CITY OF ARMADALE

MINUTES

OF **CITY AUDIT COMMITTEE** HELD IN THE **FUNCTION ROOM**, ADMINISTRATION CENTRE, 7 ORCHARD AVENUE, ARMADALE ON **THURSDAY, 8 DECEMBER 2022 AT 7.00PM.**

PRESENT: Cr E J Flynn (Chairperson)
                 Cr G J Smith (Deputy Chair)
                 Cr R Butterfield, Mayor
                 Cr P A Hetherington
                 Cr G Nixon
                 Mr S Linden (Independent Member) *via Teams*

APOLOGIES: Nil.

OBSERVERS: Cr M Northcott

IN ATTENDANCE: Ms J Abbiss   Chief Executive Officer
                 Mr J Lyon   Executive Director Corporate Services
                 Ms S van Aswegen   Executive Director Community Services *via Teams*
                 Mr P Sanders   Executive Director Development Services *via Teams*
                 Mr B Bell   Manager ICT Services
                 Mr M Hnatojko   Executive Manaager Corporate Finance
                 Mrs A Owen-Brown Executive Assistant Corporate Services

Note:
The Audit Committee is a formally appointed committee of council responsible to that body and does not have any power or duty from the Council. As the matters discussed may be of a sensitive and confidential nature which, if disclosed could reasonably be expected to impair the effectiveness of the audit process, the Audit Committee meetings are closed to the public. – Council resolution CS53/10/2020 refers.

*"For details of Councillor Membership on this Committee, please refer to the City's website – **www.armadale.wa.gov.au/mayor-councillors-and-wards**."*

DISCLAIMER

The Disclaimer for protecting Councillors and staff from liability of information and advice given at Committee meetings was not read.

DECLARATION OF MEMBERS' INTERESTS

Nil.

QUESTION TIME

Nil.

DEPUTATION

Nil.

CONFIRMATION OF MINUTES

RECOMMEND

Minutes of the City Audit Committee Meeting held on 28 September 2022 be confirmed.

Moved Cr G Nixon
MOTION CARRIED   **(6/0)**

CONTENTS

CITY AUDIT COMMITTEE

8 DECEMBER 2022

1.1 - AUDITOR'S INTERIM AUDIT REPORT - 2021/22 FINANCIAL YEAR

WARD	:	ALL
FILE No.	:	M/617/22
DATE	:	14 November 2022
REF	:	MH/KY
RESPONSIBLE MANAGER	:	Executive Director Corporate Services

In Brief:
- This Report presents one matter raised in the Auditor's Interim Audit Report for Council's attention together with responses from Management to that matter.
- The Report Recommendation is to note the Auditor's comments, endorse the management responses/actions and support the responses to those comments by Management.

Tabled Items

Nil

Decision Type

☐ **Legislative**   The decision relates to general local government legislative functions such as adopting/changing local laws, town planning schemes, rates exemptions, City policies and delegations etc.

☒ **Executive**   The decision relates to the direction setting and oversight role of Council.

☐ **Quasi-judicial** The decision directly affects a person's rights or interests and requires Councillors at the time of making the decision to adhere to the principles of natural justice.

Officer Interest Declaration

Nil.

Strategic Implications

4.   Leadership
    4.1   Visionary Civic Leadership and Sound Governance
        4.1.2   Make decisions that are sound, transparent and strategic.

Legal Implications

- *Local Government Act 1995*
  - Section 7.1A – Audit Committee
  - Section 7.1C – Decisions of audit committees
  - Section 7.9 – Audit to be conducted
  - Section 7.12A – Duties of local government with respect to audits

7.1A. Audit committee

(1)   A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

(2)   The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

   * Absolute majority required.

   (3)   A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or

have a person to represent the CEO as a member of an audit committee.

(4)   An employee is not to be a member of an audit committee.

7.1C. Decisions of audit committees

Despite section 5.20, a decision of an audit committee is to be made by a simple majority.

7.9.   Audit to be conducted

(1)   An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —

   (a)   the mayor or president; and

   (b)   the CEO of the local government; and

   (c)   the Minister.

(2)   Without limiting the generality of subsection (1), where the auditor considers that —

   (a)   there is any error or deficiency in an account or financial report submitted for audit; or

   (b)   any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or

   (c)   there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government,

   details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.

(3) *The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —*

    (a) *prepare a report thereon; and*

    (b) *forward a copy of that report to the Minister,*

and that direction has effect according to its terms.

(4) *If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government.*

7.12A. *Duties of local government with respect to audits*

(1) *A local government is to do everything in its power to —*

    (a) *assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and*

    (b) *ensure that audits are conducted successfully and expeditiously.*

(2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*

(3) *A local government must —*

    (aa) *examine an audit report received by the local government; and*

    (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*

    (b) *ensure that appropriate action is taken in respect of those matters.*

(4) *A local government must —*

    (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*

    (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*

(5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

Council Policy/Local Law Implications

The Audit Committee Terms of Reference establishes the objectives, duties and responsibilities of the Committee. Specifically, the Terms of Reference state:

Purpose and Objectives of Audit Committee

The purpose of the Audit and Risk Committee is to support the Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management, internal and external audit function and ethical accountability.

The primary objective of the audit committee in accordance with Regulation 16 of the *Local Government (Audit) Regulations 1996*, is to provide assistance and guidance to Council on the discharge of its duties under Part 6 and 7 of the Local Government Act 1995.

Duties and Responsibilities

d)   Review the reports provided by the external and internal auditors.

e)   Oversee the implementation of any action that the City:
- Is required to take in response to an audit report received by an internal or external auditor.
- Has taken or intends to take following a report prepared addressing any matters identified as significant by the auditor.
- Has agreed following a review of risk management, internal control or legislative compliance.
- Has agreed following a review of financial management systems.
- Has agreed following an internal audit.

Budget/Financial Implications

Nil.

Consultation

- OAG (Office of the Auditor General)
- OAG's Contracted Auditor (KPMG Australia).

BACKGROUND

Each year as part of the City's audit program, an Interim Audit is undertaken by the OAG to identify areas of improvement associated with the City's internal controls, systems and procedures. This was undertaken by KPMG Australia on behalf of the OAG, for the financial year ending 30 June 2022.

The findings received from KPMG were assessed by Management and appropriate actions undertaken as required. The finding of the Interim Audit together with responses from Management are presented in this Report for the Committee's consideration and recommendation to Council.

In April this year, Council was informed via a memo, of the External Audit Plan for 2022.

This plan set out that the following areas to be covered for risk assessment during the interim and end of year audit:

1. Existence and valuation of infrastructure assets
2. Existence and valuation of fixed assets
3. Revenue – rates, fees, operating grants, developer contributions and subsidies
4. Landfill site – rehabilitation asset and liability
5. Personnel costs and related liabilities
6. Contracts and procurement
7. Cash, cash equivalents and term deposits
8. IT general controls and systems.

Furthermore, the interim audit also encompasses an examination of some compliance matters (including registers, minutes and other legislative matters) under:

- Part 6 of the *Local Government Act 1995* (as amended);
- the *Local Government (Financial Management) Regulations 1996* (as amended); or
- applicable financial controls of any other written law.

Any non-compliance matters will be reported in the Interim Audit Management Report for management information. Non-compliance matters are also reported in the Independent Auditor's Report.

DETAILS OF PROPOSAL

As part of Council's committee structure, the City Audit Committee has been established to review and address audit matters arising. The Interim Audit Report is summarised in this Report.

It is to be noted that the Interim Audit is primarily concerned with a review of controls/practices/procedures and Management's compliance with those controls. The Auditor's Interim Audit and Report is also scoped to cover a review of the accounting and internal control procedures in operation, as well as testing of transactions.

The findings of the Interim Audit help inform the Auditor in his Independent Audit Report to the Council, Management and Ratepayers. The Interim Audit reports on an exceptions basis, those matters that the Auditor believes Council should be aware of and/or requiring action by Management.

The review also covered an examination of some compliance matters, which are required under the *Local Government Act 1995* (as amended) and *Local Government (Financial Management) Regulations 1996*.

The Confidential Attachment 'Interim Audit Report 2021/22' is the report on the interim audit provided by KPMG Australia, which includes the one finding, risk rating, implications, recommendations and management responses and agreed actions provided by Management.

The recommendations and actions agreed to by the Management will be reviewed by the Auditor and the status of the implementation of the actions will be reported back to the Audit Committee as part of the Audit Action Status Report.

ANALYSIS

The interim audit finding and suggested opportunity for improvement is summarised into one area:

- Ineffective Purchasing Policy.

From a sample of 25 purchase orders KPMG identified 4 instances where the purchase order was not issued before invoice received and 5 instances where the minimum number of quotes for a purchase was not obtained, details of which can be found in the Confidential Attachment 'Interim Audit Report 2021/22'.

The Auditor's recommendation included:

- The City should monitor its Purchasing Policy and implement controls to ensure purchases do not occur until all of the policy requirements have been met.

Compliance with the City's Purchasing Policy has been an issue that has been raised by Audit previously. The interim Audit findings suggests that the matter requires further attention to reduce the instances of non-compliance.

The Management Response outlines further actions being undertaken or proposed to be undertaken, which revolve around policy and procedures review, systems improvement, reporting and monitoring and training.

CONCLUSION

The findings in the Auditor's Interim Audit Report and the Management responses suggest further actions can be undertaken to strengthen the City's controls, particularly around procurement.

ATTACHMENTS
1. ⇩   Interim Management Letter - City of Armadale - Management Response

Committee Discussion

Committee discussed the presentation of the findings and the management responses and felt that the information could be presented in more detail. The Executive Director advised the feedback would be taken on board for future presentations of the information to Council.

Committee requested the recommendation be amended administratively to replace the word 'endorse' with the word 'note' as below:

"...and ~~endorse~~ note the management responses…"

RECOMMEND   CA6/12/22

That Council note the matters raised by the Auditor in the Draft Interim Audit Report for the 2021/22 financial year, and note the management responses to those matters, as presented in this report.

Moved Cr R Butterfield
MOTION CARRIED   **(6/0)**

2.1 - LGIS MEMBER RENEWAL REPORT 2022/23

WARD	:	ALL
FILE No.	:	M/604/22
DATE	:	8 November 2022
REF	:	FW/JL
RESPONSIBLE MANAGER	:	Executive Director Corporate Services

> **In Brief:**
> - LGIS provide the City with an insurance renewal report, which provides an industry overview including market trends and consequential impacts on the Scheme and details of changes to the City's scheme membership and contributions.
> - The report this year highlights the global pressures on price and the challenges in relation to cyber risk coverage.
> - Whilst insurance renewal is a responsibility of the Chief Executive Officer, it was felt beneficial to periodically report the nature and types of insurance taken by the City, as it is a key risk mitigation measure.
> - Recommend that Council note the Local Government Insurance Scheme 2022/23 Renewal Report.

Tabled Items

Nil.

Decision Type

☐ **Legislative**   The decision relates to general local government legislative functions such as adopting/changing local laws, town planning schemes, rates exemptions, City policies and delegations etc.

☒ **Executive**   The decision relates to the direction setting and oversight role of Council.

☐ **Quasi-judicial**   The decision directly affects a person's rights or interests and requires Councillors at the time of making the decision to adhere to the principles of natural justice.

Officer Interest Declaration

Nil.

Strategic Implications

4.1.5 Establish comprehensive governance policies and procedures.

Legal Implications

Nil.

Council Policy/Local Law Implications

Nil.

Budget/Financial Implications

The premiums for the City's insurance portfolio totals $1.7M. The premiums have increased by 8% over the past three years, reflective of a tightening insurance market and growth in the City's operations and asset base.

Scheme Fund	2022/23 Base Contribution (ex GST)
LGIS Liability	$461,842.00
LGIS Commercial Crime and Cyber Liability	$21,876.36
LGIS Management Liability	$51,221.99
LGIS Property	$421,507.15
LGIS Motor Fleet	$228,907.31
LGIS WorkCare	$494,882.04
LGIS Corporate Travel	$971.81
LGIS Personal Accident	$712.00
LGIS Bush Fire	$8,756.00
*Total Scheme Membership	**$1,690,676.66**

Consultation

Nil

BACKGROUND

The Local Government Insurance Scheme

The Local Government Insurance Scheme WA (LGIS) is a local government mutual indemnity scheme which provides financial protection for its members and exists through a trust deed arrangement between WALGA and the members.

A mutual indemnity scheme is not insurance, it is an alternative risk financing strategy. Scheme members contribute money to create a fund which is used to manage the primary risks (Pooled Cover). The Scheme then also buys a variety of insurance in excess of the pooled cover to provide any additional protection members require.

In this structure there is a strong relationship between the successful execution of risk improvement strategies (which lowers risks and losses) and the increased financial strength of the scheme. This leads to greater member benefits including stability in pricing and cover and frequently also dividend returns.

City Insurance Portfolio Management
The City holds a number of insurance policies, primarily though the LGIS Mutual Schemes for various insurable risks. The policies provide for a maximum coverage (sum insured) and City exposure (policy excess) and are listed below, with further commentary outlining the policy detail.

- LGIS Property
- LGIS Liability
- LGIS Commercial Crime and Cyber Liability
- LGIS Management Liability
- LGIS Motor Fleet
- LGIS WorkCare
- LGIS Corporate Travel
- LGIS Personal Accident
- LGIS Bush Fire
- Zurich Contracts Liability.

Each financial year LGIS provide the City with a renewal report (see attachment) which provides an industry overview including market trends and consequential impacts on the Scheme and details of changes to the City's scheme membership and contributions.

Whilst insurance renewal is a responsibility of the Chief Executive Officer, it was felt beneficial to periodically report the nature and types of insurance taken by the City, as it is a key risk mitigation measure.

This report provides general commentary on the insurance market and outlines details of the City's insurance policy coverage.

COMMENT

Scheme Performance
In eight (8) of the past ten (10) years, LGIS has achieved surplus results and returned these surpluses to the scheme members.

The City has received "dividends" of returned surpluses in the past, between $50,000 to $140,000. More recently however, there has been reduced return on investments and substantial escalation in claims costs and LGIS have held Scheme surpluses to cover reduced returns and claims.

LGIS is still in a good financial position and scheme contribution increases for 2022/23 were limited, particularly in comparison to the commercial insurance market.

Market Analysis

In the first quarter of 2022, commercial insurance prices rose 11% globally and overall insurance pricing rose 10% in the Pacific region. Despite this, LGIS limited scheme renewal terms for 2022/23 were kept to single digit increases, for most members.

The City of Armadale's scheme contribution increases were in the most part between 6% and 9.1% for each of the eleven (11) scheme fund areas. The exceptions were Commercial Crime and Cyber Liability with a 31% increase due to market conditions.

Cyber risk remains particularly challenging globally due to frequent and severe ransomeware losses and as a result is an extremely difficult risk exposure to underwrite. The continually changing nature of cyber risks, the increasing digital dependence of business and the sophistication of the cyber crime industry combine to create fundamental uncertainties which result in challenges for commercially viable pricing of cyber risk.

As a result, the scheme has made some changes to the Cyber Liability policy making members responsible for 20% of the loss on ransomware claims and a percentage reduction in cover for breaches related to neglected software (software that is no longer available, no longer supported, reached the end of life or released updates have not been deployed).

Noting the importance of members' cyber resilience, LGIS is launching a cyber-risk pilot program in 2022/23 to assess the maturity of the sector. The program will develop a model to assist local governments to increase their resilience to cyber risk and assist in ensuring a pathway to ensure the effective transfer of risks.

Following a recent review, the City's cyber security strategy and maturity is the subject of a separate report to the Audit Committee this month.

City Insurance Polcies
The City holds a number of insurance policies, primarily though the LGIS Mutual Schemes for various insurable risks. The police are listed below, with further commentary outlining the policy detail.

LGIS Property

Total sum insured	$275,930,373
Premium	$421,507

This policy covers material loss or damage and consequential losses as a result of physical loss, destruction or damage to property. The maximum Limit of Liability is $600,000,000 for any one location.

All insurers are actively seeking to improve profitability with a number of insurers signalling:

- reductions in capacity (how much you can buy) and a big jump in pricing +>25%
- withdrawing from certain geographical regions
- looking to remediate their accounts and remove risks that do not fit their appetite
- focused on writing out asbestos and hazard material in buildings with protection being withdrawn for their removal
- Natural catastrophe limits are also being reviewed/reduced and imposed for bushfire, wind, flood and hail, along with aggregated limits.

In 2022/23, a number of sublimit(s) in the Scheme protection were reduced but LGIS have continued to maintain key coverage and limit the price volatility, faced by others in the market.

LGIS WorkCare

Total Wages	$42,662,245
Minimum Threshold*	$336,654
Maximum Threshold*	$1,386,523

The City covers claim costs between the minimum and maximum claims threshold, and has a Cash Reserve for that purpose.

The LGIS Workcare Scheme administers the employer's liability under the Workers Compensation and Injury Management Act 1981 and compliance with all WorkCover WA self-insurer regulations. Under this one of a kind arrangement in WA, all local governments within the State are considered to be self-insurers, meaning the Local Governments are exempted from the requirements to have a conventional workers compensation policy.

WorkCare is not impacted by global insurance trends. The benchmark rates for workers' compensation are set by the WorkCover gazetted rates which in recent years have increased year on year for Local Government Administration. LGIS WorkCare rates however, are based entirely on the member's and portfolio's performance.

The Table below is extracted from the renewal report. Of note, the City opts for a "blended deposit rate" of 1.16%, as opposed to 1.45%. Put simply, this means the City saves more on its workers compensation premiums if it has good injury prevention and injury management practices in place.

Details	2022/23
Estimated Wages	$42,662,245
Minimum Rate	1.45%
Minimum Contributions	$618,603
Blended Deposit Rate with 20% discount	1.16%
Blended Deposit Contribution	$494,882
Incurred Claims Threshold	$336,654
Maximum Rate	3.25%
Maximum Contributions	$1,386,523

In 2022, the city performed well and was under its claims threshold. A result that had not been achieved for a few years. This was assisted by the appointment of an injury rehabilitation officer.

LGIS Bush Fire

	2022/23
Total Event Coverage	$20M
Total Member Coverage	104 Members

Whilst making up a small proportion of Scheme operation; the bushfire portfolio is the most volatile due to the cost, nature, and frequency of claims.

Total aggregated sum insured any one event is $20M and 104 Volunteer Bush Fire Brigade Members have been listed for the City of Armadale.

Commercial Crime and Cyber Liability

	2022/23
Commercial Crime - sum protected any one period	$500,000
Cyber Protection – maximum aggregate limit any one period	$2,000,000

The increase in limits in recent years from a median limit of $100,000 to $1,000,000 is also driving premium increases as the indemnity provider continues to correct pricing for the increased exposure.

Cyber insurance pricing diverged from the general global trend, with prices generally increasing – notably by 35% globally - driven by the frequency and severity of losses.

Changes to the Cyber Liability (Section B of the Cyber and Commercial Crime Policy) include:

- **20% member risk retained payment on all ransomware claims** – this clause makes the member responsible for part of the loss and is in excess of the applicable deductible. For example, in the event of a ransomware loss of $500,000 the member will be responsible for $100,000 of the loss.
- **Infrastructure exclusion** which includes any electricity, gas, fuel, energy, water, telecommunications or other utility. This is not a significant change as SCADA (Supervisory Control and Data Acquisition) systems were specifically excluded originally.
- **Neglected software** – a breach that occurs where software is no longer available, no longer supported or has reached end of life or where updates have been released but not deployed. Percentage of cover is then applied to the number of days the patch was released. This has increased exclusion from just Microsoft Exchange Server to all examples of neglected software.

Motor Vehicle*

	2022/23
Total Coverage	$15.14M

The FY22 year marked the first year that motor claims were handled by the mutual scheme. Previously the portfolio was fully outsourced by LGIS to the market.

Across all Local Governments, there have been substantial number of avoidable claims, such as drivers hitting stationary objects. LGIS are providing a motor fleet risk service to assist members in reducing these types of incidents. The City is participating in the program, with an initial report on the health and maturity of the City's Fleet Management systems being due shortly.

Management Liability

Councillors' & Officers' Liability	$15,000,000 in the aggregate
Statutory Liability	$5,000,000 in the aggregate
Employment Practices Liability	$2,000,000 in the aggregate

There has been an increase in the number of Management Liability claims in Local Government in recent years and the severity has been substantial; development across claims arising from departmental inquiries, employment practises liabilities, and defamation action feed into the volatile performance of the management liability protection.

Contract Works

LGIS are no longer able to source a provider willing to provide a blanket contract works cover. This will result in the City having to take out a policy for each individual project it is self-managing and responsible for delivering.

The City previously took out the minimum cover, which covered the City for works it was undertaking itself for projects up to $1million. With the removal of this policy, a risk assessment will now need to be undertaken, to ascertain whether a policy is taken out for specific projects or how the risk can be managed (i.e. requiring the contractor to take out the cover).

It is proposed that LGIS will come out and present to key areas (Civil Works, Property Services and Parks), what this means for their projects and how to mitigate any risk to the City.

CONCLUSION

LGIS have provided the City with a renewal report which provides an industry overview including market trends and consequential impacts on the Scheme and details of changes to the City's scheme membership and contributions.

The report this year highlights the global pressures on price and the challenges in relation to cyber risk coverage. Although a deficit position was forecast at the end of the 2021/22 financial year, the scheme is still in a strong financial position and well situated to continue to support the City.

ATTACHMENTS
1. LGIS Renewal Report 2022-23 - *This matter is considered to be confidential under Section 5.23(2) (e iii) of the Local Government Act, as the matter, if disclosed, would reveal information about the business, professional, commercial or financial affairs of a person*

RECOMMEND   **CA7/12/22**

That Council note the Local Government Insurance Scheme 2022/23 Renewal Report.

Moved Cr G Nixon
MOTION CARRIED   **(6/0)**

2.2 - BUSINESS CONTINUITY RISK PLANNING

WARD	:	ALL
FILE No.	:	M/614/22
DATE	:	11 November 2022
REF	:	FW
RESPONSIBLE MANAGER	:	Executive Director Corporate Services

In Brief:
- Business Continuity Planning is a fundamental part of the City's Risk Management Framework.
- Developing Business Continuity Plans have been an objective of the Risk Management approach for some time, and were raised in previous Audits.
- During 2022, a Business Continuity Plan and supporting Business Continuity Action Plans were prepared in response to the escalating risks related to the impending relaxation of government imposed COVID-19 restrictions in Western Australia. The impact of COVID-19 on the City has been significant in terms of COVID-19 -related absences, however due to the implementation of business continuity strategies, there was minimal disruption to services to the community.
- An external review of the City's Business Continuity Framework has been undertaken and suggestions for improvement provided.
- Recommend that Council:
  1. Note the report on Business Continuity.
  2. Consider further investment in risk management

Tabled Items

Nil.

Decision Type

☐ **Legislative**   The decision relates to general local government legislative functions such as adopting/changing local laws, town planning schemes, rates exemptions, City policies and delegations etc.

☒ **Executive**   The decision relates to the direction setting and oversight role of Council.

☐ **Quasi-judicial**   The decision directly affects a person's rights or interests and requires Councillors at the time of making the decision to adhere to the principles of natural justice.

Officer Interest Declaration

Nil.

Strategic Implications

4.1.3 Develop organisational frameworks to achieve consistency, transparency and clarify of decision making processes

    4.1.3.3   Develop the City's Risk Management System with a view to performing commensurate with accredited standards.

Legal Implications

- Local Government (Audit) Regulations 1996.

Council Policy/Local Law Implications

The City's policy on risk Management "ADM 25 – Risk Management", states that "the City will manage risk through a tailored, structure and comprehensive approach by:

1. Implementing a Risk Management Framework ("the Framework") that aligns to the ISO31000:2018 standard and the requirements of the Local Government (Audit) Regulations 1996.
2. Implementing a Business Continuity Plan ("the Plan") that aligns to the ISO 22301:2012 standard;
3. Providing sufficient resources and oversight of the Framework and the Plan to ensure they meet the intent defined in this policy;
4. Ensuring there is adequate awareness of this Policy, the Framework and the Plan;
5. Monitoring and reporting of the Policy, Framework, Plan, identified risks and actions taken to manage these key risk elements.
6. Continually improving the risk management processes through review and evaluation. The policy will be reviewed every three years or:
   a. If the organisation's internal or external risk context materially changes; or
   b. Whenever a material risk event occurs.

Budget/Financial Implications

The review of the City's Business Continuity Planning framework undertaken by Moore Australia was included in the City's budget for internal audit for 2022/23.

Consultation

- Moore Australia Pty Ltd (Internal Auditors).

BACKGROUND

The international standard for Business Continuity Systems ISO22301, describes business continuity as the "capability of an organisation to continue the delivery of products and services within acceptable timeframes at predefined capacity during a disruption.

Business Continuity management forms part of an overall approach to effective risk management that assists in preventing, preparing for, responding to, managing and recovering from the impacts of a disruptive event.

The City's Risk Management Policy (see attached) requires that the City implement a Business Continuity Plan that aligns with this standard. The City's Risk Management Framework (see page 2 of attached) describes the integration of risk management and business continuity.

The 2020 and 2021 General Computer Controls audit performed by the Office of the Auditor General (OAG), found that the City did not have an overarching Business Continuity Plan (BCP) and recommended that:

- The City develop a BCP which contains details on how it will operate during a major disruption and how it will return to normal operations.
- The plan should be based on an appropriate Business Impact Analysis (BIA) to identify critical functions and processes along with their recovery time objectives.
- The City should undertake appropriate testing to verify the effectiveness of the BCP. These tests should also ensure that key staff are familiar with the plans, and their specific roles and responsibilities, in a disaster situation.
- The results of these tests should be recorded, and relevant actions taken to improve the plan where necessary.

When the COVID19 public health emergency escalated rapidly in March 2020, the City found itself without a Business Continuity Plan in place to immediately guide decisions and actions in response to the global pandemic emergency. Notwithstanding, the City moved quickly to implement the fundamental elements that would ordinarily be contained in a Business Continuity Plan in accordance with the international standard. Resources were repurposed and redeployed to focus on the Business Continuity of City services.
Specifically, the City undertook the following:

- Established an Incident Management team
- Formalised a structure incorporating a number of recovery and response teams including their roles, responsibilities and required resources.
- Completed a business impact analysis to identify the City's critical, essential and non-essential services in the event of a pandemic in accordance with identified maximum allowable outages.
- Developed Business Continuity Plans for each business area which included the identification of critical services and functions, resourcing requirements and business continuity strategies and actions.
- Categorised all staff with a COVID19 risk rating and designed a work from home strategy prioritised in order of staff risk ratings.
- Fast tracked the securing of mobile IT resources and upgrade of IT software and infrastructure to enable staff to work effectively from home.
- Completed a staff skills capability and capacity audit to enable redeployment where appropriate.

DETAILS OF PROPOSAL

Business Continuity Risk Planning

In early 2022, the business continuity risks related to the impending relaxation of government imposed COVID-19 restrictions were assessed using the experience of the Eastern States as an indicator. A management decision was made to prepare a Business Continuity Plan which was based on the identification of four main risks:

1. Loss of access to building
2. Major staff absenteeism
3. Disruption to critical internal support service
4. Disruption of critical external supply chains or contractors.

A review of the prioritisation of the City's services conducted in 2020 was completed and services were categorised in accordance with a maximum acceptable outage of less than 5 days, less than 31 days or greater than 31 days. Roles and responsibilities to respond to a disruptive risk event were agreed and corporate strategies and actions identified for each of the four main risks.

Business Continuity Action Plans (BCAP) were then developed for each business area to support the implementation of the Business Continuity Plan. The objectives of the BCAP process was to provide a cost effective means of:

▪ Preventing or minimising the impact of events capable of disrupting business operations
▪ Ensuring that business areas can respond to unavoidable disruptions
▪ Ensuring a smooth and rapid restoration of normal business operations after a disaster.

Disaster Recovery Planning

During 2021/22 the City undertook a project to develop the overarching Disaster Recovery Plan (DRP) in relation the City's Information and Communication Technology (ICT) services. This involved documenting the notification and activation processes as well as the establishment of roles and responsibilities of the Disaster Recovery Team.

The DRP does not necessarily describe likely events, it focusses on major outage times, which will be the deciding factor on whether recovery activities and the Disaster Recovery Team are activated. The DRP identifies the critical ICT applications and the objectives for when data is required to be recovered back to and the time it takes to recover each application. This project was completed in February 2022.

A second phase of the project is required to develop the technical recovery procedures. This was originally planned for 2022/23, however other priorities such as cyber security and network infrastructure are taking precedence.
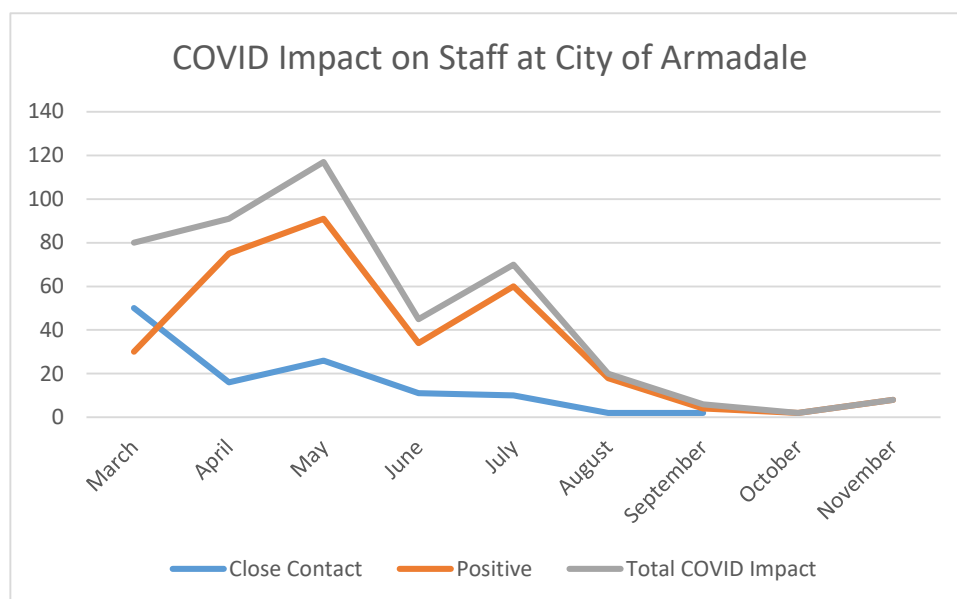
COMMENT

The impact of COVID-19 in 2022

As the impact of COVID-19 increased in Western Australia, the State Government approved the Critical Worker Furloughing Policy, a business continuity strategy which provided for a worker in isolation due to being a close contact, to be asked by their employer to return to work, as a last resort situation for business continuity of critical services. The City developed a system to manage the requirements of the policy which was utilised on a number of occasions to ensure the continuation of critical services.

To ensure the health, safety and wellbeing of staff, customers and the community, diversion of resources to map and implement processes to prevent exposure to COVID-19 in the workplace and minimise pandemic infection spread in the workplace was undertaken. The Crisis Response team met regularly to discuss and determine strategies for the management of vaccination and testing requirements, as well as social distancing restrictions and measures.

During the 6 months from March to September 2022, over 400 staff members either contracted COVID-19 or were isolated due to close contact requirements (illustrated in the following graph).

ANALYSIS

Moore Australian Internal Audit

The City's Internal Auditor, Moore Australia, were requested to review the City's newly developed Business Continuity Plan and Business Continuity Action Plans and provide recommendations for improvement. (see attached confidential summary report)

Moore Australia recommended that the next steps to improving the maturity of the City's Business Continuity Planning Framework are to develop the following:

▪ Business Continuity Policy
▪ Crisis and Emergency Management Plan

In addition, suggestions were provided by Moore to improve the alignment of the plans developed by the City earlier this year with the international standards and better practice principles.

Although many of the Business Continuity Action Plans were activated during the peak of the COVID-19 outbreak in W.A. earlier this year, the management team have recognised that continual improvement of these plans will occur through testing of the plans. However the City is not currently resourced to plan and undertake a regime of testing of business continuity plans.

Investing in Risk Management
Since the establishment of the Better Business Program in 2016, the budget for this program including risk management and internal audit has decreased by $50,000 p.a. During this same period the City has introduced:

- internal audit and risk management programs
- the Four Year Budget
- Service definition through the service statements
- Business Area Planning
- Business Continuity Planning
- Increased Audit Committee reporting

Re-prioritisation of resources was required to develop the Business Continuity Plans, the City does not currently have ongoing resources to maintain these documents or implement the recommendations provided by Moore Australia. The re-allocation of existing budgets will need to be undertaken to deliver current gaps in the program. To adequately manage the requirements of an ongoing business continuity program as part of the City's Risk Management program, and more broadly and the City's Internal Audit program, requires an additional resourcing, which is the subject of a proposal to Council.

OPTIONS

1. Note the report on Business Continuity Risk Planning; and

Or

2. Note the report on Business Continuity Risk Planning
   Recommends that Council consider further investment in risk management

CONCLUSION

During 2022, a management decision was made to prepare a Business Continuity Plan and supporting Business Continuity Actions Plans in response to the escalating risks related to the impending relaxation of government imposed COVID-19 restrictions in Western Australia. The impact of COVID-19 on the City has been significant in terms of staff absences, however due to the implementation of business continuity strategies, there was minimal disruption to services to the community.

An external review of the City's Business Continuity Framework has been undertaken and suggestions for improvement provided.

ATTACHMENTS

1.   Business Continuity Planning - Moore Aust Summary Report - *This matter is considered to be confidential under Section 5.23(2) (e iii) of the Local Government Act, as the matter, if disclosed, would reveal information about the business, professional, commercial or financial affairs of a person*
2.⇩   Risk Management Framework 2019
3.⇩   Risk Management Policy (Final July 2019)

Committee Discussion

Cr Flynn moved that an amendment be made to the Recommendation to include funding for a Risk and Audit Officer. The amendment to point 2 of the Recommendation to be as follows:

2.   ~~Consider further investment in risk management.~~
2.   *Immediately fund a Risk and Audit Officer to be included in the mid year review.*

RECOMMEND

                                                                          CA8/12/22

That Council:

1. **Note the report on Business Continuity**
2. **Immediately fund a Risk and Audit Officer to be included in the mid year review.**

Moved Cr E J Flynn
Seconded Cr P A Hetherington
MOTION CARRIED   **(6/0)**

2.3 - CYBER SECURITY

WARD	:	ALL	
FILE No.	:	M/665/22	

In Brief:
- A confidential report is presented separately to this Agenda.

DATE	:	30 November 2022
REF	:	AO
RESPONSIBLE	:	Executive Director
MANAGER		Corporate Services

Strategic Implications

4.1   Strategic Leadership and effective management
4.1.3 Develop organisational frameworks to achieve consistency, transparency and clarity of decision making processes
4.2   A culture of innovation
4.2.1 Embrace the use of technology to achieve improved efficiency and effectiveness of City functions

Legal Implications

Nil.

Council Policy/Local Law Implications

- ADM25 – Risk Management Policy.

Budget/Financial Implications

The ICT Strategy has a number of projects and initiatives to strengthen the City's cyber security maturity. This includes an allocation of $145,000 in FY24 for an Information/Cyber Security Officer.

Consultation

Details are outlined in the confidential report.

A Confidential Report is presented separately to this Agenda.

ATTACHMENTS

RECOMMEND   **CA9/12/22**

That Council approve the recommendation as detailed in the attached Confidential Report.
Moved Cr R Butterfield
MOTION CARRIED   **(6/0)**

COUNCILLORS' ITEMS

Nil.

CHIEF EXECUTIVE OFFICER'S REPORT

Nil.

MEETING DECLARED CLOSED AT 8.36PM

City of Armadale
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
MATTERS IDENTIFIED DURING THE AUDIT - INTERIM

INDEX OF FINDINGS	RATING		
	Significant	**Moderate**	**Minor**
1. Ineffective purchasing policy	✓		

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT

City of Armadale
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
MATTERS IDENTIFIED DURING THE AUDIT - INTERIM

1. Ineffective purchasing policy

Finding
From a sample of 25 purchase orders KPMG identified instances where the purchasing policy had not been followed correctly.

The elements of the policy tested which failed were both as follows:
1. 4 instances where the purchase order was not issued before invoice received.
2. 5 instances where the minimum number of quotes for a purchase was not obtained.

Rating: Significant

Implication
Without appropriate application of the purchasing policy there is an increased risk that unauthorised purchases will occur.

Recommendation
The City of Armadale should monitor its purchasing policy and implement controls to ensure purchases do not occur until all of the policy requirements have been met.

Management Comment

The Auditor's recommendation is accepted.

1. *Four (4) instances were identified where the purchase order was not issued before invoice received.*
   These findings are in relation to the following Purchase Orders listed below:

	Supplier	PO Number	PO Date	PO Amount
i	Wildflora Factory Pty Ltd	168638	21/07/2021	$ 519.00
ii	Gecko Contracting Turf & Landscaping	173990	2/02/2022	$ 7,389.00
iii	Reva Commercial Pty Ltd	172176	16/11/2021	$ 12,837.00
iv	SUEX Recycling & Recovery Pty Ltd	170357	15/09/2021	$ 76,780.00

   i. *This relates to the purchase of wildflower seeds for the Perth Hills Armadale Visitor Centre. A quote was obtained and agreed to prior to the purchase commitment from the supplier on the 15th of July.*
   ii. *This relates to additional streetscape maintenance required for the Precinct 4 project that was not included in the original scope of works.*
   iii. *This relates to the additional emergency removal of asbestos for the Roleystone Theatre project that was not included in the original scope of works.*
   iv. *This relates to the annual recycling collection and processing that is undertaken by City. This supplier is currently under contract (RFQ/61/17) with the City for a 5 year period term to October 2023. The terms of this engagement forms part of this purchase order.*

2. *Five (5) instances were identified where the minimum number of quotes for a purchase was not obtained. This finding is in relation to the following invoices listed below.*

ATTACHMENT

City of Armadale
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
MATTERS IDENTIFIED DURING THE AUDIT - INTERIM

	Supplier	PO Number	PO Date	PO Amount
i	Corsign WA Pty Ltd	168285	7/07/2021	$ 424.55
ii	Environmental Industries	172382	23/11/2021	$ 693.00
iii	Redfish Technologies Pty Ltd	173240	24/12/2021	$ 781.00
iv	Muresk Institute	175297	21/03/2022	$ 18,810.00
v	Paramount Electrical Services	172376	23/11/2021	$ 53,140.00

i. *This relates to the purchase of street signs in July 2021 under an existing contract (RFQ/28/20) with Corsign, existing contract rates used.*

ii. *This relates to the purchase of extra basin maintenance in November 2021 under an existing contract (RFQ/16/20) with Environmental Industries, existing contract rates used.*

iii. *This relates to the repair and maintenance of the AFAC PA Controller replacement in December 2021 with Redfish Technologies. Contractor was requested to attend site where a verbal quote was provided to City Officers to undertake the works prior to the purchase order being raised.*

iv. *This relates to the purchase of training for Animal Welfare in Emergencies through the Muresk Institute under the Animal Welfare in Emergencies Grant Program which is funded by the Department of Primary Industries and Regional Development (DPIRD). The Muresk Institute training course was the only approved training provider under the grant conditions and all fees associated for this training were reimbursed via WALGA under Invoice No. 45750.*

v. *This relates to the purchase of the Bedfordale Men's Shed electrical upgrade in November 2021 under an existing contract (TEN/27/20) with Paramount Electrical Services. A single written quote was obtained from the City's contractor on 22/11/2021 prior to the purchase order being raised using existing contract rates.*

Reporting
Reporting of non-compliance report (i.e. invoices issued before purchase orders) was developed earlier in 2022 for the Executive Leadership Team. Subsequently, the City transitioned to the new ERP on 30 June 2022 and a revised report is being designed. This is expected to be completed by 30 November 2022 and will enable real time visibility and monitoring.

A monthly Waiver report is also presented to the Executive Team to monitor the approvals, circumstances and reasons that Executive Directors have waived the requirement to obtain quotes less than the policy requirement.

Policy
A review of the City's Procurement Policy has also been undertaken and is due to be considered by Council shortly. The review has included documenting the circumstances where a purchase order may not be required, or where a standing order may suffice. This is currently not included in the policy or guidelines.

The review has also noted that the ability to waive the number of required quotes in certain circumstances, documented in the guidelines needs to also be included in an amended policy.

ATTACHMENT

City of Armadale
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
MATTERS IDENTIFIED DURING THE AUDIT - INTERIM

Procurement guidance will continue to be strengthened through the issue of general procurement guidelines to accompany the delegation of authority, which is issued to Officers annually. This will require officers to acknowledge that they have read, understood and agree to adhere to the City's procurement policy and guidelines as a condition of the delegation.

System
The City of Armadale has transitioned to a new core business system that will allow for the introduction of additional internal controls when raising Purchase Orders.

Officers are currently required to select one of the following when raising purchase orders:

  i. Refer to an existing contract;
  ii. Attach an endorsed evaluation report for multiple quotes;
  iii. Attach a single quote received for purchases under $10,000; or
  iv. Attach an endorsed quotation waiver form.

This is still in the process of implementation as part of the City's review of its Procurement Policy. Purchase order approvers will also receive further training when implemented to ensure that these documents are being checked and reviewed prior to approving purchase orders.

People
Like many organisations, the City has experienced a shortage of supply in labour and turnover. This has presented business risks as new people become familiar with the City's business rules and requirements.

The capacity to run regular refresher training for procurement diminished, and a greater reliance was placed on on-board/induction and on line training, which is not as effective.

Responsible Person: *Manager Financial Services / Manager Governance & Administration*
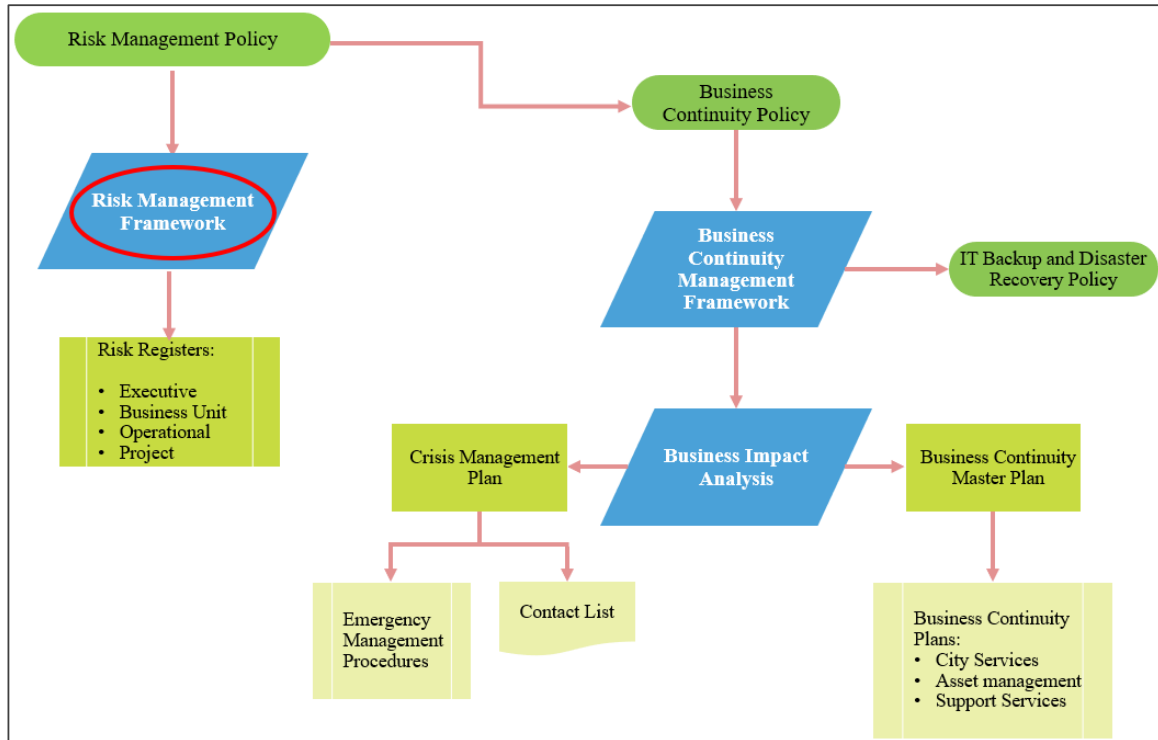**Completion Date:** *Ongoing*

Risk Management
Framework

CITY OF Armadale

July 2019

Risk Management Framework

DOCUMENT MANAGEMENT

Document Control	
Document Owner	Executive Director – Corporate Services
Document Version	2019 v.1 (draft)
Document File Reference	
Document File Name	Risk Management Framework
Review Frequency	Yearly
Security Level	
Approval	City Audit Committee

Risk Management Framework

Contents

Risk Management Framework

Risk Management Framework

1   Introduction

1.1 Purpose and Objectives

The purpose of the Risk Management Framework is to define how the City of Armadale (the City) will meet its commitment to risk management as defined in the Risk Management Policy.

The objectives of this framework are to:

- provide a structured and systematic approach to the process of managing risk within the City;
- provide the Council with confidence that risks are being effectively managed throughout the organisation;
- ensure clear accountabilities for risk management;
- define the risk context and risk appetite of the City;
- provide the tools to identify the inherent, residual and acceptable risk levels, assessing the effectiveness of their control measures and what actions are to be taken;
- encourage a "risk aware" culture that ensures responsible and informed risk-taking while ensuring appropriate measures are taken to protect the Council and maintain stakeholder confidence; and
- ensure that risk management is a living and dynamic process, appropriately embedded in business functions, internal operations and services to the wider community of the City.

An overview of the risk management framework is depicted in Appendix C. The diagram contains the section numbers of the Framework for ease of reference.

1.2 Background

The City's vision is for a liveable city that is responsible to community values, appreciative of our natural environment and provides a choice of lifestyle and work.

To ensure that risk management activities support the intent of the policy, the framework is aligned to, and benchmarked against the risk management standard, AS/NZS ISO 31000:2018 (ISO 31000). This also ensures that the City can meet its regulatory obligations. The City is a Western Australian local government authority accountable to the Department of Local Government, Sport and Cultural Industries. Overseeing the organisation is a fourteen-member Council democratically elected by the residents, with each member appointed for a four-year term. The Council is responsible for allocating resources and the CEO is accountable for delivering all aspects of business operations. The key stakeholders of the City include the Council residents and businesses, its Mayor and Council, Council's sharing its borders, employees, business partners and Department of Local Government, Sport and Cultural Industries.

The management of risk is the responsibility of everyone and should be an integral part of the City's organisational culture. It should be reflected in the various policies, protocols, systems and processes used to ensure efficient and effective service delivery. The City's governance ensures that responsibilities and accountability for overseeing the sound implementation and maintenance of the risk management framework is appropriately allocated and understood.

Risk Management Framework

2   Risk Appetite

2.1   Overview

Risk appetite can be defined as the amount and type of risk that an organisation is willing to pursue (or retain) in pursuit of stakeholder value and in order to meet their strategic objectives.

The City recognises the need to review, understand, monitor and manage the associated risks that exist now, and in the future, to ensure stakeholders receive optimal services, whilst complying with regulatory requirements.

2.2   Council Risk Appetite Statements

Risk appetite is the level of risk that the City is prepared to accept before it deems action is necessary. The risk appetite for the organisation is established through the Risk Management policy and supported by tailored risk processes.

The City has adopted a risk appetite that is generally low whilst acknowledging that greater risk is tolerable in certain circumstances. By way of guidance, the City has:

- a very low tolerance for risks to the health and safety of the people in the organisation;
- a low tolerance for risks to public safety;
- a low tolerance for risks which negatively impact the City's reputation;
- a low tolerance to risks which compromise the good governance of the City;
- a low tolerance to risks which adversely affect the City's long term financial sustainability;
- a higher degree of tolerance to risks associated with development and innovation of City services or assets;

The structure of the Risk Tables, define and illustrate the organisation's risk appetite to support operational synergies. The City's risk appetite is also reflected in the Risk Tables in the following ways:

- Within each risk criteria of the Risk Impact Tables in Appendix B there are qualitative metrics for each of the risk levels. These metrics are the first part of the risk appetite.
- The qualitative metrics in all of these tables enables anyone using the process to assess a risk and identify the organisation's risk appetite for that risk.

3   Risk Management Governance

A demonstrable commitment to sound risk management is one of the hallmarks of good governance and defensible integrity. The governance of the City ensures that the Council and the Executive are responsible and accountable for overseeing the sound implementation and maintenance of the risk management framework. The Council and the Executive are committed to the development, implementation, monitoring, review, and continuous improvement of the Risk Management Framework to ensure its ongoing effectiveness.

The framework mandates the clear allocation of responsibility and accountability for managing risk and compliance obligations and considers Council's governance responsibility, executive and line management responsibility, as well as monitoring, reporting and communicating responsibilities.

Risk Management Framework

3.1 Oversight

The Council is responsible for reviewing and endorsing the risk policy, strategy and framework, including determination of risk appetite and compliance program. The City Audit Committee (CAC) has been delegated the responsibility to provide oversight and reporting of these obligations.

Good governance of risk ensures ongoing communication, consultation, measurement, reporting and escalation processes for resolution of issues relating to unacceptable levels of risk or inadequate control measures.

The following figure 1 summarises the risk management governance and reporting roles within the City.
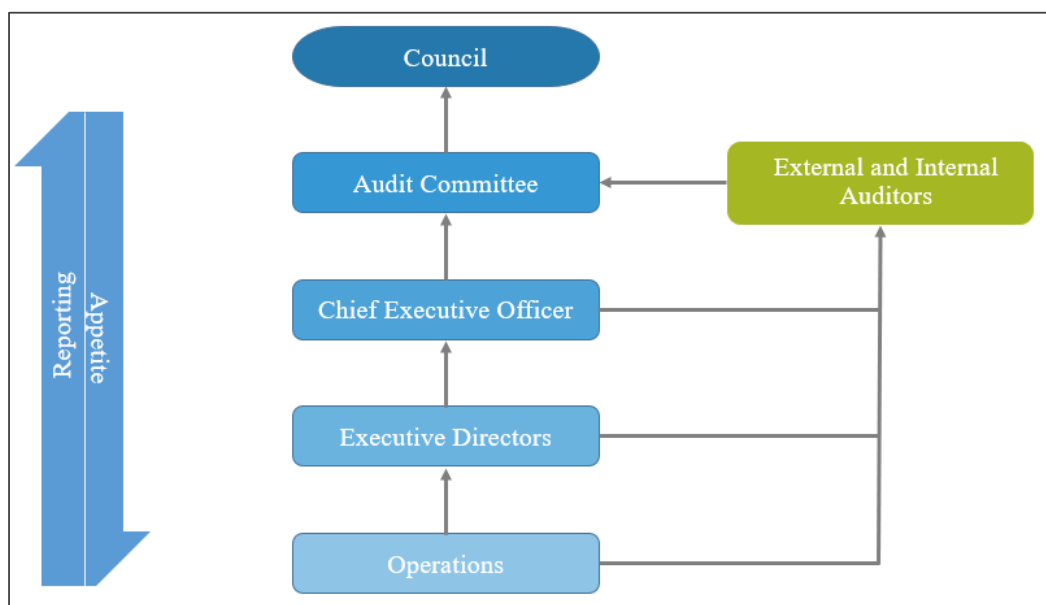
3.2 Risk Management Strategy

The risk management strategy is the mechanism by which the Council and the Executive determine the organisation's approach to, and focus on, risk management, informed by the risk appetite. To provide reasonable assurance for the Council and key stakeholders that risk management will meet the intent defined in the Risk Policy, the key elements of the risk management strategy are:

- appropriate governance of the risk management policy and processes;
- alignment of the risk context with the context within which the City operates;
- alignment of the risk management objectives with the objectives and strategies of the City;
- alignment of risk management processes with the City's values;
- define the Council's risk appetite to ensure that everyone involved in risk processes can determine if they are operating within the organisation's appetite; and
- alignment of risk management processes to ISO 31000 and any additional regulatory or State government requirements.

The Risk Management Strategy will be finalised following a gap analysis and reviewed on an annual basis.

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Risk Management Framework

3.3 Risk Management Principles

The process of risk management is about defining future uncertainties, which usually involves subjective processes, assessments and decisions. To ensure these subjective processes, assessments and decisions align to both the organisation's core values and good risk practices, the Council, CEO and the Executive have identified the following risk management principles, which are aligned to ISO 31000:2018 Standard as per Figure 2.
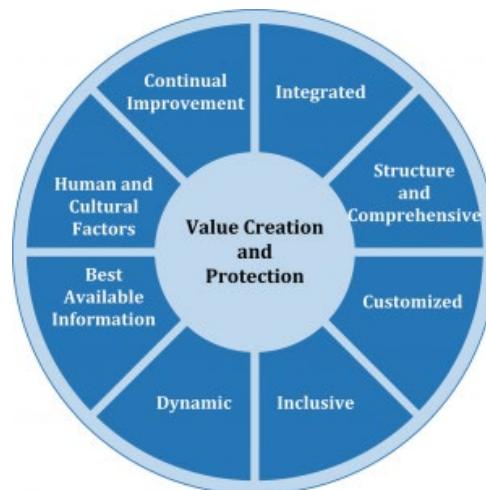
FIGURE 2: RISK MANAGEMENT PRINCIPLES

3.4 Integrated Approach to Risk Management

No entity operates in a risk-free environment. Risk management does not create such an environment, rather it enables management to operate more effectively in an environment where risk exists.

Sound corporate governance requires integrated risk management processes and strategic planning, reporting and performance measurement. The key to successful integration is streamlining the approach to managing risk by ensuring that everyone uses common language and documents their risks using a consistent approach. To effectively embed risk management throughout the City, all employees need to be aware of their responsibilities in relation to assessing, managing, communicating and elevating risk.

The Risk Management Process will be incorporated into the Business Planning Process and risk registers will be included in business plans for each Service Area.

From a top down perspective, the Council and Management will expect the benefits of risk management to include underpinning its corporate governance obligations and having "no surprises" from unforeseen risk events.

As per guidance from ISO 31000, the City will integrate risk management activities into its existing strategic management processes as represented in Figure 3: Strategic Management Cycle.

FIGURE 3: STRATEGIC MANAGEMENT CYCLE

Risk Management Framework

At the strategic and business planning stage, risks to outcomes will be identified, assessed, and accountabilities allocated and registered. Actions to treat or control the risk are to be considered in the business unit's annual business plan and budgeted accordingly.

Assessed risks will have treatment plans developed consistent with the organisation's risk appetite. Ownership for risks, controls and treatments will be allocated and an agreed cycle of evaluation will be established.

Reporting needs will be identified, in line with the organisation's Risk Actions Table in Appendix B and inform regular review processes to ensure a consistent standard of risk management is maintained by the organisation.

Improvements to risk treatments and controls will be programmed, executed, monitored and reported as part of the normal management processes.

3.5 Document Hierarchy

This framework forms part of a suite of risk management documents that outline and support the organisation's intent and practice for risk management. Figure 4 below illustrates the document hierarchy, information flow and purpose.
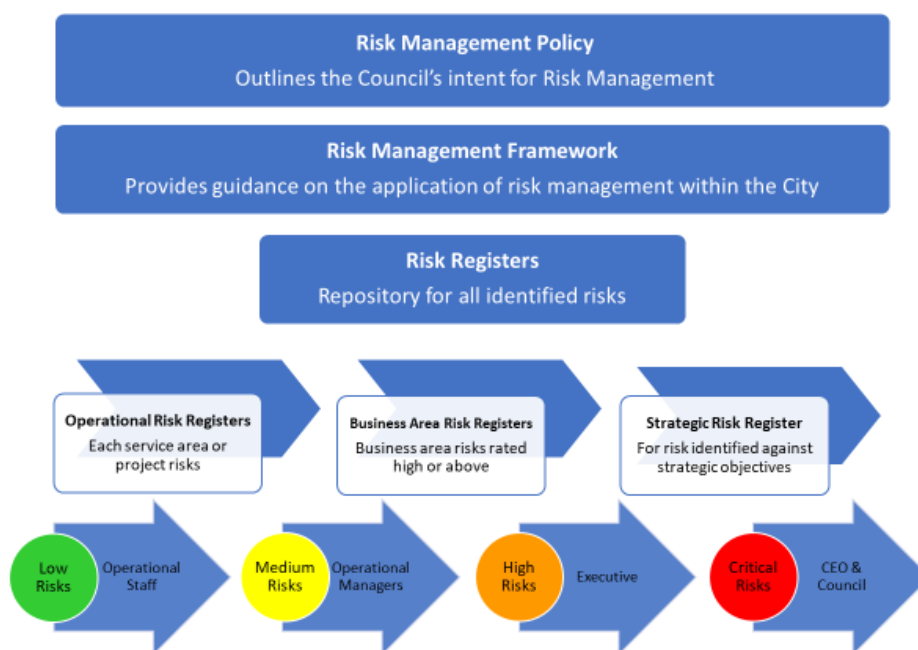
The Risk Management Policy provides the foundation on which the risk documentation rests, with supporting detail provided in the Risk Management Framework. The Risk Registers are split into three categories:

- Strategic – generally defined as a high level risk which applies to the Council, the organisation, or the sustainability of its future. Strategic risks tend to have a long term horizon of 3-5 years.

Risk Management Framework

- Business Unit – used to capture risks that affect a business unit (Strategy and Operational Development) and are slightly more operational in nature. Business Unit risks tend to have a medium term horizon of 1-2 years.

- Operational – used to capture detailed, operational risks impacting a portion of the business unit. Operational risks tend to have a short term horizon of 12 months or less.

3.6   Continual Improvement

The Risk Management Framework incorporates a continual improvement model through the defined reporting requirements to Management and the City Audit Committee.

Risk assessment is a feature of every internal audit and conversely internal audit itself will assess the strength of the City's risk management systems.

Through these processes the City will be able to evaluate and improve its approach to risk management and add value to City services.

4   Responsibilities and Roles

Everyone involved with the organisation needs to consider risk. The following key roles have responsibilities for risk management:

4.1   Responsibilities

Council

Section 2.7 of the Local Government Act 1995, provides that the role of the Council is to govern the Local Government's affairs. Further, section 3.18 provides that in performing its executive functions, the Council has an obligation to satisfy itself that the City's services and facilities are managed efficiently and effectively. In fulfilling its governance and oversight responsibilities in relation to risk management systems, the Council:

- Endorses the organisation's risk appetite;

- Approves the Risk Management Policy;

- Approves major decisions affecting the City risk profile or exposure; and

- Monitors critical risks.

City Audit Committee (CAC)

The purpose of the Audit and Risk Committee is to support the Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structures, risk management, internal and external audit functions and ethical accountability.

The primary objective of the audit committee, in accordance with Regulation 16 of the Local Government (Audit) Regulations 1996, is to provide assistance and guidance to Council on the discharge of its duties under Part 6 and 7 of the Local Government Act 1995.

In relation to risk management, the committee facilitates:

- Effective management of enterprise risks and the protection of Council assets;

- Compliance with laws, regulations as well as best practice guidelines relative to audit, risk management, internal control and legislative compliance;

Risk Management Framework

This committee fulfils this responsibility by:

- Reviewing whether the City has an effective risk management system and that material operating risks to the local government are appropriately considered;
- Assessing the internal processes for determining and managing material operating risks in accordance with the City's identified risk appetite and tolerances;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;

Chief Executive Officer (CEO)

The CEO ensures appropriate implementation and resourcing of the Risk Management Policy and Framework. In addition, the CEO:

- Sets the tone and promotes a strong risk management culture by providing firm and visible support for proactively managing risk and compliance;
- Ensures the Strategic Risk Register is maintained;
- Ensures Management have implemented risk management within their business units; and
- Monitors the management of critical and extreme risks, and the effectiveness of associated controls.
- Provides a review report to Council every three years on the effectiveness of the City's systems and procedures in regard to risk management.

The Executive

The Executive are responsible for the effective implementation, ongoing use of and continual improvement of the City's Risk Management Framework. In addition, the Executive Directors:

- Oversee risks within their respective business units and maintain awareness of the organisation's high and critical risks, and the associated controls mitigating these risks;
- Define an action plan to address any high or critical risks;
- Identify new and emerging risks, and participate in strategic risk reviews;
- Include risk identification, assessment and management of risk in planning processes;
- Monitor the management of high and critical rated risks;
- Ensure the relevant Business Unit Risk Registers in their Directorate are maintained; and
- Ensure that personnel are appropriately skilled and competent in identifying, assessing, managing and reporting risks.

Operational Managers

Operational Managers are responsible for the application of agreed risk management within their sections. In addition, Operational Managers:

- Oversee risks within their sections and define an action plan to address any medium risks, in consultation with their manager;
- Identify new and emerging risks, and participate in business unit risk reviews;

Risk Management Framework

- Include risk identification, assessment and management of risk in planning processes;
- Monitor the management of medium and low rated risks;
- Ensure their relevant Operational Risk Register is maintained; and
- Ensure that direct reports understand their responsibilities for identifying, assessing, managing and reporting risks.

Employees

All Employees are required to consider risk, specifically:

- Be aware of the Risk Management Policy and Framework;
- Undertake training to ensure they are appropriately skilled to carry out their risk management responsibilities;
- Identify and manage risks (current and emerging) within day to day operations; and
- Escalate risks to management that are unable to be managed within their authority.
- Understand their responsibilities for workplace health and safety.

Contractors and Visitors

Contractors and visitors should consider risk, specifically:

- Be given access to training to ensure they are appropriately skilled to carry out their risk management responsibilities; and
- Identify and escalate risks to management.

Internal and External Auditors

Report to Management and the CAC to provide independent advice on the design and effectiveness of the risk management control environment, keeping informed of relevant, emerging risk and compliance trends and issues.

4.2 Risk Roles

Each risk requires allocation of ownership for the risk, its controls and any required treatments. These roles can all be allocated to the same person, or to separate individuals, as deemed appropriate. The responsibilities of each role is detailed below.

Risk Owner

Is responsible for managing the risk, as well as reviewing it as determined by the severity, likelihood and level of risk. The Risk Owner also identifies where current control weaknesses exist and updates risk information in the relevant register.

Control Owner

Is responsible for the design and operation of the control which is mitigating the risk, this person may not be the Risk Owner. When assessing the effectiveness of a control mitigating a risk, the Risk Owner should consult the Control Owner.

Risk Management Framework

Treatment Owner

Risks outside City's acceptable risk tolerance level will have a risk treatment(s) identified and a responsible person allocated to implement treatment(s) of the risk within the agreed timeframe. The Treatment Owner also provides updates to the Risk Owner including implementation progress and assists with the reassessment of the risk once the treatment is executed and becomes a control.

5   Risk Context

In establishing the risk management framework, consideration should be given to the risk context. For example the environment in which a mining company operates is quite different and has a different context to the environment in which a local government operates.

The City is a Statutory Authority and has risks that are unique to what, where and how it does what it does. Figure 5, reflects City's external and internal risk context.
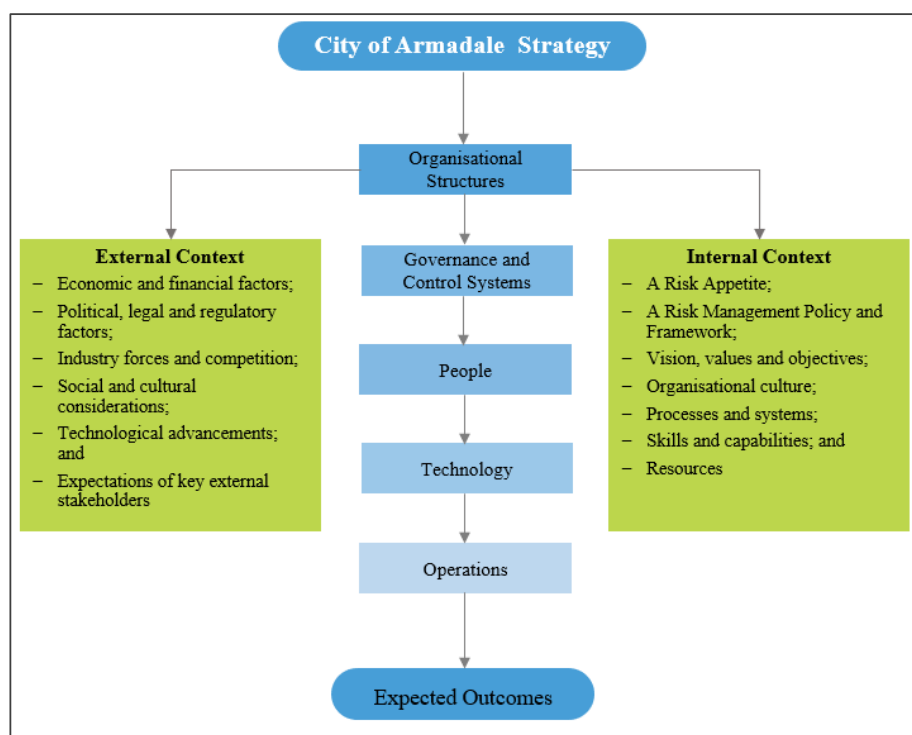
5.1 Risk Types

Risk can be referred to as inherent and/or residual.

Inherent risk is a risk that an activity would pose if no controls or other mitigating factors were in place, the gross risk or risk before controls.

Residual risk is the risk that remains after controls are considered; the net risk or risk after controls.

For the purposes of this Framework and risk management within the City, risk will be considered in terms of residual risk and assessments calculated accordingly.

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Risk Management Framework

5.2 Risk Management Criteria

Based on the organisation's external and internal risk context the following risk management criteria reflect the risk categories that City will base its risk assessment tables on.

- Reputation
- Governance
- Finance
- Human Resources
- City Services
- City Assets
- Natural Environment

These categories reflect the core risk issues the City faces and provide a meaningful way in which all employees can assess risks, understand the City's appetite for risk and implement appropriate risk controls.

6 Risk Management Process

6.1 Process Overview

The over-arching intention for risk management is to integrate it within the existing City processes. Each business unit may leverage the core risk management process in different ways.

The core risk management processes are based on the ISO 31000 standard, depicted in Figure 6: Risk Management Process.
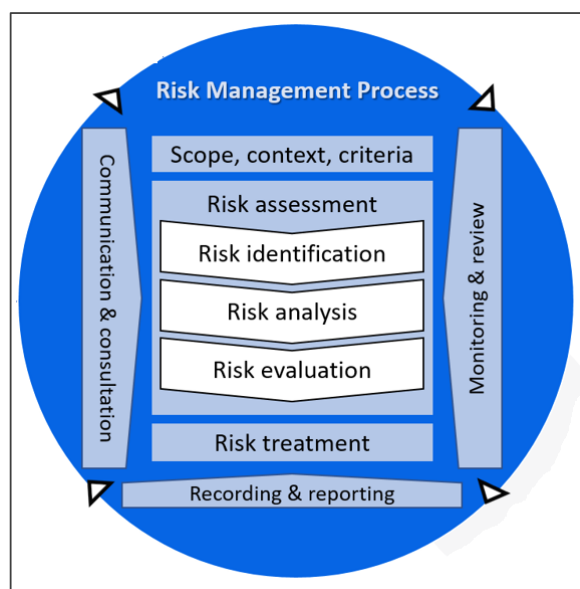

FIGURE 6: RISK MANAGEMENT PROCESS

6.2 Establish the Context

Risk attributes help establish the context. The risk attributes were determined during the development of the Risk Management Framework and are reflected below:

Risk Management Framework

REPUTATION

The City's reputation is a reflection of the relationships held with the community. Reputation is influenced by the organisation's culture and the City's approach to managing the community's expectations and responses to risk events. The impact of reputational damage can be significant and the City places high importance on preserving a good reputation to achieve the City's strategic objectives.

GOVERNANCE

Transparency, probity and accountability are the pillars of good governance which ensure that the City meets its legal and ethical responsibilities. Progression towards achieving strategic objectives is enabled through well informed, appropriate decisions making and clarity of roles and responsibilities, supported by suitable structures, policies and systems.

FINANCE

Fiscal responsibility and maintaining financial sustainability is an important aspect of ensuring the City can deliver services and infrastructure to the community and minimise the burden on rate payers. This is achieved through long term financial planning including a strong understanding of the revenue streams, costs and cashflow as well as regular review of financial performance.

HUMAN RESOURCES

The City's human resources are made up of both staff and contractors who are a vital enabler for achieving the City's strategic outcomes and operational requirements. This is dependent on a strong organisational culture with a workforce which is appropriately planned, recruited, trained and managed. Ensuring the health and safety of the City's workforce is critical.

CITY SERVICES

The City provides a range of quality services tailored to meet the needs of the community. City services are divided into those provided within a regulatory framework and discretionary services. Service planning considers equity, equality, cost and viability and is prioritised in accordance with demand for services. Service performance is measured through an understanding of both service levels and customer satisfaction.

CITY ASSETS

The protection of assets and ensuring they are fit for purpose (both the design and functional use) and meet the City's and community's needs are of paramount importance to the City. Examples of City assets include infrastructure, records and databases, environmental and intangible assets. Maintenance and lifecycle management provides for the sustainability of the City's assets which ensures their availability for community access and use now and into the future.

NATURAL ENVIRONMENT

The City affords a high level of care to the natural environment which to ensure that environmental assets are protected. This is achieved through the careful management of biodiversity, fire, soil, water and trees, taking into consideration Aboriginal heritage and climatic factors. Environmental quality and sustainability is considered through the enforcement of quality requirements for air, dust and noise as well as the appropriate management of waste and recycling.

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Risk Management Framework

REPUTATION

Trust
Community Expectations
Community Wellbeing
Culture
Equity and equality
Integrity
Living our values
Mutual respect
Organisational Culture
How we behave
Transparency and honesty

GOVERNANCE

Communications (broad spectrum)
Community awareness
Compliance obligations
Conflicts of interest
Decision making
Delegations
Ethics
Fraud
Organisational alignment
Transparency, probity and accountability

FINANCE

Advocacy based on data
Asset life cycle management
Balance Sheet position
Cash reserves
Cashflow
Financial Loss
Financial performance
Level of Rates
Revenue stream

HUMAN RESOURCES

Consultation
Employee behaviour
Employee and industrial relations
Equal employment opportunity
Inclusion
Organisational change and culture
Performance management
Recruitment and induction
Training and development
Corporate knowledge
Workforce planning
Workplace health and safety

CITY SERVICES

Access to services
Community engagement
Community perception
Continuity of service
Demand for services
Emergency services
Equity and equality through a reasonable process
KPI's and ownership
Level of service
Public health, safety and wellbeing
Residents and customers satisfaction
Service planning
System continuity

CITY ASSETS

Access to City assets
Asset modelling
Climate change
Data, information and security
Design and functional use
Fit for purpose technology
Heritage
Asset Maintenance and lifecycle management
Ownership and responsibility
Public health, safety and wellbeing
Sustainability

NATURAL ENVIRONMENT

Aboriginal Heritage
Air
Biodiversity
Climate
Dust
Environmental assets
Fire
Noise
Recycling
Soil
Trees
Waste
Water

Risk Management Framework

6.3   Identification, Analysis and Evaluation of Risks

The identification, analysis and evaluation of risks refers to anticipating what might happen in or to the organisation, analysing those possibilities and determining whether those possibilities pose a problem(s) for the organisation. The organisation's risk appetite provides guidance on the threshold for possibilities becoming problems that require treatment.

6.4   Treat Risks

Risk treatment involves identifying a range of options for treating risks, evaluating the options, preparing treatment plans and implementing them. Feasibility of treatment options can be considered and improvement of these options should occur in line with risk appetite, budget and resource constraints, and organisational values. The Required Actions table defines the Council's intent for how the risks are treated. There are four generally accepted treatment options. They are:

- Avoid – meaning to choose not to engage in the risk activity. This option is usually chosen when the residual risk profile is considered 'unacceptable' by the organisation, regardless of additional proposed controls.
- Mitigate – when the organisation chooses to impose further controls on a residual risk to bring it within acceptable limits. This would usually occur when the organisation acknowledges the activity must be attempted but is not comfortable with the existing controls.
- Transfer – when there is an opportunity to share or pass on some or all of the residual risk to another party(s). An example of this would be the purchase of insurance to transfer the risk of repair costs in the event of damage to building assets. It is important to remember that reputational risks cannot be transferred.
- Accept – when the organisation is comfortable with the level of residual risk and does not require further treatment or additional controls.

A treatment plan outlining the action(s) and ownership of these actions is developed based on the most suitable treatment option. Generally, risk treatment involves modifying either the likelihood or the consequences of the risk, or both.

For example, whilst it may not be possible to reduce the likelihood of occurrence of externally sourced risks, such as natural disasters, it may be possible to mitigate their impact to acceptable levels. Business Continuity Planning and Disaster Recovery Planning are examples of risk treatments that define the process to smoothly recover from an event; conversely insurance policies can help transfer the financial impact of a risk event.

In order to treat risks effectively it is important to establish the cause(s) of the risks, rather than the symptoms. Factors such as legal, social, political and economic considerations may require consideration when deciding on treatment options. Development of an overall treatment strategy will be a top-down process, driven jointly by the need to achieve business objectives, while controlling uncertainty to the extent that is desirable.

6.5   Monitoring and Review

This function is detailed in Section 7 Measurement, Reporting and Review and is reflected in the Required Actions Table in the risk tables.

Risk Management Framework

6.6 Communicate

It is essential that the City regularly communicates to appropriate audiences in appropriate formats. This requires the identification of stakeholders, analysis of our and their needs, and the appropriate level and method of communication determined. Communication to both internal and external audiences may be appropriate depending on the situation.

7 Measurement, Reporting and Review

7.1 Measurement

Regular monitoring of risks, controls and treatments ensure continuous learning; incorporating new information and creating robust risk management processes.

Measurement of risk is determined by the organisation's risk appetite and reporting needs of the oversight body. The following Table 2 defines the areas, the rationale for measuring them, and examples of the measures:

Concept	Rationale	Example Measures
Historical Performance	To understand the magnitude and frequency of risk and incident management activities in the previous period, to support more informed decision making and continuous improvement.	Risk events and incidents Trends related to Risk Category and business cycle timing Risk rating changes Control rating changes
Risk Management Process	To ensure that oversight functions can assess how well the risk management processes are supporting the organisation, on an ongoing basis.	Risk heat maps Deviations from treatment plans Missed review cycles Risks with 'Inadequate' controls Risk escalation (as per Appendix B:Table 6)
Emerging Risk Context	To identify internal and external risk context factors that may impact the organisation, or indicate emerging risk issues. To maintain awareness of controls that protect against material risks and controls which intersect on multiple risks.	External events impacting key stakeholders Key risk indicators (KRIs – detailed below) Key controls

TABLE 2: MEASUREMENT REPORTING AND REVIEW

7.2 Key Risk Indicators

Key Risk Indicators (KRIs) are useful ways to connect the organisation's Risk Categories to events or trends that may give the City insight to emerging risks, enabling better mitigation and resource allocation. The following KRI's have been developed to connect with the impact measures highlighted in the Risk Tables and should be measured on an agreed, recurring timetable, as well as mapped over time to support trend identification.

Risk Management Framework

Risk Category	Key Risk Indicator	Frequency
Reputation	Negative mentions of the City (by media)	Monthly
	Negative feedback from the Community	Monthly
	External stakeholder complaints	Monthly
Governance	Investigations and/or prosecution by regulatory authorities	Bi Annually
	Fines or jail terms for City staff	
	Dismissal of Executives	
	Suspension of Councilors or Council	
Finance	Variance to operating revenue	Monthly
	Debt service ratio	Monthly
Human Resources	Engagement survey results	Annually
	Staff turnover	Annually
City Services	Changes to standard of service	Monthly
	Customer complaints	Monthly
City Assets	Variance between reactive vs. planned maintenance	Bi-annually
	Health and Safety complaints lodged	Monthly
Natural Environment	Damage to environmental asset(s)	Monthly

7.3 Reporting

Risk management reporting will summarise and reflect the information captured by the measurement processes to ensure the oversight and management functions are appropriately informed, in a timely manner. This will ensure they are able to meet their obligations. As the organisation's risk management maturity increases, reporting will be tailored to reflect this. At an intent level, this will include:

FIGURE 7 – RISK REPORTING

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Risk Management Framework

Audit

The audit function conducts independent audits of the risk processes and provides findings in audit reports to the City Audit Committee (CAC). This will include the scope of the audit, control weaknesses identified, recommendations and management comments, including agreed action plans. Audit may also support the business by conducting Control Self Assessments, which test the effectiveness of the controls mitigating identified risks.

Risk Management Framework

7.4 Review

The organisation will facilitate the following routine reviews:

Description	Frequency	Responsible	Accountable
Risk Identification – Capture and record new risks, and review ratings of existing risks on the Risk Registers	Annually and ongoing as part of regular risk management	Operational Managers	CEO
Risk Control and Treatment Plans - Ensure details are relevant and achievable given organisational context	Annually	Operational Managers	Executive Directors
Risk Events – Conduct 'lessons learned' on material risk events	Annually and ongoing as part of regular risk management	Executive Directors	CEO
Risk Registers – Strategic, Business Unit and Operational registers' structure and completeness	Annually	Business Improvement Officer	Executive/ Council
Risk Reports – Information being provided from Operations regarding risk	Quarterly	Business Improvement Officer	Council
Risk Management Framework	Annually	Business Improvement Officer	Council
Risk Management Policy	Bi-annually	CEO	Council

Risk Management Framework

APPENDIX A - Glossary

GLOSSARY	DESCRIPTION
Cause	That which leads to the occurrence of a risk and needs to be understood to correctly plan and execute risk treatment.
Consequence	The outcome of a risk event affecting City's objectives.
Risk Event	Where risks that have, or haven't been documented, actually occur.
Hazard	A situation that is a source of risk with potential negative consequences.
Impact	The amount of loss or gain that is sustained from the consequence of a risk.
Inherent Risk	The level of risk in the absence of controls.
Materiality	A threshold measure that defines the point where the organisations risk appetite is exceeded.
Negligence	Failure to exercise the care that a reasonably prudent person would exercise in like circumstances.
Residual Risk	The level of risk remaining after risk treatment.
Risk	The effect of future uncertainty on City's objectives.
Risk Appetite	The amount and type of risk City is prepared to pursue, retain or take.
Risk Control	An implemented measure that is modifying risk.
Risk Identification	The process of finding, recognizing and describing risks.
Risk Management	The coordinated activities to direct and control an organization with regard to risk.
Risk Reduction	A selective application of appropriate techniques and management principles to reduce either likelihood of an occurrence or its consequence, or both.
Risk Register	A library of identified risks.
Risk Retention	Intentionally or unintentionally retaining the responsibility for loss, or financial burden of loss within the organisation.
Risk Transfer	Shifting the responsibility or burden for loss to another party through legislation, contract, insurance or other means.
Risk Treatment	Selection and implementation of appropriate options for dealing with risk. The most commonly used terms for these are avoid, reduce, transfer, accept and retain.

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Risk Management Framework

APPENDIX B - Risk Management Tables

TABLE 1: RISK ATTRIBUTES

REPUTATION	GOVERNANCE	FINANCE	HUMAN RESOURCES	CITY SERVICES	CITY ASSETS	NATURAL ENVIRONMENT
The City's standing in the community Ability to influence and advocate Public perceptions of the City and how we behave	Accountability & transparency Achieving strategic objectives Ethics and culture Informed decision making Roles and responsibilities Structures and systems Vision and leadership	Financial position Financial sustainability indicators Debt levels and reserves Cashflow Level of rates	Organisational culture, behaviours and relationships Organisational change Performance Skills, knowledge, training and development Workforce planning and recruitment Workplace health and safety.	Access and equity Cost and viability Service demand Customer Satisfaction Quality and performance Service levels and prioritisation	Access, design and functional use Asset condition, maintenance and lifecycle Security of data and information Sustainability Safety	Aboriginal heritage. Air, soil, water and climate Biodiversity, flora and fauna Waste and recycling Dust, fire and noise

TABLE 2: RISK IMPACT / CONSEQUENCES (to be considered in 12 month rolling timescale)

RATING	CATEGORY	REPUTATION	GOVERNANCE	FINANCE	HUMAN RESOURCES	CITY SERVICES	CITY ASSETS	NATURAL ENVIRONMENT
1	INSIGNIFICANT *Negligible impact on objectives.*	Would generate unsubstantiated, low impact, low profile or 'no news' item, and no social media attention. Little/no impact on community satisfaction rating	An internal review by an officer might be initiated	Would cause a variance to operating revenue of less than $0.5m Contingency funds would be used.	Staff morale might be impacted in the short term, and confined to the work area Would result in injuries requiring basic medical attention.	Standard of service reduces for a short period of time and may generate some complaints	Assets continue to be used, managed and sustained as intended. Reactive maintenance would be slightly higher than intended. Would result in injuries requiring basic medical attention.	Isolated example of damage to environmental asset that is neither locally, regionally or environmentally significant
2	MINOR *Minor impact on business units that could be managed within a year.*	Would generate substantiated, low impact, low profile news items, and limited social media attention. Minimal impact on community satisfaction rating	An internal review by an officer would be initiated Regulator(s) may undertake a low level enquiry.	Would cause a variance to operating revenue of less than $1m. A Business Unit would have to use its contingency funds to address the issue.	Staff morale would be impacted over a period of 6 to 12 months, and confined to the work area Would result in injuries requiring extended medical attention and/or rehabilitation	Standard of service reduces for a short time and result in a number of customer complaints and/or Executive Director involvement.	An asset's use, management or sustainability is impacted. Reactive maintenance for the year would be higher than intended. Would result in injuries requiring extended medical attention and/or rehabilitation	Larger scale cumulative impact to a locally significant environmental asset, that is not regionally or nationally significant.
3	MODERATE *Significant impact on business unit objectives, delays of up to a year.*	Would generate substantiated, public embarrassment, moderate impact, moderate news profile, requires social media response and monitoring Community satisfaction rating would be impacted.	Internal Audit or internal investigation would be initiated Regulator(s) would undertake a low level enquiry, resulting in minor disciplinary or corrective action.	Would cause a variance to operating revenue of less than $10m The organisation would have to use reserve funds to address the issue.	Staff morale would be impacted over a period of 6 to 12 months throughout a number of work areas. Staff turnover would increase by small amount. Would result in permanent injuries	Standard of services falls significantly and result in high levels of customer complaints and/or CEO involvement	A few assets use, management or sustainability is impacted. Reactive maintenance for the year would impact the business units budget. Would result in permanent injuries	Decimation of locally significant environmental asset, or minor isolated examples of damage to a regionally or nationally significant environmental asset.
4	MAJOR *Key objectives would be delayed by 1 to 2 years.*	Would generate substantiated, public embarrassment, widespread impact, third party actions, requires immediate and ongoing social media response and monitoring. Community satisfaction rating would be significantly impacted	Regulator(s) would undertake a high level investigation, resulting in significant disciplinary or corrective action. Prosecution may result	Would cause a variance to operating revenue between $10-$20m. The organisation would have to abandon its approved budgets and rework them to address the issue.	Staff morale would be impacted for an extensive period beyond 12 months across the organisation. Staff turnover would be moderate. Would result in a fatality	Standard of services fall to seriously low levels and result in very high levels of customer complaints and/or Council involvement.	Multiple assets use, management or sustainability is impacted. Reactive maintenance for the year would impact the organisations budget. Would result in a fatality	Larger scale cumulative impact to a regionally or nationally significant environmental asset.
5	CATASTROPHIC *Survival threatened, most of the objectives could not be achieved as planned.*	Would result in extreme public embarrassment, multiple impacts, widespread continual news profile, significant third party actions, requires substantial long term media management.	Regulator(s) would undertake a high level investigation, resulting in serious disciplinary or corrective action. (e.g. suspension and dismissal). Prosecution would result.	Would cause a variance to operating revenue of more than $20m. Organisation would be at risk of insolvency.	Staff morale would be impacted over an extensive period of 2 to 3 years across the organisation. Staff turnover would be high.. Would result in multiple fatalities.	Standards of multiple services fall to seriously low levels and result in very high level of customer complaints and/or Council involvement.	Multiple critical assets use, management or sustainability is impacted. Would result in multiple fatalities.	Decimation of regionally or nationally significant environmental asset.

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Risk Management Framework

Table 3: Risk LIKELIHOOD

RATING	DESCRIPTION	DETAILED DESCRIPTION	FREQUENCY	
			CITY ASSETS	**OTHER CATEGORIES**
1	RARE	The event has not happened, but there is a possibility of it occurring at some time in exceptional circumstances.	Less than 25 years	Less than once in 10 years
2	UNLIKELY	The event could and does occur within the organisation. e.g. 10% - 35% chance of happening.	At least once in 15 years	At least once in 5 years
3	POSSIBLE	The event occurs reasonably frequently within the organisation, e.g. 35% - 65% chance of happening.	At least once in 10 years	At least once every 2 years
4	LIKELY	The event has a very high likelihood of occurring within the organisation, e.g. 65% - 90% chance of happening.	At least once in 5 years	At least once per year
5	ALMOST CERTAIN	The event will almost certainly occur within the organisation, e.g. > 90% chance of happening.	At least once in 2 years	More than once per year

Table 5: CONTROL EFFECTIVENESS

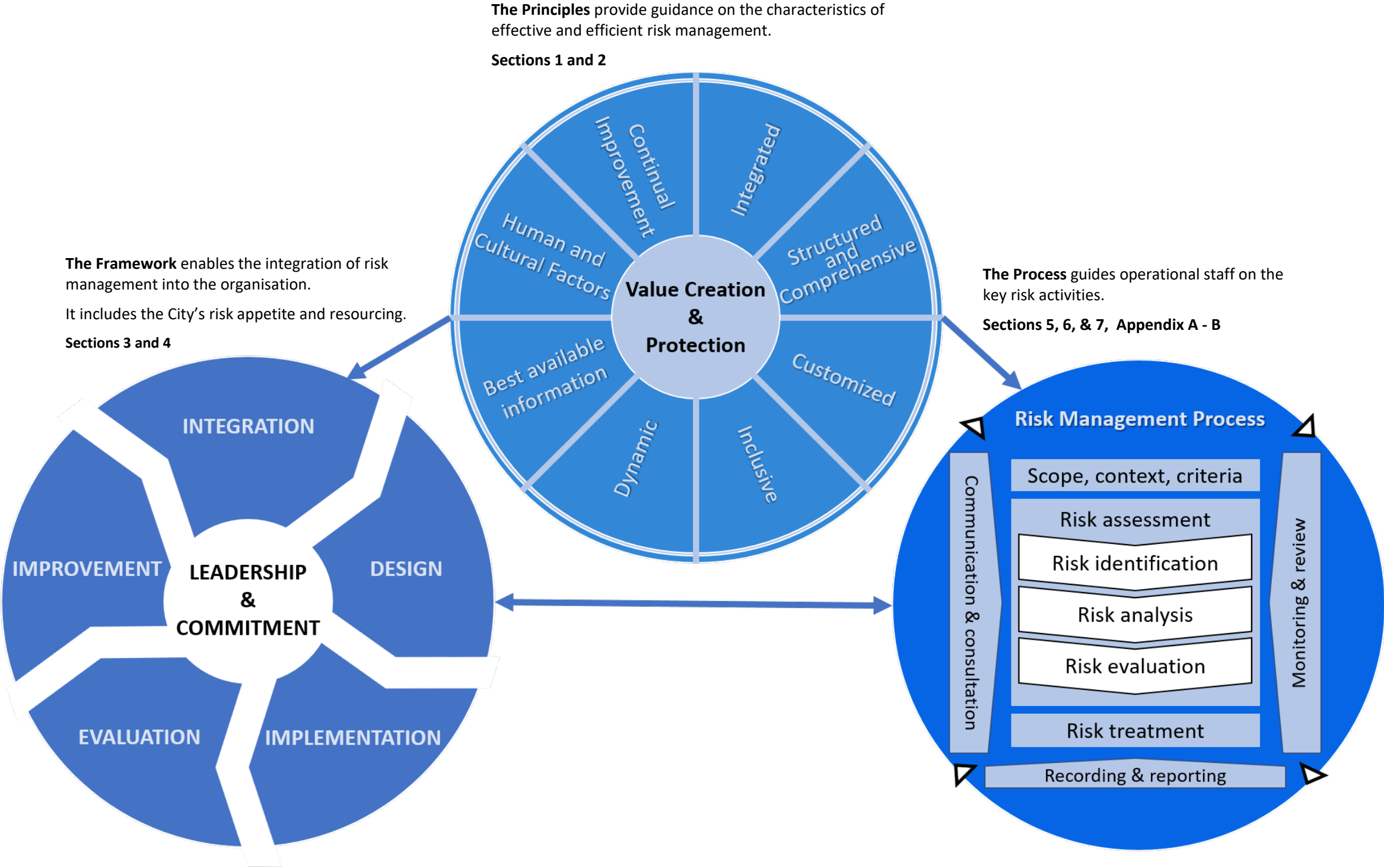| RATING	DESCRIPTION	EXAMPLE
UNKNOWN	Controls and status are unknown or have not yet been assessed.	Not applicable.
INADEQUATE	Less than what a reasonable person would be expected to do in the circumstances.	Little to no controls in place. Controls do not exist, or they have not been reviewed for some time. No formalised procedures or plans.
GOOD	Only what a reasonable person would be expected to do in the circumstances.	Controls in place are reliable and procedures exist for given circumstances. Controls are periodically reviewed.
EXCELLENT	More than what a reasonable person would be expected to do in the circumstances.	Controls are operating as intended and are highly reliable. Controls are continually reviewed and procedures are tested.

Table 4: Risk ASSESSMENT MATRIX

IMPACT RATING		LIKELIHOOD RATING				
		1 - RARE	**2 - UNLIKELY**	**3 - POSSIBLE**	**4 - LIKELY**	**5 - ALMOST CERTAIN**
1	INSIGNIFICANT	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)
2	MINOR	Low (2)	Low (4)	Medium (6)	Medium (8)	Medium (10)
3	MODERATE	Low (3)	Medium (6)	Medium (9)	High (12)	Critical (15)
4	MAJOR	Medium (4)	Medium (8)	High (12)	Critical (16)	Critical (20)
5	CATASTROPHIC	High (5)	High (10)	Critical (15)	Critical (20)	Critical (25)

Table 6: Risk APPETITE AND REPORTING

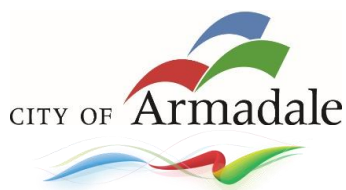| RISK LEVEL	CRITERIA FOR RISK MITIGATION	RESPONSIBILITY AND ACTION	REPORTING LEVEL
1-4 LOW	To be noted. No action unless level increases. Monitoring occurs annually.	Line Management oversight. Action plans are not necessary. Manage with routine procedures.	Line Managers
4-10 MEDIUM	Acceptable with Good (+) controls. Monitoring occurs annually.	Line Manager oversight. Action plan or monitoring are recommended. Risk can be accepted by the relevant Line Manager/	OMT
5-14 HIGH	Acceptable with Excellent controls. Monitoring occurs quarterly. Good (-) controls requires immediate action.	Executive oversight. Relevant Manager to define an action plan that reduces the risk within the current financial year. Risk can only be accepted by the ELT/CEO. Include in bi-annual Council report.	ELT
15-25 CRITICAL	Unacceptable. Must be addressed as soon as practical.	Requires immediate CEO and Council oversight. Relevant Executive to define an action plan to mitigate the risk to an acceptable level as soon as practical. Risk can only be accepted by the Council.	CEO / Council

Risk Management Framework

APPENDIX C - Risk Management Framework Overview

The Principles provide guidance on the characteristics of effective and efficient risk management.

Sections 1 and 2

The Framework enables the integration of risk management into the organisation.

It includes the City's risk appetite and resourcing.

Sections 3 and 4

The Process guides operational staff on the key risk activities.

Sections 5, 6, & 7, Appendix A - B

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POLICY – ADM25 - Risk Management

Related Management Practice

N/A

Relevant Delegation

N/A

Rationale

To enable a risk aware culture and ensure that:

1. Guidance is provided to balance conformance versus performance risk management decisions.
2. The City's risk context and appetite are identified, communicated and integrated into the organisations decision making processes;
3. The City is suitably prepared for any reasonably foreseeable risk event.

Policy

The City will manage risk through a tailored, structured and comprehensive approach by:

1. Implementing a Risk Management Framework ("the Framework") that aligns to the ISO 31000:2018 standard and the requirements of the Local Government (Audit) Regulations 1996.
2. Implementing a Business Continuity Plan ("the Plan") that aligns to the ISO 22301:2012 standard;
3. Providing sufficient resources and oversight of the Framework and the Plan to ensure they meet the intent defined in this policy;
4. Ensuring there is adequate awareness of this Policy, the Framework and the Plan;
5. Monitoring and reporting of the Policy, Framework, Plan, identified risks and actions taken to manage these key risk elements.
6. Continually improving the risk management processes through review and evaluation. The policy will be reviewed every three years or:
   a. If the organisation's internal or external risk context materially changes; or
   b. Whenever a material risk event occurs.

The City's risk appetite is generally low, whilst acknowledging that greater risk is tolerable in certain circumstances. The City has:

- a very low tolerance for risks to the health and safety of the people in the organisation;
- a low tolerance for risks to public safety;
- a low tolerance for risks which negatively impact the City's reputation;
- a low tolerance to risks which compromise the good governance of the City;
- a low tolerance to risks which adversely affect the City's long term financial sustainability;
- a higher degree of tolerance to risks associated with development and innovation of City services or assets;

Related Local Law	N/A	
Related Policies	N/A	
Related Budget Schedule		
Last Reviewed	July 2019	
Next Review Date	July 2022	
Authority Council Meeting of:		