

RISK MANAGEMENT POLICY



CITY OF VINCENT

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

PURPOSE

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

OBJECTIVE

To:

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

SCOPE

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

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

POLICY

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

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

IMPLEMENTATION

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

ATTACHMENT 1 – RISK CONSEQUENCE AND LIKELIHOOD CRITERIA

1.1 Consequence criteria

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

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

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

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

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1.3 CONTROLS RATING TABLE

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

ATTACHMENT 2 - RISK CLASSIFICATION MATRIX

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

ATTACHMENT 3 - RISK RATING AND MANAGEMENT

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

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

OFFICE USE ONLY	
Responsible Officer	Executive Manager Corporate Strategy and Governance
Initial Council Adoption	16/06/2020 - D20/105102
Previous Title	Policy 4.1.26 – Risk Management.
Reviewed / Amended	13/12/2022 Item 12.1
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