, Risk and Improvement Committee Agenda (Part C – Risk Management)

For the period from 30 June 2021 to 28 February 2022, Council has received 10 workers compensation claims.

During the same period there have been four lost time injuries totaling 34 days of lost time.

For 2021/22 to 28 February 2022, Council has incurred $75,158.12 in workers compensation claims through its insurer GIO through the NSW government agency iCare. In 2019/2020, although the number of claims was lower, there were three claims which were over $80,000. Council has been advised that this will result in an increased premium for 2022/2023 of $932,448 (compared to $713,713 for the previous year).

Recommending:
1. THAT the Committee note the Workers Compensation Lost Time Report for the period 1 July 2021 to 28 February 2022.

Resolved to Recommend:
1. THAT the Committee note the Workers Compensation Lost Time Report for the period 1 July 2021 to 28 February 2022.

Voting was unanimous

5.3. Internal Audit Status Report

AUTHOR: Susan Leahy, Head of Internal Audit

To provide a status on the Internal Audit Function in terms of resources, planned and completed audits.

Recommending:
1. THAT the report be received and noted with respect to the:

a. 2021-22 (18 month) internal audit plan and resourcing;
b. the status of the finalisation of the OLG's risk management and internal audit guidelines and the delay of the internal audit charter review;
c. consideration of AONSW performance report conclusions.

Resolved to Recommend:
1. THAT the report be received and noted with respect to the:

a. 2021-22 (18 month) internal audit plan and resourcing;
b. the status of the finalisation of the OLG's risk management and internal audit guidelines and the delay of the internal audit charter review;
c. consideration of AONSW performance report conclusions.

Voting was unanimous

5.4. Internal and External Audit Recommendations Status Report

AUTHOR: Susan Leahy, Head of Internal Audit

To report on the progress of previous internal and external audit recommendations made.

Recommending:
1. THAT the status of past internal and external audit recommendations be received and noted.

Resolved to Recommend:
1. THAT the status of past internal and external audit recommendations be received and noted.

Voting was unanimous

5.5. Food Inspections Completed Internal Audit Report

AUTHOR: Susan Leahy, Head of Internal Audit

To present the completed Internal Audit report on food inspections.

An internal audit of Food Inspections was outsourced to Grant Thornton. This is in keeping with similar audits completed at three Councils of the shared service. A copy of the full internal audit report is provided for the Committee's information that will be presented by Jarrod Lean., Partner, Risk Consulting at Grant Thornton.

Recommending:
1.THAT the completed Internal Audit report on food inspections report be received and noted.

This matter was brought forward and considered by the Committee at 10:04am.

Jarrod Lean, Grant Thornton gave the Committee a high level overview and took questions.

Resolved to Recommend:
1.THAT the completed Internal Audit report on food inspections report be received and noted.

Voting was unanimous

5.6. Compliance and Governance update

AUTHOR: Shane Sullivan, Executive Manager Governance

In accordance with Part F of the Annual Audit, Risk and Improvement Committee Agenda, the purpose of this report is to provide the Committee with an update on:

- Compliance matters generally
- Steps to monitor the effectiveness of compliance and ethics program
- Any examinations by regulatory agencies
- Whistle-blower arrangements

Since the conduct of the Local Government election a number of actions have been taken as required under the *Local Government Act 1993* including the taking of the oath/making of an affirmation by Councillors, determination regarding count back provisions and conduct of a Councillor Induction program.

The Public Interest Disclosures legislation is the subject of a Bill before the Legislative Assembly having been introduced in the Legislative Council on 12 October 2021. Following the passing of the revised legislation it is proposed to review Council's supporting Policy. This will include the training of appropriate Public Interest Disclosure Officers.

There are no financial implications related to this report.

Recommending:
1. THAT the Committee note the Compliance and Governance update report.

Resolved to Recommend:
1. THAT the Committee note the Compliance and Governance update report.

Voting was unanimous

Councillor Bourke left the meeting at 11:58am

5.7. ICT Quarterly Update

AUTHOR: Michael Macfarlane, Manager IT

The purpose of this report is to provide the Committee with a quarterly update on the implementation of the ICT portfolio.

The implementation of the ICT Portfolio is progressing. Presented below is the Executive Summary of the progress to date for Financial Year 2021/2022

MAJOR ACCOMPLISHMENTS SINCE July 1st for FY 2021_2022

Authority HR Module Health Check	• Completed August 2021
Authority HR Module Training	• Training for HR staff Completed August 2021
Authority AR eInvoices and eStatements Implementation	• Completed September 2021
ECM Business Process Automation (BPA) implementation	• Completed September 2021
Authority Upgrade - Training	• Training for 255 staff Completed September 2021
Authority Work Patterns Implementation	• Completed September 2021
Authority 7.1 Upgrade	• Completed October 2021
Authority Business Intelligence System implementation (BIS)	• Completed November 2021
Email signature	• Corporate Email signatures complete – December 2021
Microsoft Enterprise License Agreement	• Council Migrated to Microsoft Enterprise Agreement E5 Complete – September 2021
Security & Governance	• New Infosec Risk Register developed and adopted – September 2021

Recommending:
1. THAT the Committee note the ICT Quarterly update.

Resolved to Recommend:
1. THAT the Committee note the ICT Quarterly update.

Voting was unanimous

5.8. InfoSec Working Group Quarterly Update

AUTHOR: Michael Macfarlane, Manager IT

The purpose of this item is to inform ARIC of recent Information Security Working Group (InfoSec) activity.

The report provides an update on strategies to mitigate cyber security risks and reports provided to InfoSec being review of Triskele's SAQ and Essential 8.

The Quarterly Security Report is also attached.

Recommending:
1. THAT the Committee note the InfoSec Working Group Quarterly update.

Resolved to Recommend:
1. THAT the Committee note the InfoSec Working Group Quarterly update.

Voting was unanimous

5.9. Audit Office Annual Engagement Plan for year ending 30 June 2022

AUTHOR: Ian Curry, Manager Council & Committee Services

To present the Audit Office Annual Engagement Plan for year ending 30 June 2022.

RECOMMENDATION:
1. THAT the Annual Engagement Plan for the Audit for the Year Ending 30 June 2020 be considered by the Committee

Recommending:
1. THAT the Annual Engagement Plan for the Audit for the Year Ending 30 June 2020 be considered by the Committee.

This matter was brought forward and considered by the Committee at 10:17am.

Unaib Jeoffrey, NSW Audit Office gave the Committee a high level overview and took questions.

Resolved to Recommend:
1. THAT the Annual Engagement Plan for the Audit for the Year Ending 30 June 2020 be received by the Committee.

Voting was unanimous

6. Closure

The Chair closed the meeting at 12:20pm

D5-25

ENTERPRISE RISK MANAGEMENT POLICY

Policy Owner: ~~**Director Corporate Services**~~ ***Executive Manager Governance***

Direction: **5. Our Civic Leadership**

1. STATEMENT OF INTENT

1.1. Enterprise Risk Management (ERM) shall enable Council's business by holistically and continuously improving assurance, security and resource use. ERM shall:

a) Create value;
b) Be integral to Council's processes;
c) Be part of decision making;
d) Explicitly address uncertainty;
e) Be systematic, structured and timely;
f) Be based on the best available information;
g) Be tailored to Council's requirements;
h) Take human and cultural factors into account;
i) Be transparent and inclusive;
j) Be dynamic, iterative and responsive to change; and
k) Facilitate continuous improvement.

1.2 *The purpose of this policy is to express Council's commitment to implementing organisation-wide risk management principles, systems and processes that ensure the consistent, efficient and effective assessment of a risk in all North Sydney Council's planning, decision-making and operational processes.*

2. ELIGIBILITY

2.1. This policy applies to all Councillors, committee members, staff members and others acting on behalf of Council.

2.2. *This policy applies to any person or organisation contracted to or acting on behalf of Council.*

3. DEFINITIONS

3.1. ERM - is the holistic management of risk to ensure the achievement of Council's objectives. ~~This Policy shall rely upon a glossary of terms set out in an *Enterprise Risk Management Guide* for staff.~~

4. PROVISIONS

~~4.1. Risk Appetite - Council faces a broad range of significant risks reflecting its responsibilities to the community as a service provider and custodian of public resources. These risks are managed by rational, transparent and defensible processes that enable the achievement of Council's objectives. Council may accept increased risk to foster innovation and efficiency in its business, and to diversify and optimise sources of revenue to ensure ongoing funding of high-quality projects and services to benefit the community.~~

~~4.2 Council's ERM philosophy shall be operationalised by a complementary Protective Security Framework (PSF) that shall align Council's risk assessment, control and communication with the following domains:~~

~~a) Governance: Prudential, systemic and business continuity risks;~~
~~b) People: Councillors, staff and others to whom Council owes a duty of care;~~
~~c) Information: In digital and analogue form, and including undocumented information embedded in Council's practices and processes; and~~
~~d) Physical: Buildings, contents, plant, equipment, infrastructure, and public and natural spaces under Council's care and control.~~

4.1 Council provides critical services and infrastructure to the residents, ratepayers and visitors to the North Sydney local government area. Council also has service agreements and contractual obligations with government and non-government agencies and organisations and has its own strategic goals and objectives that it seeks to achieve on behalf of the North Sydney community.

4.2 It is therefore incumbent on Council to understand the internal and external risks that may impact the delivery of these services, contracts and strategic objectives and have processes in place to identify, mitigate, manage and monitor those risks to ensure the best outcome for council, staff and the community. It is also our responsibility to ensure the efficient, effective and ethical use of resources and services by ratepayers, residents, staff and visitors.

4.3 Council has developed a risk management framework consistent with Australian standard 31000:2018 to assist it to identify, treat, monitor and review all risks to its operations and strategic objectives and apply appropriate internal controls.

4.4 Council is committed to the principles, framework and process of managing risk as outlined in Australian standard 31000:2018and commits to fully integrating risk management within the council and applying it to all decision-making, functions, services and activities of the council in accordance with our statutory requirements.

5 RESPONSIBILITY/ACCOUNTABILITY

5.2 *North Sydney Council aims to create a positive risk management culture where risk management is integrated into all everyday activities and managing risks is an integral part of governance, good management practice and decision making at North Sydney Council. It is the responsibility of every staff member and business area to observe and implement this policy and North Sydney Council's risk management framework.*

5.3 *All staff are responsible for identifying and managing risk within their work areas. Key responsibilities include:*

→ being familiar with, and understanding, the principles of risk management

→ complying with all policies, procedures and practices relating to risk management

→ alerting management to risks that exist within their area, and

→ performing any risk management activities assigned to them as part of their daily role.

5.3 Risk management is a core responsibility for all Senior staff and Managers at North Sydney Council. In addition to their responsibilities as staff members, senior staff/management are responsible for:

→ ensuring all staff manage their risks within their own work areas. Risks should be anticipated, and reasonable protective measures taken

→ encouraging openness and honesty in the reporting and escalation of risks

→ ensuring all staff have the appropriate capability to perform their risk management roles

→ reporting to the General Manager and MANEX on the status of risks and controls, and

→ identifying and communicating improvements in Council's risk management practices to Council's risk management function.

5.4 Council's risk management function is available to support staff in undertaking their risk management activities.

5.5 To ensure Council is effectively managing its risk and complying with its statutory obligations, Council's audit, risk and improvement committee and internal audit function is responsible for reviewing the Council's:

→ risk management processes and procedures

→ *risk management strategies for major projects or undertakings*

→ *control environment and insurance arrangements*

→ *business continuity planning arrangements, and*

→ *fraud control plan.*

~~5.4 All Councillors, committee members, staff members and others acting on behalf of Council must manage risk consistent with this Policy.~~

~~5.5 ERM is subject to the leadership and commitment of Council and MANEX. Council and MANEX are responsible for general oversight of ERM development and implementation. MANEX is also responsible for oversight of business units.~~

~~5.6 The Audit, Risk and Improvement Committee (ARIC) oversees specific development and implementation of ERM, and provides advice to Council, MANEX and the Risk Manager.~~

~~5.7 The Risk Manager is responsible for:~~

~~5.7.1 Coordinating ERM development and implementation;~~
~~5.7.2 Providing Council, MANEX and ARIC with the information necessary for proper consideration of ERM development and implementation; and~~
~~5.7.3 General consultation and communication in respect of ERM.~~

~~5.8 Managers and Supervisors are responsible for implementation of ERM within their individual business units.~~

~~5.9 Staff shall generally identify, communicate and respond to expected or emerging risks within their areas of responsibility.~~

~~5.10 Council shall give staff the training, resources and support necessary to fulfil their responsibilities under this Policy.~~

6 RELATED POLICIES/DOCUMENTS/LEGISLATION

The Policy should be read in conjunction with the following Council policies and documents:

- *Enterprise Risk Management Framework ~~Guide~~* ~~- staff guidelines~~

The Policy should be read in conjunction with the following documents/legislation:

- AS/NZS ISO 31000:20~~09~~ *18 Risk Management ~~– principles and~~ guidelines, ~~Standards Australia~~*~~, November 2009~~
- Office of Local Government ~~– *Internal Audit Guidelines*, September 2010~~ *issued guidelines*
- ~~Commonwealth Attorney-General's *Protective Security Policy Framework*~~

Council is committed to continually improving its ability to manage risk. Council will review this policy and its risk management framework at least annually to ensure it continues to meet the requirements of the Local Government Act 1993, Local Government (General) Regulation 2005, and the council's requirements.

Version	Date Approved	Approved by	Resolution No.	Review Date
1	28 May 2012	Council	295	2012/13
2	18 February 2013	Council	61	2016/17
3	25 June 2018	Council	214	2020/21
4	19 November 2018	Council	449	2020/21
5		*Council*		

Enterprise Risk Management Framework
- ERMF -

February 2022

Contents

1.0 Introduction

1.1 Background

North Sydney Council (Council) recognises that the organisation is exposed to certain risks due to the nature of its activities and the environment in which it operates. The key to Council's success is the effective management of risk to ensure its organisational objectives are achieved. Risks arise due to the organisation's operational undertakings and from external sources. Risks occur in numerous ways and have the potential to impact financial performance, reputation, health and safety, customer, community and the overall performance of the organisation.

In accordance with the Council Enterprise Risk Management Policy, Council is committed to maintaining an effective and efficient Enterprise Risk Management Framework (ERMF) to help promote a positive risk culture and proactively manage enterprise wide risks at all levels to support the achievement of Council's objectives. This is achieved through the ERMF that consists of policies and procedures that ensure risk management practices are embedded into all activities, risk management thinking is deeply entrenched into the organisation's norms and prudent risk taking is aligned to risk appetite.

1.2 Purpose

The key purpose of the ERMF is to assist Council achieve its goals and objectives in delivery programs and services as outlined in the Council Plan.

Councils' approach to ERM is designed to:

- Support the Councillors, Executive and Management to confidently make informed decisions based on organisational policy, values and appetite
- Assist Council to achieve organisational objectives through the systematic and timely identification and management of risks and strategic opportunities
- Consistently manage the effects of uncertainty through the application of robust risk management practices
- Promote compliance with relevant obligations
- Create and protect value by targeting effort and resources to the areas of highest priority.

The application of the ERMF will assist Council in:

- Protecting people, assets, finances and Council reputation
- Adopting risk treatments that are fit for purpose, cost effective and designed to reduce risk to a tolerable level
- Developing a continuous improvement culture, integrating the risk management process into overall Council processes
- Embedding a culture that promotes awareness and accountability for risk so it becomes a key part of decision making at Council.

1.3 Approach

Council acknowledges that risk is inherent in our business activities and the pursuit of our objectives. We will integrate a structured approach to the management of risk throughout the organisation in order to promote and demonstrate good corporate governance, to minimise loss and to maximise opportunities to improve service delivery and customer value. We will adopt a structured, consistent and holistic approach to the management of risk at all levels and for all business activities through the integration of business, Work Health & Safety and environmental risk management into a common framework. We are committed to incorporating risk management into critical processes and to managing risk consistent with AS ISO 31000:2018 *Risk management – Guidelines.*

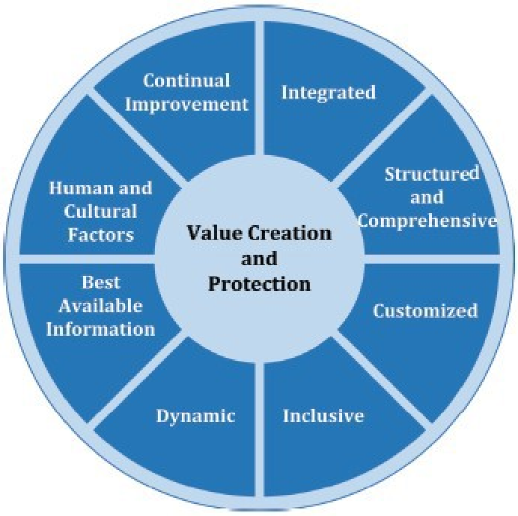
1.4 Office of Local Government Guidelines

Under the Guidelines issued by the Office of Local Government, Council is required to have a risk management framework that is consistent with the current Australian standards for risk management by 2024. This framework is compliant with this requirement.

2.0 Principles

The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives. The principles outlined below provide guidance on the characteristics of effective and efficient risk management, communicating its value and explaining its intention and purpose. The principles are the foundation for managing risk:

i) is an integral part of all organisational processes;
ii) is systematic, structured and comprehensive;
iii) is based on the best available information;
iv) is tailored to the organisation's requirements;
v) takes human and cultural factors into account;
vi) is transparent and inclusive;
vii) is dynamic, iterative and responsive to change;
viii) facilitates continual improvement of the organisation.

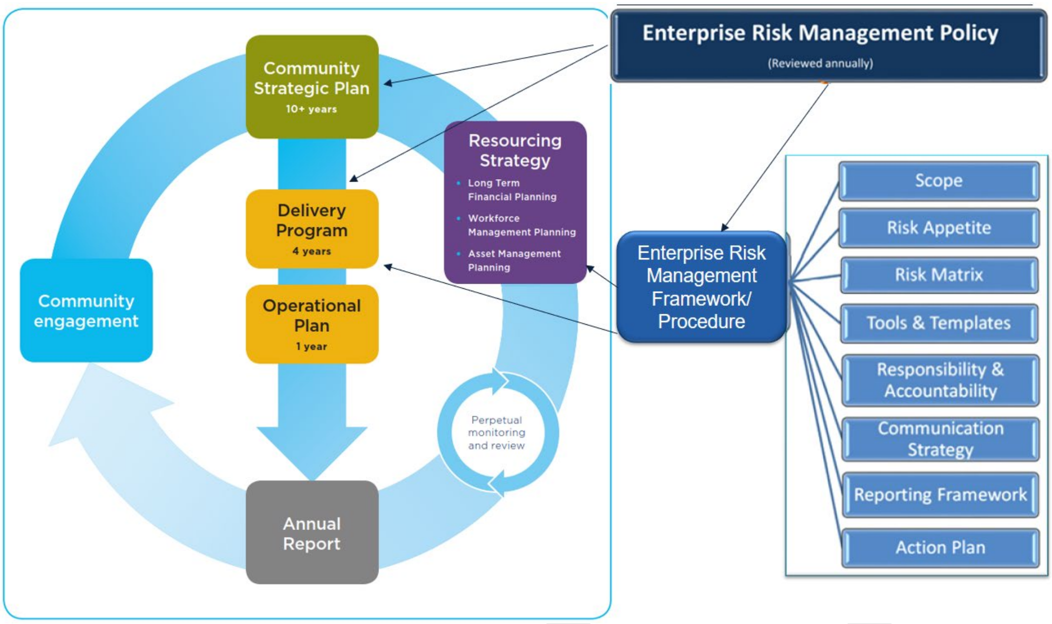

Continual Improvement
Integrated
Structured and Comprehensive
Customized
Inclusive
Dynamic
Best Available Information
Human and Cultural Factors
Value Creation and Protection

2.1 Integration

Risk management is not a stand-along activity and to be successful must be integrated into day-to-day organisational functions.

In order to maximise risk management benefits and opportunities, Council's methods and processes used to manage risk is integrated through its entire operations. It is factored into business planning, decision making, performance management, audit and assurance, business continuity and financial management.

Output from strategic and operational risk assessments is used as input to the business planning process. Council is dependent on the ERMF to be used at the strategic and departmental business level to improve performance by the organisation in the achievement of Council's strategies and actions as detailed in the Council Plan.


Community Strategic Plan
10+ years
Delivery Program
4 years
Operational Plan
1 year
Annual Report
Community engagement
Resourcing Strategy
Long Term Financial Planning
Workforce Management Planning
Asset Management Planning
Perpetual monitoring and review
Enterprise Risk Management Policy
(Reviewed annually)
Enterprise Risk Management Framework/ Procedure
Scope
Risk Appetite
Risk Matrix
Tools & Templates
Responsibility & Accountability
Communication Strategy
Reporting Framework
Action Plan

3.0 Risk Culture

Risk culture is a term describing the values, beliefs, knowledge, attitudes and understanding about risk shared by a group of people.

An effective risk culture is one that enables and rewards individuals and groups for behaviours and actions that are in line with policies and procedures and for taking the right risks in an informed manner. A good risk culture can be achieved in the following behaviours:

i) TONE AT THE TOP

***Risk leadership*[1]**

- We model and actively promote commitment to risk management
- We display a positive and proactive attitude toward risk and safety
- We build good relationships and a high trust environment
- We ensure compliance with policies, protocols and procedures

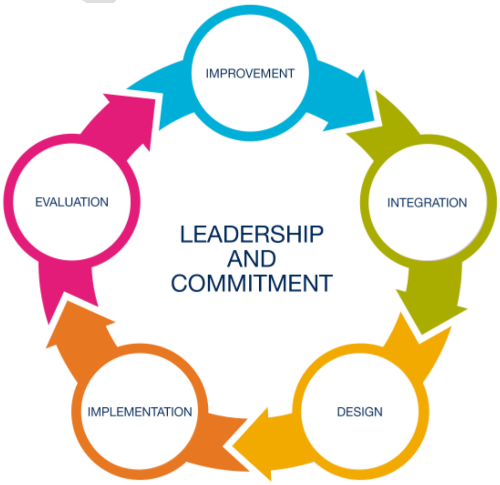
Responding to bad news

- We speak openly and honestly about what is working, what isn't and what still needs to change
- We identify risks, report incidents and near misses and remediate hazards without fear of blame
- We focus on identifying systemic and environmental causes, not human error

ii) GOVERNANCE

Risk governance

- We clearly define accountability for the management of risks
- We specifically address risk management in position descriptions and key performance metrics at all levels throughout organisation
- We strive to continuously improve the management of risk



Risk transparency

- We promptly share risk information across organisation
- We share lessons learned, both positive and negative

iii) COMPETENCY

Risk resources

[1] As per ISO 31000 Standard that - 'Top Management' (e.g. GM, MANEX, etc.) are accountable for managing risk and 'Oversight Bodies' (e.g. Council, ARIC) are accountable for overseeing risk management.

- We adequately resource and support the management of risk
- We integrate risk management into our day-to-day work
- We include risk and safety every conversation and in every decision

Risk competence

- We acquire and keep up to date knowledge of risk and WHS matters
- We provide adequate information and training to ensure that we can easily identify, assess and manage risks
- We have sufficient skills and empowerment to manage risks in our area of responsibility

iv) DECISION MAKING

Risk decisions

- We communicate and understand Council's willingness to take on risks
- We seek out risk information to support informed decision-making

Rewarding appropriate risk taking

- We support those actively seeking to understand and manage risk
- We include sound risk management in Council's performance management process
- We celebrate successes and reward desired behaviours

4.0 Roles and responsibilities for ERM

The roles and responsibilities[2] for risk management at Council are specified in the ARIC Charter and individual position descriptions.

Personnel	Accountabilities and responsibilities
Council	• Reviews and adopts the Enterprise Risk Management Policy, endorsing the systematic approach to managing risk and opportunity across Council operations • Applies risk management principles to the decision making process • Reviews and considers any specific reports or recommendations that may be provided regarding the ERMF
General Manager	• Promotes a strong risk management culture by providing firm and visible support for risk management including ensuring appropriate delegations for the management of risk • Ensures a Policy and ERMF is in operation to deliver a consistent approach to risk management • Ensures adequate organisational structure and resourcing for risk management
Audit Risk & Improvement Committee (ARIC)	• Ensures a ERMF is in operation and delivers a consistent approach to risk management • Ensures the ERMF addresses Council's exposure to both strategic and operational risks • Reviews and endorses the ERMF • Monitors implementation of effective risk and opportunity management controls • Monitors the effectiveness of the ERMF through regular reviews and reporting • Regularly reviews the strategic risk register to check that extreme and high level risks are being managed in accordance with the ERMF
Internal Audit	• Considers strategic and operational risks in the development and implementation of the Strategic Internal Audit Plan and recommending improvements • Periodically audits Council's risk management practices and providing recommendations on improvement to management and the Audit and Risk Committee.
Management Executive Team (MANEX)	• Reviews and approves the ERMF • Commits to, and promotes the Policy and ERMF • Monitors Council's overall risk profile and mitigation strategies • Ensures risk management is embedded into all critical functions and activities

[2] As per ISO 31000 Standard that - 'Top Management' (e.g. GM, MANEX, etc.) are accountable for managing risk and 'Oversight Bodies' (e.g. Council, ARIC) are accountable for overseeing risk management.

	• Ensures documentation of items on the risk register and ongoing and regular reviews of the risk register including the actioning of any overdue risk treatments • Includes any risk treatments into business plans • Empowers staff to actively be involved in managing risk • Ensures Managers have the necessary knowledge and skills to effectively fulfil their risk management responsibilities and are accountable for risks arising from the activities of their departments • Promotes a proactive risk culture in accordance with business management initiatives • Reviews risks on the strategic risk register quarterly prior to each ARIC meeting or as otherwise may be provided as part of other reporting • Reviews risks on the operational risk register at least biennially over the course of the Risk Awareness Program.
Executive Manager Governance	• Provides guidance and assistance to staff in relation to the application of the ERMF and reporting within the Strategic Risk Register • Ensures relevant risk information is reported and escalated to MANEX and Audit and Risk Committee or cascaded to staff, as relevant • Maintains the Risk Management Policy and ERMF to ensure its currency and accuracy and reports changes/updates in line with Council's risk management reporting cycles • Manages the Strategic Risk Register and timeframes as required • Provides support and advice to Managers and staff in the application and use of the ERMF as required
Executive Manager Governance with Legal and Risk staff	• Provides guidance and assistance to staff in relation to the application of the ERMF and reporting within the Operational Risk Register • Manages the Operational Risk Register and timeframes for updating and reporting as required
Managers and Coordinators	• Commits to, and promotes the Policy and ERMF • Ensures risk management is embedded into all critical functions and activities • Ownership of risk management within business departments in accordance with this Policy and ERMF • Ensures documentation of items on the relevant risk registers • Ensures ongoing and regular reviews of the risk registers including the actioning of any overdue risk treatments • Empowers staff to actively be involved in managing risk • Promotes a proactive risk culture in accordance with business management initiatives
All staff and contractors	• Understands the risk management processes that are integrated into all Council activities • Identifies, evaluates, reports and manages risks in daily activities and projects

5.0 Risk Assurance

5.1 Three lines of defence

Council operates a three lines of defence model to actively manage, monitor and oversee risk, and enhance communications on risk management and control by clarifying essential roles and duties. The model comprises the following:

- **1st line of defence: Departmental managers and staff**
  The first line of defence owns the risks attributable to their area of responsibility and are accountable for the appropriate management of risk and the effectiveness of risk controls. It is imperative that management understand and accept their accountability for owning and managing their risks. This accountability cannot be delegated to another function, such as the Risk Management team.

- **2nd line of defence: Risk management, governance**

  The focus of the second line of defence is to ensure that the ERMF is fully embedded and operational, and monitors the 1st line controls to ensure that risks are being effectively managed. It is a risk management function that facilitates and monitors the implementation of effective risk management practices by management, and assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organisation. Each of these functions has some degree of independence from the first line of defence.

- **3rd line of defence: Internal audit and External audit**

  The Internal Audit (IA) and External Audit functions' are independent of management and hold no operational responsibilities. IA's primary role is to provide objective and independent assurance to Council, the ARIC and MANEX, over the effectiveness and the manner in which the 1st and 2nd lines achieve risk management, control objectives and governance activities.

  Assurance activity is guided by the internal audit plan. The IA plan takes into consideration Council's risk profile and targets assurance activities towards higher rated risks and/or matters of high priority to management. The internal audit plan takes into consideration the assurance activities performed by independent parties such as external audit, Audit Office of NSW, external consultants, or risk and control assessments performed by department managers.

6.0 Enterprise Risk Management Framework

A prescribed risk management framework helps establish the foundations and organisational arrangements for mandating risk management, designing the framework, implementing risk management processes, monitoring and reviewing the framework and continually improving the risk management framework.

6.1 Framework design

Council's risk management approach will follow the principles and practices specified in the Australian Standard (AS) ISO 31000: 2018 *Risk management – Guidelines* and tailored for Council's operating environment.

6.2 Framework elements

Council's enterprise risk management framework consists of a number of elements to provide a structure for a consistent risk management approach and for embedding risk management across all activities. The framework includes:

- Risk Appetite Statement: a commercial and confidential document for internal use only to help guide employees in respect to the parameters of acceptable risk taking and tolerances. Our tolerance for adverse risks will be used to determine which risks are treated through the development of risk treatment actions to manage risks to an acceptable level. During this process we will consider additional control measures to manage the risks to acceptable levels.
- Enterprise Risk Management Policy: clearly communicates Council's commitment to maintaining an effective and efficient risk management framework to support the management of enterprise-wide risks at all levels and embed risk management into day-to-day activities.
- Enterprise Risk Management Procedures: provides a roadmap for implementing, resourcing, communicating and improving risk management as well as measuring and reporting risk management performance. The Procedure outlines responsibilities, actions and clear step-by-step instructions for identifying, analysing, evaluating, treating and escalating risks to help Council maintain their risk register in a manner that is consistent with Council's ERMF.
- Risk Management Resources and Committees: a dedicated risk management function, Audit, Risk & Improvement Committee (ARIC) to provide oversight and clearly defined responsibilities for risk ownership and oversight.
- Training and communication: regular awareness training and communication to enhance the risk management capabilities of employees.
- Risk Management Records/System: Risk register and other risk assessment records to formally document the risk evaluation process, risk reports to communicate important risk and control information to stakeholders. Risk treatment actions and plans will be developed for risks which are unacceptable to the organisation. Risks, and the effectiveness of the risk management system will be monitored on a regular basis and we will communicate and consult with relevant stakeholders on our approach to managing risk.

- Other Supporting Policies, Procedures and Arrangements: Other supporting policies, procedures, processes, frameworks and arrangements that complement risk management including policies, procedures, internal audit, insurance arrangements, fraud and corruption plans, business continuity plans, crisis management plans, compliance plans and workplace health and safety management systems.

6.3 Implementing enterprise risk management

Council's integrated risk management approach requires an ongoing assessment of potential risks at every level. At minimum, risk management must be integrated and considered in all activities at strategic, project and operational level.

Strategic level risks

A strategy involves an informed, measurable decision about the direction an organisation chooses to take. Strategic risks arise during strategy formulation and strategy implementation or from factors in the external environment that could impact strategy.

Strategic level risks are often very hard to manage as they involve greater uncertainty, complex assumptions, complex activities and overall high inherent risk when compared to day-to-day, operational activities. The risks that are associated with strategies may be transient or relatively short term in nature but often have long lasting consequences.

Failure to manage strategic level risks could have significant negative financial, reputational and operational consequences. Therefore, a risk register is maintained for strategic level risks.

Risk and strategy are linked. Whenever there is a change to the strategy, the risks will also change. In addition, strategic plans will not remain static due to changing priorities, environmental changes, and government decisions and therefore will need re-assessment regularly.

There two distinct stages when risk need to be considered at the strategic level. When

- strategic plans are first being developed and/or refined; and
- progress is being monitored and reported on against the strategic plans.

Strategic level risks are identified and assessed by the MANEX and given formal consideration by ARIC.

If the GM cannot reduce a strategic risk to within risk appetite, the risk must be escalated to ARIC for consultation and resolution.

Operational level risks

Operational structures, systems and processes that follow strategy will give rise to operational risks. Operational level risk typically exist within the day-to-day activities and decisions at different levels across the organisation.

Operational level risks are often easier to manage than strategic level risks and project level risks as the risks are often more predictable, involve less uncertainty and can be adequately controlled through well designed and executed policies and procedures. High impact, low frequency risks can also be mitigated with appropriate crisis management, business continuity and disaster recovery planning.

A series of risk registers is maintained by risk owners at business unit level across the organisation to cover all major operational level risks. The key consideration is that risk owners need to identify and manage the risk at the most appropriate level.

All operational level risks are given formal consideration by the MANEX and ARIC.

Operational risks where the residual risk remains outside risk appetite are escalated to the MANEX and/ or ARIC with the Risk Treatment Plan(s) and monitored quarterly by the MANEX.

If the GM/ARIC cannot reduce an operational risk to within risk appetite, the risk must be escalated to Council for consultation and resolution.

Project level risks

A project is planned work or an activity that is finished over a period of time and intended to achieve a particular purpose. Projects can be related to strategic plans, major infrastructure or corporate change/ transformation activities.

Considering the inherent risks associated with projects and the level of project activity at Council, project risks need to be thoroughly considered.

All projects have risks. If the potential risks are not identified and managed early, then the project is exposed to risk of delays, safety issues, scope creep, cost over-runs and/or result in below quality outcomes.

Managing project risks is considered good management practice and an integral element of leading project management methodologies such as PMBoK.

A risk register is maintained by risk owners or by the designated Project Manager for project risks.

Project Managers are responsible for keeping their Sponsor, Steering Committee and the MANEX advised of their project/program risk profile.

Projects risks where the residual risk remains outside risk appetite are escalated to are escalated to MANEX and/ or ARIC with the Risk Treatment Plan(s) and monitored monthly by Executives.

6.4 We perform regular risk assessments

i) Risk register

The risk register is a critical element of the ERMF because it is a formal record of the risks identified, evaluated and managed by the risk owner.

A risk register is a form of risk assessment and can be maintained for a business unit, event, activity, project and strategic initiatives and cover all current and future activities, and new opportunities.

At minimum, risk registers are maintained for key risks at strategic, operational and project level.

Emerging risks should also be incorporated in the appropriate risk register as they are identified.

All risk owners are required to maintain a risk register which provides a current, accurate and complete record of risk assessment and control/management activities. The risk register is to be a “living document”, remain current and subject to regular review and update as risks are addressed and new risks identified, and controls and risk treatments for current risks updated.

All risk registers are in electronic format using Council’s risk register template (excel) and maintained in a shared drive to enable reporting.

The Risk Register Procedure for risk register maintenance is at **Appendix 2** and includes steps for identifying, analysing, evaluating, treating and escalating risks. This aims to help risk owners maintain their risk register in a manner that is consistent with Council’s risk management framework.

The Risk Register Procedure is to be applied consistently for all strategic, operational and project risk registers.

ii) Other risk assessments

In some instances, using Council's enterprise risk management approach, the Risk Register Procedure Instruction and the risk ratings contained in this procedure may not be suitable for some risk assessments and more context specific risks assessments are needed e.g. Onsite Safety Risk Assessment. These risk assessment activities are often identified as controls on the risk register.

Risk owners may use other more suitable risk assessment tools to manage specific and more dynamic risks, however, in all cases these risk assessments should:

- Be modelled on Australian Standard (AS) ISO 31000: 2018 *Risk management – Guidelines* or the relevant standard, this Manual or best practice risk assessment methods; and
- Risk ratings and risk evaluation criteria used should always reflect Council's Risk Appetite Statement (**Appendix 3**).

6.5 We monitor, escalate and report risks

All employees are responsible for identifying risks and reporting those risks to their manager for consideration of the impact and level of risk.

Once a risk has been identified, managers and/or risk owners are responsible for assessing and managing the risk in accordance with Council ERMF.

Risk reporting is a shared responsibility between the risk owner and Executive Manager, Governance.

Risk reporting supports decision making for major risks identified during the risk assessment process and when balancing between risk and opportunity. Reporting arrangements can include:

- Any risk management initiatives undertaken during the period;
- Any moderate level or higher incidents or issues that have occurred during the previous quarter;
- The key inherent and residual risks facing the business unit/event/activity/project and the controls in place to manage those risks;
- Progress in implementing key risk treatment plans; and
- Any other issues that have arisen over a period or likely to arise in the future, relevant to the risk management framework that should be brought to the attention of the MANEX, GM and ARIC.

Other incidents, issues or near misses/loss events

Incidents, complaints, issues, near misses or near incidents may be leading risk indicators to an emerging risk. All employees are responsible for reporting incidents, complaints, issues, near misses or near incidents in a way consistent with the appropriate Council's policy and procedure.

6.6 We are committed to continuous improvement

Council is committed to ensuring the enterprise risk management framework and risk management activities are continually improved through learning and experience. This is achieved in a number of ways:

- Periodic review of enterprise risk management framework including Policy and Procedure;
- Communication and consultation with key stakeholders;
- Monitoring of risks, controls and treatment plans;
- Monitoring of incidents, issues and near incidents; and
- Independent review of risk management framework including an assessment of the level of risk management maturity.

Risk maturity

AS ISO 31000:2018 requires that each council continually adapts and improves the design of its risk management framework and how it is integrated throughout the council to help the council move to a higher level of risk maturity. In view of this, Council will review its risk maturity against AS ISO 31000: 2018 Standard once every three years to ensure consistent improvement in the ERM roadmap.

Version control

V	Released	Officer	Comment
1.0	21 Feb 2012	Risk manager	For Audit and Risk Committee review
1.1	08 May 2012	Risk manager	For review at Audit and Risk Committee and Management Services Committee meetings on 21 May 2012. Includes amendments as per Audit and Risk Committee comments of 21 Feb 2012
1.2	05 Jul 2012	Risk manager	For use as companion to ERM policy. Framework and context diagram in section 3 updated to reflect changes to corporate structure and business continuity planning.
1.3	21 Aug 2012	Risk manager	Updated to correspond with release of v1.1 of disruption risk mgt plans
1.4	09 Oct 2012	Risk manager	Glossary updated, particularly WHS and emergency planning terms. Standardised consequence and likelihood scales transposed from the enterprise risk assessment tool v1.9.
1.5	28 Jun 2013	Risk manager	"Framework" deleted from title. Glossary and diagrams updated
2.0	TBC	Executive Manager Governance	Document review to align to current standard and OLG draft guidelines.

Appendix 1 – Risk Management Glossary

Here are some specialist terms, and specialist uses of common terms, you will encounter in this document.

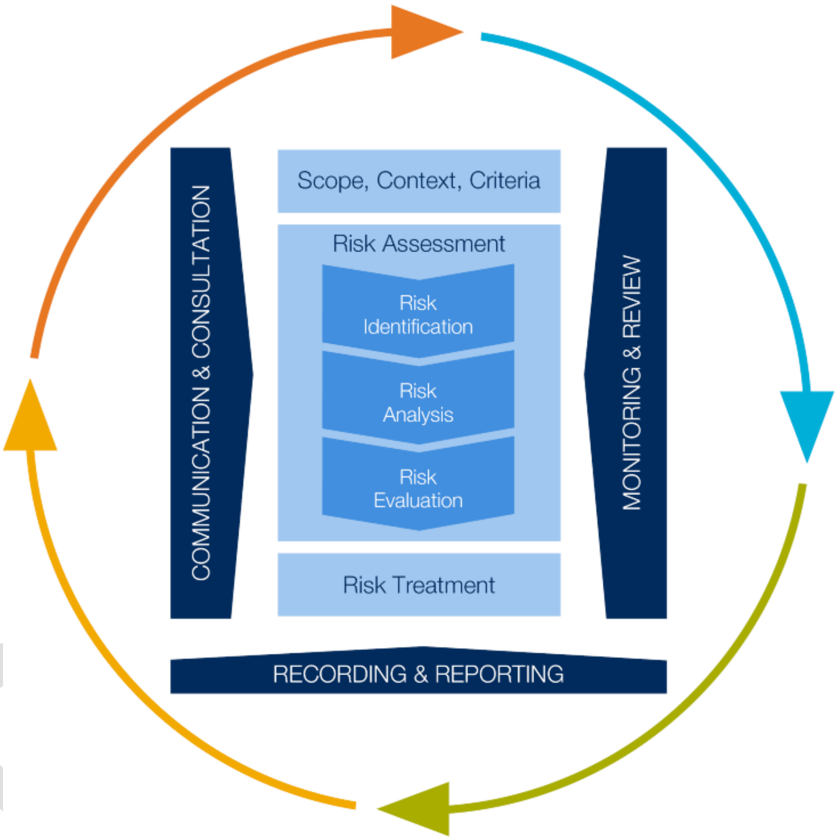
Term	Meaning
Bow tie analysis	Is a graphical depiction of pathways from the causes of an event to its consequences. It shows the controls that modify the frequency of the event and those that modify the consequences if the event occurs.
Business Objective	The primary goals of a business entity describing what the area is required to do to contribute or add value to the Council, the mission that it is charged with, business-as-usual activities, key programs and strategic business improvement initiatives.
Cause	The trigger of a risk event materialising
Consequence	Outcome of an event that impacts on the organisations objectives
Control	An activity, system or process used to reduce exposure to risk by either, preventing, detecting or mitigating risk events.
Control Design	An assessment of the adequacy of the control's design used to record how reliable the control is in mitigating the risk(s) as required.
Control Owner	The Control Owner is the individual responsible for designing, maintaining and monitoring the control.
Control Type	Identifies a control as preventative, detective or mitigating.
Enterprise Risk Management (ERM)	A process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives (COSO - Committee of Sponsoring Organizations of the Treadway Commission)
Establishing context	A step in the risk management process that involves setting the parameters within which risks are identified, assessed and managed.
Exception Reporting	A process established to reduce the burden of internal audit while ensuring there is a process to monitor the efficiency and effectiveness of the systems within the integrated risk management framework
External context	Considering the external environment in which the organisation seeks to achieve its objectives e.g. competitors, government policy, economic conditions.
Frequency	The estimated number of risk events in the next 12 months.
Inherent Risk	The initial risk level of an objective without the application of treatments or controls
Internal context	Considering the internal environment in which the organisation seeks to achieve its objectives e.g. internal resources, internal processes
Key Risk Indicator	Metrics that inform users about changes in the frequency or consequence of a risk.
Level of Risk	Magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood (SAC Rating) Likelihood: The chance of something happening, usually expressed in expected frequency.

Likelihood	The chance of something happening
Residual Risk	Remaining level of risk after considering existing controls or risk treatment
Risk	The effect of uncertainty on objectives
Risk Analysis	Process to comprehend the nature of risk and to determine the level of risk
Risk Assessment	Overall process of risk identification, risk analysis and risk evaluation
Risk Appetite	How much and what type of risk the organisation is generally prepared to accept to achieve its financial and strategic objectives.
Risk Capacity	The maximum amount of risk an entity is able to support within its available financial resources.
Risk Culture	A term describing the values, beliefs, knowledge, attitudes and understanding about risk shared by a group of people.
Risk Tolerance	The maximum amount or type of risk the entity is prepared to tolerate above risk appetite
Risk Profile	Risk profile is the amount or type of risk the organisation is currently exposed to. Forward risk Profile is forward looking view of how the organisation’s risk profile may change under both expected and stressed conditions, i.e. financial.
Risk Acceptance	The assumption of a risk, typically because its risk reward profile is attractive and within your risk tolerance. In general, it is impossible to make gains in business or life without taking risks. As such, risk acceptance is a common risk treatment.
Risk Evaluation	Process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable
Risk Identification	Process of recognising and describing risks
Risk Management	Coordinated activities to direct and control an organisation with regard to risk.
Risk Management Framework	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation
Risk Management Process	Systematic application of management policies, procedures and practices to the activities of communication, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk
Risk Matrix	A tool for ranking and displaying risks by identifying ranges for consequence/impact and frequency.
Risk Owner	Person or entity with the accountability and authority to manage a risk.
Risk Priority	Rating established through the assessment of likelihood and consequences that provides a priority for action, also known as the risk rating or severity assessment code.
Risk Register	A formal record or repository (system or file) of the risks identified, evaluated and managed by the risk owner.
Risk Tolerance	The level of variation from the pre-determined risk appetite an organisation is prepared to accept
Risk Treatment	Selection and implementation of an action or process identified to address or mitigate a risk.
Root Cause Analysis	A systematic approach to investigating incidents or complaints that includes the identification of the contributing factors within the systems.

Severity Assessment Code	A process for assessing the consequence and frequency that includes descriptors to create a consistent approach of applying a rating
Severity - Financial	The "estimated typical loss per event", i.e. a single event and is assessed on a gross loss basis (i.e. insurance is not considered)
Severity Non-Financial	The estimated non-financial (reputational, regulatory, staff health and safety, business disruption and management effort) impact per event.
Stakeholder	A person or organisation that may affect, be affected by, or perceive themselves to be affected by, a decision or activity.
Strategic Risk	A source of uncertainty that may arise in pursuit of strategic objectives. The risks and uncertainties associated with carrying out of the strategic objectives as articulated in high level plans; strategic programs/initiatives. Strategic risks arise during strategy formulation and implementation or factors from the external environment that could impact strategy.

Appendix 2 – Risk Management Procedure

This Risk Management Procedure reflects the Australian Standard (AS) ISO 31000: *2018 Risk Management – Guidelines.* The risk management process involves the systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording and reporting risk. This process is illustrated below.



Following this Procedure will help risk owners manage their risks and maintain their risk register in a manner that is consistent with Council's enterprise risk management framework.

This Risk Management Procedure should be read in conjunction with:

- Appendix 3 - Risk Appetite Statement (Confidential)
- Appendix 4 - Consequences Rating Table
- Appendix 5 - Risk Owner Response Table
- Appendix 6 - Control Effectiveness Rating Table
- Appendix 7 - Risk Register Template & Instructions
- Appendix 8 – Issue Escalation Response

Communication and consultation

The purpose of communication and consultation is to assist relevant stakeholders and employees in understanding risk, the basis on which decisions are made and the reasons why particular actions are required. Communication seeks to promote awareness and understanding of risk.

Effective communication and consultation with key stakeholders regarding risk management processes, issues and initiatives is critical to the success of Council's risk management framework. Employees must ensure that relevant stakeholders are informed, consulted and, if necessary, involved in risk management activities that affect them or for which they may be able to contribute. In particular, stakeholders who may be effected by, or may have knowledge regarding, risks must be consulted regarding the assessment and evaluation of such risks

Scope, context and criteria

Establishing the scope, context and criteria helps to customize the risk management process, enabling effective risk assessment and appropriate risk treatment.

The scope of risk management activities are enterprise wide. The risk management is applied at different levels (e.g. strategic, operational, programme, project, or other activities).

Context of the risk management process should be established by understanding of the external and internal environment in which Council operates and should reflect the specific environment of the activity to which the risk management process is to be applied. Important considerations when determining context include:

- What do we want to do or achieve? Define the desired outcomes of the event, activity or project.
- How will we know we have been successful? Identify the success measure or measures for each desired outcome. For established activities, success measures should have been developed and agreed during the development of Council's hierarchy of plans.
- Council's external environment – social factors, demographics, economic, environmental.
- Council's stakeholders – MANEX, residents, customers, regulators, employers, councillors, mayor, media, insurers, service providers, staff and casual employees.
- Council's internal environment – goals, objectives, culture, risk appetite/tolerance, organisational structures, systems, processes, resources, key performance indicators and other drivers.
- Council's appetite for risk – this is the amount of risk that Council is willing to accept in pursuit of its objectives.

Risk criteria should be established at the beginning of the risk assessment process. It specifies the amount and type of risk that Council may or may not take, relative to objectives. The risk appetite statement, risk matrix table and control effectiveness tables will help establish criteria for assessing, managing and taking risk.

Risk assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. Risk assessments (including risk registers) should be conducted systematically, iteratively and collaboratively, drawing on the knowledge and views of stakeholders. It should use the best available information, supplemented by further enquiry as necessary.

The first step to conducting the risk assessment is to ask risk owners to validate the business objectives of that business area. Where possible, the business objectives of that business area should also be sourced, i.e. what the area does to contribute or add value to the Function Unit/Department/Project, or the mission that it is charged with. These are likely to be identified through the business planning process.

In addition to the business-as-usual objectives, key programs and strategic improvement initiatives should also be identified. The number of objectives will depend on the size of the business area. However, on average, 4-10 key objectives should be identified.

Risk identification

Risk identification is the process of identifying risks facing Council. This involves thinking through the sources of risks, the potential hazards and opportunities, the possible causes and the potential exposure.

The aim of this step is to generate a comprehensive list of key risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives. 'Key' risks are managements' view of the most serious threats to the business objectives.

Risk identification occurs within the context of the risk management activity, procedure or process. The following categories of risk should typically be considered:

- Business activities/Strategic/External threat risks;
- Legal / Liability risks;
- Financial risks;
- Reputational risks;
- IT/Security/Cyber/ Business disruption risks;
- Community /Public health & safety risks;
- WHS & staff wellbeing risks;
- Environmental risks; and
- Asset and Infrastructure risks

It is important to undertake a systematic and comprehensive identification of all risks including those not directly under the control of Council because a risk that is not identified at this stage will not be included in further analysis. The key questions when identifying risks are:

- What can happen?
- Where can it happen?

- When can it happen?
- Why can it happen?
- How can it happen?
- What is the impact?
- Who is responsible for managing the risk?

Council may utilise a number of methods to help identify risks that could materially impact the business. These include:

- Brainstorming
- Formal risk workshops and consultation with stakeholders
- Bow-tie analysis
- Periodic working/project committee meetings
- Periodic reviews of the risk register
- Scenario analysis
- Business process reviews and work breakdowns
- Review of actual incidents and issues identified
- SWOT analysis

It is also important to consider the potential causes of a risk as it will help to address the risk - the next stage of the risk management process. Some causes of risk could include:

- commercial/legal relationships
- socio-economic factors
- political/legal influences
- personnel/human behaviour
- financial/market activities
- management activities and controls
- technology/technical issues
- the activity itself/operational issues
- business interruption
- natural events

Risk Analysis & Evaluation

Once risks have been identified, they are then analysed. Risk analysis involves consideration of the causes and sources of risk, their positive and negative severity, their key controls and the frequency that those consequences can occur. The following risk criteria should be used as a guide when analysing risks.

Control identification & assessment

Once you have determined the potential risk events, you need to identify and consider the current controls (people, systems and processes) you have in place to mitigate the risk. To then understand the extent to which the likelihood and consequence of a risk occurring is being mitigated, the full suite of controls in place must be documented and assessed for effectiveness of design and operation. The assessment should only assess controls that are currently in operation, not those that are planned.

A control can include a policy, procedure, plan, manual, devise or action that reduces a risk from occurring. A control can reduce the likelihood and/or the consequence of a risk. Each control should also be assigned a Control Owner. The Control Owner is the individual responsible for designing, maintaining and monitoring the control. The Control Owner may be from another business area.

The control type should also be identified. Control type can be:

- *Preventative*: Controls in place to prevent or stop a risk event from occurring e.g. system security, training etc.,
- *Detective*: Controls in place to identify that an event has occurred e.g. exception report, or
- *Mitigating*: Control that reduce the impact of risk events that have occurred e.g. insurance.

Once you have identified these current controls, you need to assess the control's design and performance to determine the overall control effectiveness. To determine control effectiveness, think about the quality of documented policies and procedures, adequacy of training, staff turnover, and recent issues - see **Appendix 6** for a guide on control effectiveness assessment.

Residual risk assessment

Likelihood/ Frequency is defined as the probability that the risk event will occur within the next 12 months.

The consequence/severity assessment is the effect or impact of the risk event. We will utilise the consequences ratings shown in **Appendix 4**.

A four-level rating scale applies to each of these factors, as illustrated in the table below. The greatest of the four dimensions should be used to determine the overall consequences, i.e. if reputation damage, regulatory and staff health and safety impacts were estimated as Low, but business disruption and management effort is assessed as Medium; the overall impact should be assessed as Medium.

Risk Response

Once the risk assessments are complete, the Risk Owner must determine the appropriate response to the risk. We uses four response categories, as detailed in the **Appendix 5**. When determining the risk response, the risk assessment and risk appetite should be considered, i.e. if not within appetite, the response should be 'active management'.

Residual risk is the exposure to a risk having considered the overall control effectiveness (**Appendix 6**). During risk evaluation, if the risk response for any of the identified risks is 'Consider control improvement', or 'Active management', an issue or action may be required. Where this is the case, the issue/action should be identified by the Risk Owner within or post-workshop. The issue/action should then be managed in accordance with the Issues Escalation Guidelines in **Appendix 8**.

The actions and level of control and/or risk treatment will depend on the risk level.

> **High or Extreme Risk**: Requires immediate risk treatment as the potential risk exposure could be devastating to the organisation.
>
> **Medium Risk**: May require action at some point in the near future, as it has the potential to be damaging to the organisation
>
> **Low Risk**: Low risks are generally acceptable and do not require any formal sign off. Low risks should continue to be monitored and re-evaluated on a regular basis. Low risks can generally be treated with routine procedures.

Risk Treatment /Action Plan

If the risk response for any of the identified risks is 'Consider control improvement', or 'Active management', an issue or action may be required. Where this is the case, the issue/action should be identified by the Risk Owner within or post-workshop. The issue/action should then be managed in accordance with the Issues Escalation Guidelines in **Appendix 8**.

Risk treatment involves selecting one or more options for modifying risks and implementing those options. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances. The options can include the following:

- avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
- taking or increasing the risk in order to pursue an opportunity;
- removing the risk source;
- changing the frequency/likelihood;
- changing the impact/severity;
- sharing the risk with another party or parties (including contracts and risk financing); and
- retaining the risk by informed decision

The information provided in risk treatment plans should include:

- the reasons for selection of treatment options, including expected benefits to be gained;
- those who are accountable for approving the plan and those responsible for implementing the plan;
- proposed actions;
- timing and schedule.

Monitoring and Review

Few risks remain static. Risks will be continuously monitored and reviewed; and the effectiveness of the controls in place and of the risk treatment/action plans will be assessed to ensure changing circumstances do not alter risk priorities.

The results of monitoring and review are incorporated within Council's performance management, measurement and reporting activities.

Risks will be monitored regularly in line with their significance. At minimum, the risk register will be reviewed quarterly as part of the operational plan review process.

Feedback on the implementation and the effectiveness of the ERM Policy and ERMF will be obtained from the risk reporting process, internal audits and other available information.

Recording and reporting

The risk management process and its outcomes will be documented and reported through appropriate mechanisms. Risk management records include:

- Risk registers maintained by Council for strategic risks, operational risks and other types of risks
- Other forms and types of risk assessments conducted for the purpose of identifying, evaluating and managing risk

Records should be maintained within Council's formal record management system.

Periodic risk management reporting and / or risk dashboards aims to enhance the quality of dialogue with the MANEX, ARIC, stakeholders and oversight bodies. Risk reports communicate important risk and control information.

Appendix 3 – Risk Appetite Statement (Confidential)

Risk Category	Sub-risk categories/components	Risk Appetite	RAS Statement	Risk Tolerance (Council will not tolerate - AVOID):	Council can tolerate (ACCEPT)
Finance	**Budget allocation (including recurrent), accounts payable, contingent liability, fixed assets, capital programs, inventory, payroll, procurement, trust accounts.**	**Medium**	Council recognises the financial risks involved in delivering a wide range of services, programs and capital projects. Council will seek commercial opportunities but always maintain a prudent financial management approach.	Council will not tolerate: - Risk which may have a significant negative impact on Council's long term financial sustainability or are highly speculative - Maladministration, misuse, serious or substantial waste of project funds or resources. - Negligent or uninformed decisions that have a significant negative impact on Council's financial sustainability. - Material mis-statement in financial accounts. - Serious or persistent breach of financial policies and delegations.	Council can tolerate: - Calculated financial risks to deliver important infrastructure, improve service delivery or promote ecological sustainability - Minor unforeseen/ unavoidable cost variations of *business unit budget* to meet community needs or pursue commercial or innovation opportunities. - Projects delivered within provided contingency and with required reporting within the adopted and endorsed reporting structure.
WHS/ Safety	**HR Management, Education / Training, Equity and Diversity, Industrial Relations, HR Management, Education and Training Equity and Diversity, Industrial Relations, Conflict Resolution, Leave Management, Work Health and Safety, Organisational Wellbeing, Recruitment, Retention, Transfer and Promotion, Performance management, discipline, delegations, relationships/teams, Fire**	**Low**	Council has no appetite for work practices, actions or inactions that compromise the wellbeing and safety of people - including staff, contractors and community. Council will pursue a healthy and engaged workforce based on respect.	Council will not tolerate: - Avoidable lost time injuries or illness or risks that have a long term impact on staff health, wellbeing or morale. - Practices that knowingly compromise workplace or worker safety. - Activities that result in reasonably foreseeable and preventable fatalities, harm, serious injuries or illnesses to workers. - Increases in near miss events which is not subsequently mitigated or managed.	Council can tolerate: - Minor incidents or injuries that occur in undertaking normal business activities despite best efforts to avoid or mitigate - Minor unforeseen incidents or injuries that that arise from time to time in the course of undertaking normal activities. - Moderate impact issues relating to improving workforce planning.

Risk Category	Sub-risk categories/components	Risk Appetite	RAS Statement	Risk Tolerance (Council will not tolerate - AVOID):	Council can tolerate (ACCEPT)
	prevention, fire suppression, Fire Investigation, Community capacity, wildfire management, employee well being;				
Environmental	**Pollution, Carbon Trading, Land Management, and water availability, Impact of Operations on the Environment, Climate change, Energy efficiencies and carbon, Greenhouse gas emissions, Deforestation, Waste management , Air /light/ noise pollution, Biodiversity and habitat, Contaminated land, Material sourcing and resource efficiency, hazardous substances**	**Low**	Council is prepared to make decisions that promote ecologically sustainable development. In making decisions and whilst undertaking various activities, Council has a low appetite for natural environmental damage arising from normal business activities (subject to financial sustainability).	Council will not tolerate: - Risk which may have significant long term negative environmental consequences, sustainability or that are highly speculative - Activities and practices that knowingly compromise the environment, are reasonably foreseeable and preventable.	Council can tolerate: - Calculated minor and /or short term environmental impacts where it is necessary in order to achieve key objectives - Minor environmental impacts (e.g. biological diversity and ecological integrity) from uncontrollable or unforeseen events.

Risk Category	Sub-risk categories/components	Risk Appetite	RAS Statement	Risk Tolerance (Council will not tolerate - AVOID):	Council can tolerate (ACCEPT)
Reputation	**Professionalism, Customer Satisfaction, Perceptions of Safety, Public Complaints, Fraud Corruption/Criminality, Internal Investigations, Public Interest Disclosure; Community; Media profile;**	**Low**	Council recognise the importance of protecting its reputation. Council understands that negative publicity may occur as a consequence of making decisions in an environment where there are competing stakeholder priorities and interests and is prepared to take on some level of risk for actions that may result in reputational damage where Council can justify and explain the reasons for its decisions.	Council will not tolerate: - Long term sustained negative publicity that damages Council's reputation and takes a long time to repair - Inadequate consultation with key stakeholder's that results in a major disruption and formal crisis management. - Situations where key stakeholders lose confidence in Council's capabilities.	Council can tolerate: - Localised, short term negative publicity as a consequence of making decisions in an environment where there are competing priorities and interests - Very low level complaints associated with changes in policy from a changing political environment but with a quick response to managing community complaints - Isolated minor incidents, concerns and complaints that can be resolved by day-to-day management - Where a reputational risk can be explained.
Legal /Liability	**Regulatory Control over service, Internal and External Audit, legislation, regulatory compliance, Fraud Corruption, COI, planning for local laws, building etc Governance (Privacy, FOI, CoC, authority of council, structure)**	**Low**	Council has little or no appetite for significant breaches of legal obligations or contractual arrangements that result in fines, penalties or significant reputational damage. Council is committed to achieving compliance in all areas of its operations.	Council will not tolerate: - Risks which may give rise to extensive litigation/ indictable offences - Any fraudulent, unethical and corrupt conduct. - Any instances where Council Officials knowingly break the law, fail to comply with legal obligations or knowingly breach internal policies. - Risks that cause inaccurate reporting or breaches of statutory deadlines	Council can tolerate: - Calculated risks which may give rise to isolated complaints that are incidental to normal business activities despite best efforts to avoid or mitigate - Minor impact breaches that are unforeseen - Short-term noncompliance due to unrealistic regulatory timeframes after completion of risk assessment.

Risk Category	Sub-risk categories/components	Risk Appetite	RAS Statement	Risk Tolerance (Council will not tolerate - AVOID):	Council can tolerate (ACCEPT)
Business activities (assets & infrastructure)	Business continuity, contract management including (tendering), outsourcing, project management, intellectual property, sponsorship, customer service delivery, internal controls, technical. Physical assets, security of assets and infrastructure. Condition of infrastructure.	Medium	Council is willing to transform and embed changes in many parts of business activities through the lesson learnt, resilience developed and innovations pivoted to support quality of life and values in the community.	Council will not tolerate: - Risks from a lack of due diligence in Statutory planning and legislative approval on assets - Risks that disrupt any Council critical services beyond three days and other less critical services as per Council's established maximum tolerable outages in the Business Continuity Plan. - Significant or ongoing loss of corporate knowledge that results in service interruptions and impacts key stakeholders. - Loss of asset and infrastructure and functionality in the future and due before its lifecycle.	Council can tolerate: - Minor disruptions to critical Council services or short term disruption to less critical services within council's Business Impact Analysis - A level of business interruption in the short term where it will ultimately benefit service delivery in the long term - Business activities interruptions where there is a balance with potential for innovation improvements - Moderate impacts to service delivery issues due to new technology or innovation initiatives.
Community / Public health & Safety	safety, emergency events, diversity, health wellbeing, skills and opporunities, active living; pandemic planning and response;	Medium	Council is focussed on enhancing liveability, safe and connected communities through supporting people to enjoy safe and active lives and public safety.	Council will not tolerate: - Risk that may severely disrupt ability to conduct core daily activities/ services - Risks that severely impact public property or safety - Risks that severely impact public health - Risks that impact public safety due to poor practices by contractors - Risks that leave public asset/infrastructure in an unsafe situation in a certain period of time within the safety standard - Risks that result in non-compliance with public amenities and safety measure - Risks that significantly negatively impact North Sydney's social wellbeing and quality of life for our community.	Council can tolerate: - Risks that result in some inconvenience to the community that is necessary in order to achieve key objectives and public safety. - Calculated risks/threats that diminishes our efforts to build and maintain strong relationships with agencies, to manage emergency events and community. - Calculated risks /threats that support and prioritise community service, safety and delivery during triage situation. - moderate impacts on North Sydney's social well being and quality of life due to new approaches or innovative initiatives.

Risk Category	Sub-risk categories/components	Risk Appetite	RAS Statement	Risk Tolerance (Council will not tolerate - AVOID):	Council can tolerate (ACCEPT)
Information Management and Technology	**Cyber, data privacy, information risks**	**Low**	Council's aim is to protect our assets held in our information technology systems. Council may be prepared in some circumstances to take a moderate level of risk in order to deliver more innovative services efficiently and effectively; connected to community through digital media.	Council will not tolerate: - Risks which may give rise to extensive and total loss of functions across the organisation - Failure to escalate essential service outages to CEO within 2 hours. - Loss of corporate knowledge that results in service interruptions and impacts key stakeholders. - Intended data leakage or breaches of privacy - Risks which may give rise to extensive and total loss of functions across the organisation -Loss of corporate data and information that results in service interruptions and impacts key stakeholders. - Risks which threatenCouncil IMT security and privacy on customer data - Failure to respond to IT incidents and events	Council can tolerate: - Calculated risks relating to minor downtime or scheduled outage in a single area that are incidental to normal business activities despite best efforts to avoid or mitigate - Unforeseen interruptions from uncontrollable events of up to the maximum allowable for any system (IM&T business continuity planning). - Minor reputational impact from one-off community complaints relating to service quality. - Moderate impacts to service delivery issues due to new technology or innovation initiatives or new improvements.

Appendix 4 – Risk Matrix table

Frequency/Likelihood:

Likelihood:	Definition – the extent to which an event is likely to occur Likelihood is measured as the probability that the risk event will occur within the next 12 months.		
	Rating	Probability	Frequency / Commentary
A	Almost Certain	> 75%	The situation or event is expected to occur in most circumstances. May occur within 12 months
B	Likely	50 to 74%	The situation or event will probably occur in most circumstances. May occur within 1-2 years
C	Possible	25% to 49%	This situation or event might occur at some time. May occur 3-5 years
E	Rare	The situation or event may occur in exceptional circumstances.	Not likely to occur within the next 5 years.
	Considerations include: - actual history (of similar internal and external events) incl. observed volatility - economic conditions - frequency of risk events or volume of transactions - number of / complexity of related processes		

Overall risk levels

CONSEQUENCE LEVEL

LIKELIHOOD LEVEL

	Low	**Medium**	**High**	**Critical**
Almost certain	10	11	15	16
Likely	4	9	13	14
Possible	3	7	8	12
Rare	1	2	5	6

Risk Levels	
12-16	**Extreme**
5-11	**Moderate**
1-4	**Low**

Severity / Consequences – Financial and Non-Financial Impact

Risk Categories	Sub-risk categories/components	Critical	High	Medium	Low
Finance	Budget allocation (including recurrent), accounts payable, contingent liability, fixed assets, capital programs, inventory, payroll, procurement, trust accounts.	> $3m Loss of assets, adverse impact on corporate budget. > 30% Loss of assets, adverse impact on business unit budget. External audit qualification. Requires State or Federal intervention.	'- >$1m to $3m Loss of assets, adverse impact on corporate budget - 15% to 30% Loss of assets adverse impact on business unit budget Internal Auditor or General Manager review qualification. - Major, longer negative implications for Council's ability to finance delivery of capital projects and/or services.	- $300k-$1m Loss of assets, adverse impact on corporate budget. - 5% to 15% Loss of assets, adverse impact on business unit budget. - Internal review from Business Unit Manager	- < $300k Loss of assets, adverse impact on corporate budget; - < 5% of Loss of assets, adverse impact on business unit budget
Reputation	Professionalism, Customer Satisfaction, Perceptions of Safety, Public Complaints, Fraud Corruption/Criminality, Internal Investigations, Public Interest Disclosure; Community; Media/communication profile; Political;	- Significant number of community complaints and/or extended adverse national media coverage - Reputation impacted with large majority of key stakeholders. - Significant and irreparable breakdown of strategic and/or business partnerships. - Ministerial intervention, appointment of Commissioners, or Regulator involved in issue resolution etc. - Critical loss of credibility	- A noticeable increase in the volume of community complaints and/or short-term adverse national media coverage - Reputation impacted with a significant number of stakeholders; - Criticism by other agencies or scrutiny by external authority such as the Local Government Inspectorate, Auditor General etc. - Breakdown of strategic and/or business partnerships taking considerable effort to repair relationships. - Serious loss of credibility	- Complaints from a small number of community and/or limited adverse local / state media coverage - Reputation impacted with some stakeholders. - Criticism by other agencies or scrutiny by internal committee or internal audit to prevent escalation. - Some loss of credibility requiring effort to regain	- Complaints from a relatively small number of community with no media coverage - Issue resolved promptly by day to day management processes. - Little or no stakeholder interest. Internal review only. - Temporary image degraded within department

Risk Categories	Sub-risk categories/components	Critical	High	Medium	Low
			requiring major effort to regain		
WHS / Safety	HR Management, Education / Training, Equity and Diversity, Industrial Relations, HR Management, Education and Training Equity and Diversity, Industrial Relations, Conflict Resolution, Leave Management, Work Health and Safety, Organisational Wellbeing, Recruitment, Retention, Transfer and Promotion, Performance management, discipline, delegations, relationships/teams, Fire prevention, fire suppression, Fire Investigation, Community capacity, wildfire management, employee well being;	- Serious injury resulting in hospitalisation and/or significant compensation or public liability claim; Notification to and investigation by SafeWork NSW - Potential / actual death of staff member(s) or Long term duration lost time injury of >10 days. - Potential for wide-spread impact on staff health or safety; Severe loss of critical skills, key people and business knowledge, programs/strategies are not delivered. - Widespread poor engagement and staff moral with high staff turnover. Inability to attract talented staff to numerous roles	- Major injury to staff as a result of an WH&S issue or potential for short-term wide-spread impact on staff; Medium duration lost time injury of 7-10 days. - Loss of critical skills and key people, programs/strategies cannot be delivered; - Capacity to attract quality staff is significantly compromised - Major industrial disputes - Potential for short-term wide-spread impact on staff	- Minor breach of legislation (WHS/employment laws). - People require minor medical treatment. - Short duration lost time injury of 3-7 days. - Some short term localised impact on staff morale, community or customer relations. - Minor injuries or illness from normal activities treated by first aid.	- Loss of a staff member from work through injury or illness treated by first aid. - Localised concerns by staff, community or customers. - Minor incident or 'near miss'. - No lost time.

Risk Categories	Sub-risk categories/components	Critical	High	Medium	Low
Legal/liability	Regulatory Control over service, Internal and External Audit, legislation, regulatory compliance, Fraud Corruption, COI, planning for local laws, building etc Governance (Privacy, FOI, CoC, authority of council, structure); EPAs;	'- Significant breach leading to investigation by external agency resulting in successful prosecution or sacking of Senior Officers, '- Council/ elected representatives, administrator appointed. - Practice standards breach personal privacy and human rights across the organisation - Severe sanction from regulator resulting in successful prosecution or sacking of Senior Officers;	- Major breach or systemic breaches leading to investigation by external agency e.g. ICAC resulting in negative findings, fines or penalties or orders or loss of licence or loss of service; - Adverse directive issued by regulator to senior management or board; - Breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible	- Technical breach of legislation resulting in small fine, warnings, investigation finding technical breach of legislation and improvement notices issued. - A high threat of legal action. Crisis management required. - Escalation in supervision by regulator resulting in increased reporting requirements; Minor legal issues, non-compliances and breaches or regulations.	- Minor breach of legislation, isolated complaint or incident where there is a threat of legal action that can be resolved by management.
Environmental	Pollution, Carbon Trading, Land Management, and water availability, Impact of Operations on the Environment, Climate change, Energy efficiencies and carbon, Greenhouse gas emissions, Deforestation, Waste management , Air /light/ noise pollution, Biodiversity and habitat, Contaminated land, Material sourcing and resource efficiency, hazardous substances	- Severe widespread damage or irreversible impact on environment - Detrimental long term environmental impact. - Total destruction of a species, habitat or ecosystem. - Requires over 10 years repair. - National media interest. - Notification to authority required. Civil prosecution. - Event results in commencement of prosecution of Council or Council staff by Environment Protection Authority	- Large but local impact on environment. - Long term but reversible impact on environment taking greater than 5 years to recover and requiring significant restorative work. - Environmental damage is evident. - Local media interest. - Repeat community complaints. - Regulatory enforcement action (e.g. fine, notice, order). - Event results in issuance of significant fine to Council or Council staff by	- Medium term impact on environment requiring moderate restorative work. - Environmental impact is evident. - Up to 2 years recovery period. - Does not impair the overall condition of the habitat or ecosystem. - Event results in issuance of on the spot fine to Council or Council staff by Environment Protection Authority	- Minor short term impact on environment such as remote temporary pollution that can be remedied quickly. - Brief, non-hazardous pollution or damage or negligible environmental impact. - No discernible impact or measurable impairment. - Minor clean up required. - No impact on the overall condition of the habitat and ecosystem. - Event results in notification to Council or Council staff by Environment Protection Authority

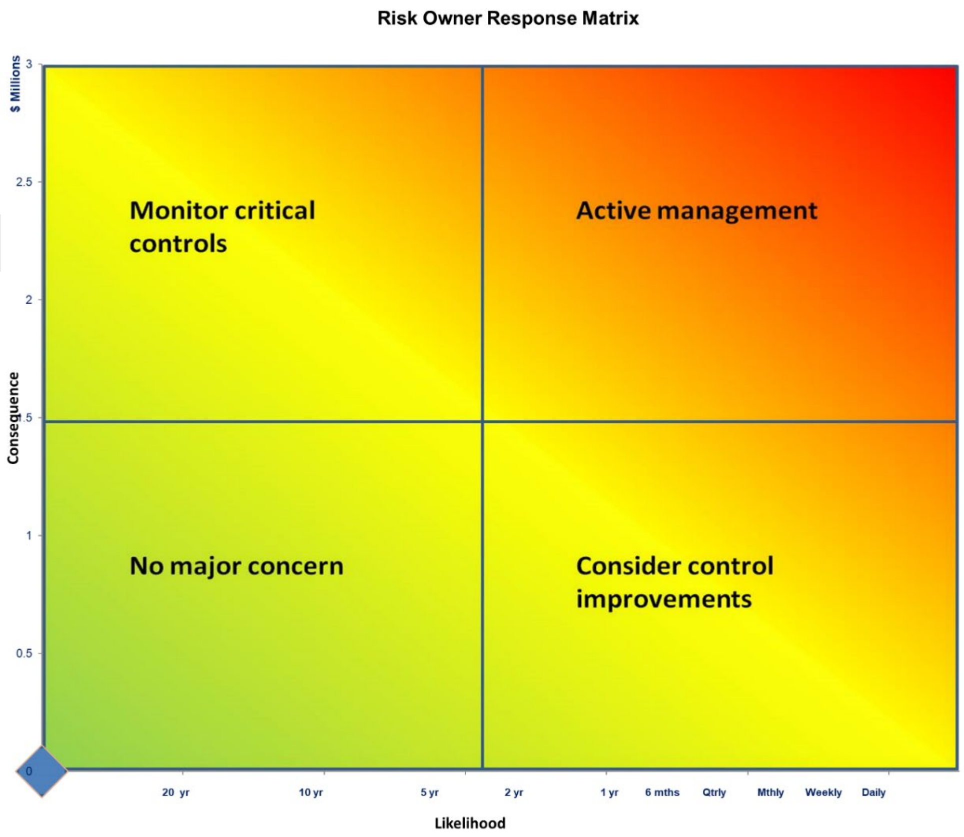
Risk Categories	**Sub-risk categories/components**	**Critical**	**High**	**Medium**	**Low**
			Environment Protection Authority		
Business activities (assets & infrastructure)	Business continuity, contract management including (tendering), outsourcing, project management, intellectual property, sponsorship, customer service delivery, internal controls, technical. Physical assets, security of assets and infrastructure. Condition of infrastructure.	- Inability to deliver critical programs, projects and/or services for >7 days. > 4 weeks project time slipage. - Significant adverse impact on servicess visibly obvious to key stakeholders. - Major scope changes and noticeable quality degregation require redesign. - Complete destruction/collapse and denial of access to asset or infrastructure	- Severe and widespread decline in services. Relationship with stakeholders/ key suppliers becomes strained. - Inability to deliver critical programs and/or services for 4-7 days. - 3-4 weeks project time slipage. - Noticeable quality degregation require remediation and Council approval, possible safety issues. - Partial destruction/collapse and denial of access to asset or infrastructure - Major loss of business with long term significance	- Some delays in meeting stakeholder requirements. - < 1 week project time slipage. - Noticeable decline in service levels - Unscheduled short term disruption for up to 1 business day. - Failure of infrastructure and asset creates slight inconvenience to users - Moderate loss of business with long term significance	- Scheduled interruptions. - An inconvenience with minimal or no adverse impact on projects or other service activities. - Unscheduled interruptions for less than 4 hours. - Little or no impact on delivery program. - Infrastructure or asset is subject fails causing minor delays and is subject to routine maintenance

Risk Categories	**Sub-risk categories/components**	**Critical**	**High**	**Medium**	**Low**
Community / Public health & Safety	safety, emergency events, diversity, health wellbeing, skills and opportunities, active living; pandemic planning and response;	- Extensive disruption to facility or services > 12 months - Any fatalities or extensive long term injuries; worst case loss to organisation - Civil commotion and riot; - Serious or life threatening injury or multiple serious injuries causing hospitalisation.	- Public protests and dislocation. - Potential for significant psychological or physical harm to sectors of the community. - Significant injury involving medical treatment or hospitalisation; high loss to organisation - Major disruption to facility or services up to 3 months - Damage to relationships and loss of support;	- Considerable disruption or inconvenience to sectors of the community up to 2 weeks; - Medical treatment Injury	- Some inconvenience to the community or minor disruption to facility or services less than a week; primarily acceptance and approval exists; - Injuries or ailment not requiring medical treatmen
Information Management and Technology	Cyber attack, data privacy, information risks, loss of data	- IT Services not available wide for > 2 days or more - Total and persistent and lengthy loss of IT capacity for several areas of Council or whole of Council - Significant loss of data resulting disclose of data exposure to public; - Power outage for more than 2 days;	- IT Services not available for > 1 day Notable, persistent and lengthy IT disruption / deterioration of systems perfomance for multiple/all service areas OR sustained disruption of many significant applications	- IT Services not available for up to 5 hours - Some IT disruption / deterioration of systems perfomance for one or two service areas OR some disruption of a significant application	- Short infrequent disruptions to IT Services (<1-2 hours during office hours) or low IT disruption / deterioration of systems perfomance - Low downtime or outage in single area of organisation

Appendix 5 – Risk Owner Response

Risk response	Guidance
🟩 No major concern	Risk has low severity/impact and frequency – review for possible redundant controls. Otherwise, no further action is required.
🟨 Monitor critical controls	Monitor critical controls so that they appropriately respond to rare but high-severity/impact events.
🟧 Consider control improvements	Consider control or process improvement opportunities to improve overall performance.
🟥 Active management	Actively manage these high-impact, high-frequency risks through close supervision and appropriate control assurance programs. Take action, where appropriate, to reduce, avoid or transfer the risk. Remediate ineffective controls or improve the control environment to reduce risk.

Heat Map



Appendix 6 – Control Effectiveness Rating table

Control design

Evaluation	Guidance
Adequate	Control design is reliable in mitigating the risk(s) as required.
Substantially Adequate	Control design is reliable in most cases; however, marginal improvement is needed to mitigate the risk(s) as required.
Inadequate	Design of the control is unreliable; control design requires substantial improvement to mitigate the risk(s) as required.

Control performance /Operating Effectiveness

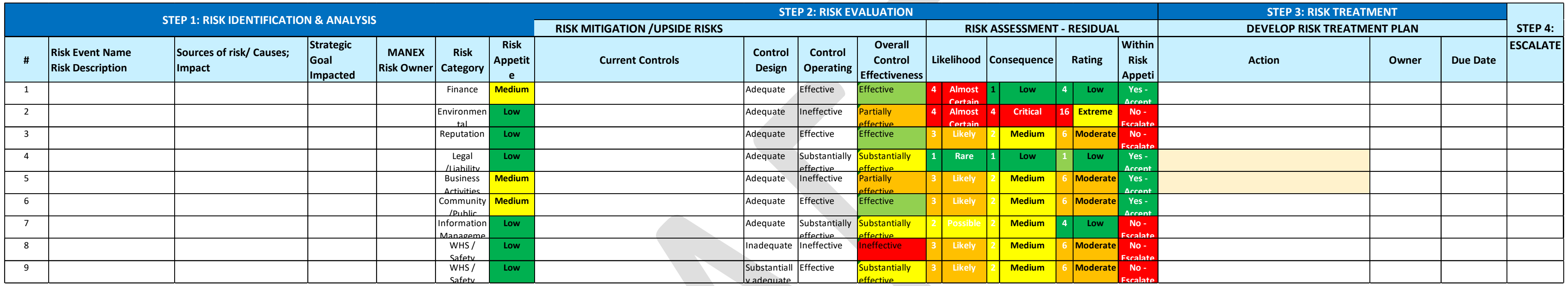
Evaluation	Guidance
Effective	Control performance is reliable in mitigating the risk(s) as required.
Substantially Effective	Control performance is reliable in most cases; however, marginal improvement is needed to mitigate the risk (s) as required.
Ineffective	Performance of the control is unreliable; control performance requires substantial improvement to mitigate the risk(s) as required.

Overall control effectiveness

Evaluation	Guidance
Effective	Overall, the design and performance of related controls are reliable in mitigating the risk as required.
Substantially Effective	Overall, the design and performance of related controls are reliable in most cases; however marginal improvement is needed to mitigate the risk as required.
Partially effective	Overall, the design and performance of related controls are reliable only in limited circumstances and require a marked improvement to mitigate the risk as required.
Ineffective	Overall, the design and performance of related controls are unreliable in mitigating the risk as required.

	Inadequate	Ineffective	Ineffective	Ineffective
Design	Substantially adequate	Substantially effective	Partially effective	Ineffective
	Adequate	Effective	Substantially effective	Partially effective
		Effective	Substantially effective	Ineffective
			Performance	

Appendix 7- Risk Register Template & Instructions



STEP 1: RISK IDENTIFICATION & ANALYSIS							STEP 2: RISK EVALUATION											STEP 3: RISK TREATMENT			
							RISK MITIGATION /UPSIDE RISKS				RISK ASSESSMENT - RESIDUAL							DEVELOP RISK TREATMENT PLAN			STEP 4:
#	Risk Event Name Risk Description	Sources of risk/ Causes; Impact	Strategic Goal Impacted	MANEX Risk Owner	Risk Category	Risk Appetite	Current Controls	Control Design	Control Operating	Overall Control Effectiveness	Likelihood		Consequence		Rating		Within Risk Appeti	Action	Owner	Due Date	ESCALATE
1					Finance	Medium		Adequate	Effective	Effective	4	Almost Certain	1	Low	4	Low	Yes - Accept				
2					Environmental	Low		Adequate	Ineffective	Partially effective	4	Almost Certain	4	Critical	16	Extreme	No - Escalate				
3					Reputation	Low		Adequate	Effective	Effective	3	Likely	2	Medium	6	Moderate	No - Escalate				
4					Legal /Liability	Low		Adequate	Substantially effective	Substantially effective	1	Rare	1	Low	1	Low	Yes - Accept				
5					Business Activities	Medium		Adequate	Ineffective	Partially effective	3	Likely	2	Medium	6	Moderate	Yes - Accept				
6					Community /Public	Medium		Adequate	Effective	Effective	3	Likely	2	Medium	6	Moderate	Yes - Accept				
7					Information Manageme	Low		Adequate	Substantially effective	Substantially effective	2	Possible	2	Medium	4	Low	No - Escalate				
8					WHS / Safety	Low		Inadequate	Ineffective	Ineffective	3	Likely	2	Medium	6	Moderate	No - Escalate				
9					WHS / Safety	Low		Substantially adequate	Effective	Substantially effective	3	Likely	2	Medium	6	Moderate	No - Escalate				

The purpose of this Risk Register Template & Instructions is to provide step-by-step instructions for completing the risk register to help risk owners maintain their risk register in a manner that is consistent with Council's Enterprise Risk Management Framework. To complete the risk register, you will need:

- Appendix 3 - Risk Appetite Statement (Confidential)
- Appendix 4 – Risk Matrix Table
- Appendix 5 - Risk Owner Response Table
- Appendix 6 - Control Effectiveness Rating Table

STEP 1: RISK IDENTIFICATION

The first step to conducting the Risk Assessment is to ask risk owners to validate the business objectives of that business area. Having validated the key objectives, the 'key' risks to achieving these objectives should be identified.

Risk identification is the process of identifying risks in the context you have established. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives. Risks represent areas of uncertainty in achieving objectives (i.e. 'what can go wrong' or 'what can happen'). 'Key' risks are managements' view of the most serious threats to the business objectives.

Risk Number (#) – Auto-generated for recording purposes.

Risk Name – Short title of the risk event.

Risk Event Description – Describe the risk event. What happens?

Sources of Risk and Impact – Describe factors that can cause the risk. How can the risk occur? What trigger the event? There may be multiple causes leading to a risk event. What is its impact/consequences? There may be multiple impacts (financial and non-financial) to a single event. To illustrate:

- A **cause** could be ineffective IT security,
- The **event** could be theft of customer data by an external party, and
- **Consequences** could be financial (high cost of repair /recovery of data) and/or non-financial (e.g. reputation).

Risk category - select the highest impact of a risk category for that event.

Risk Owner - A Risk Owner must also be assigned to each risk. The Risk Owner is the individual primarily responsible for identifying, assessing, managing and monitoring the risk.

STEP 2: CONTROL IDENTIFICATION AND ASSESSMENT

This step involves identifying and considering the current controls that are working effectively to mitigate the risk.

Risk Mitigation

Control Number (#) – Auto-generated for recording purposes.

Control Name – Short title of the control activity.

Current Controls Description – The controls should be adequately described so that someone unfamiliar with the business area processes can easily identify the applicable control. For example, if the control is described as segregation of duties, it may not be apparent what or who this relates to. A clearer description might be segregation of duties between function x and function y.

Control Owner - Each control should also be assigned a Control Owner. The Control Owner is the individual responsible for designing, maintaining and monitoring the control. The Control Owner may be from another business area.

Control Type – A mix of the control type should also be identified. Control type can be: Preventative, Detective and Mitigating.

Control Assessment (control design and control performance/Operating effectiveness) - The controls relating to each risk are collectively assessed based on design and performance by the Control Owner, in accordance with the tables in **Appendix 6**. This assesses the combined design and the combined performance of the controls in mitigating the risk. In determining this assessment, more weight may be placed on particular controls, given their role in managing a risk. The control design and control performance are combined to determine the overall control effectiveness.

STEP 3: RISK ANALYSIS & ASSESSMENT

Frequency/Likelihood - the estimated number of risk events in the next 12 months.

Consequences – Impact/Severity is assessed based on financial and non-financial impact. **Refer to** a four-level rating scale applies to each of these factors, as illustrated in **Appendix 4**.

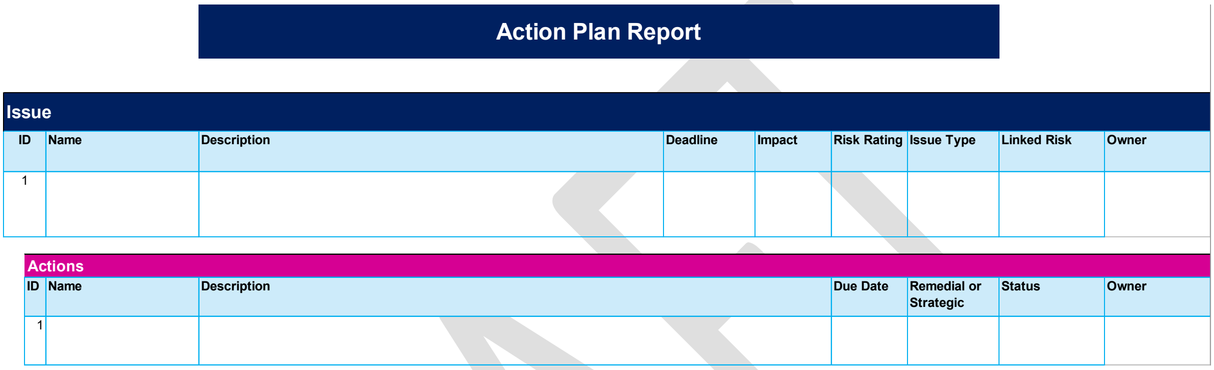
Overall Control Effectiveness – The control design and control performance (or operating effectiveness) are combined to determine the overall control effectiveness in **Appendix 6.**

Risk Owner Response – Risk Owner must determine the appropriate response to the risk in **Appendix 5**. When determining the risk response, the risk assessment and risk appetite should be considered, i.e. if not within appetite, the response should be 'active management'.

Associate to objectives - Where practical, risks should be linked to a business objective. One objective could have more than one risk associated with it.

STEP 4: RISK TREATMENT

The purpose of risk treatment is to identify the most appropriate risk mitigation strategies and implement them. If the risk response for any of the identified risks is 'Consider control improvement', or 'Active management', an issue or action may be required. Where this is the case, the issue/action should be identified by the Risk Owner within or post-workshop. The issue/action should then be managed in accordance with the Issues and Actions Guidelines.



Action Plan Report

Issue

ID	Name	Description	Deadline	Impact	Risk Rating	Issue Type	Linked Risk	Owner
1								

Actions

ID	Name	Description	Due Date	Remedial or Strategic	Status	Owner
1						

Objective - The Issues and Actions process aims to:

- Promote the early identification of concerns, weaknesses or improvements to the risk and control environment, and
- Ensure proactive escalation and monitoring of issues and actions

Develop action plan

Issue Name – Title of issue.

Issue Description - Clear and concise description of the issue (described in a manner so it can be provided directly to the MANEX/Managers without further editing).

Issue Owner - All issues must be appointed an Issue Owner. The Issue Owner is the individual responsible for resolving the issue. The Issue Owner is typically the person responsible for the business area/function that is exposed to the risk that leads to the issue being raised and as such, is often the Risk Owner. The Issue Owner must be senior enough to drive outcomes.

Due Date - Due date for resolution of issue. Resolution dates should be sensible, realistic and reflect the Issue rating.

Issue Risk Rating - Rating an issue allows for prioritisation of action, i.e. higher rated issues should receive priority over lower rated issues. The issue rating also determines the escalation and oversight (**Appendix 8**) required.

Action Name- Title of action.

Action Description - Actions are identified for all Issues. Actions are essentially the tasks to resolve an issue. For example, if an issue is identified relating to the effectiveness of IT access controls, the actions may be 1) to review the access log and 2) to deactivate unused profiles.

Due Date - Set the due date to implement the action.

Action Owner – The Issue Owner is required to assign an Action Owner (Responsible Manager) for each action. The Action Owner is the individual responsible for ensuring appropriate closure of the action. Action Owners and the related Issue Owners are generally expected to be in a direct reporting line. If this is not the case, the Issue Owner must ensure they have agreement from the nominated Action Owner (and their manager if appropriate).

Appendix 8 – Risk Escalation Response

Risk Actions and Escalation Points			
Group	**Group Description**	**Action required for risk**	**Risk Escalation**
12-16	Red-Extreme	Action required: risks that cannot be accepted or tolerated and require treatment	Escalated to the MANEX Control strategy developed and monitored by MANEX
5-11	Yellow-Moderate	Potential action: risks that will be treated as long as the costs do not outweigh the benefits As Low As Reasonably Practicable (ALARP)*	Managed at functional or service group level Escalated to the relevant direct report to MANEX for information
1-4	Green - Low	No action: acceptable risks requiring no further treatment May only require periodic monitoring	No action required Monitoring within the functional area or business unit

* ALARP stands for 'As Low as Reasonably Practicable' refer to ISO 31010

RATING OF ISSUE

All issues must be rated in accordance with the Council Issue Rating table. Issues are rated based on financial and non-financial impact. Issues are assessed based on the *potential risk* to Council if the issue is not resolved.

Appendix 9 – Risk Management Activities

Action	Description	Responsibility	Timing
ERM Policy	Review the currency and effectiveness	Executive Manager, Governance; Review and approved by ARIC	Every two years
Risk Appetite Statement	Review the appropriateness for relevance and context	Executive Manager, Governance; Review and approved by ARIC	Annually in conjunction with the annual planning process
ERM Framework	Review the currency and effectiveness	Executive Manager, Governance; Review and approved by ARIC	Annually in December or after significant change
Business Unit Operational Risk Registers	Review risks and controls contained in Business Unit risk register and identify new or emerging risks	Business Unit Managers (risk owners) supported by Executive Manager, Governance	Six-monthly in conjunction with Business plan Review Process or when there is a material change
Strategic Risk Registers	Review risks and controls contained in Strategic risk register and identify new or emerging risks	MANEX supported by Executive Manager, Governance	Six-monthly in conjunction with Strategic plan Review Process
Issue & Action Plans	Ensure that actions required by Issue & Action Plans are incorporated into the Risk Dashboard Reporting. Actions are tracked to completion.	Business Unit Manager/Leaders, MANEX coordinated by Executive Manager, Governance	Quarterly in conjunction with Risk Reporting process
Risk assessments for major projects/ initiatives	Conduct risk assessments as required for major new or altered activities, processes or events	Relevant Manager/ Risk Owner, supported by Executive Manager, Governance	Prior to deciding to proceed with new project/ initiative
Risk Dashboard reporting	Ensure that key risk information is contained in the risk dashboard to the MANEX, ARIC.	Executive Manager, Governance, reported to ARIC.	Quarterly
Training	Ensure risk owners and other staff are aware of the risk management process and their obligations	Executive Manager, Governance	Refresher for all Managers and Risk Owners every two years. Introduction for all new staff at induction.
Staff Performance Review	Ensure risk management performance of Risk Owners and people with responsibilities are assessed on a regular basis	Risk owners, MANEX, reported to ARIC	Annually

Action	Description	Responsibility	Timing
Communication	Ensure staff are aware of relevant risk management issues. Typical communication may include: ○ Changes to related policies & procedures ○ Management response to recent issues & incidents ○ Benefits realised from risk management initiatives ○ Activities & alerts in staff newsletters and social media channels	GM, supported by Executive Manager, Governance	Ongoing