Risk Management Guidelines 2023

Macedon Ranges
Shire Council

Foreword

The Macedon Ranges Shire Council Risk Management Framework provides our staff with a consistent and systematic application of Risk Management that is critical in maximising outcomes for our communities, benefiting from opportunities, managing uncertainty and minimising the impact of adverse events.

Council is committed to protecting itself, employees, community and assets from situations or events that may prevent it from achieving its objectives.

On behalf of Councillors and the Executive Leadership Team, I acknowledge that Risk Management is integral to good governance, and to the provision of a safe workplace and safe community for those, we serve.

It is everyone's responsibility at Council to be involved in the identification, evaluation and treatment of risks and identification of opportunities that could impact or influence outcomes for Council.

This Framework supports our people to seek out good opportunities, whilst also managing the uncertainties that those opportunities may present.

I trust this Framework is useful in helping to integrate Risk Management into Council's everyday operations.

Bernie O'Sullivan
Chief Executive Officer
Macedon Ranges Shire Council

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Introduction

Macedon Ranges Shire Council is committed to an integrated approach to Risk Management to assist us in setting appropriate strategies, achieving our objectives and making informed decisions, in the best interests of our community.

Council recognises that managing risk is part of good governance and leadership and is fundamental to how Council is managed at all levels and will contribute to continuous improvement of its management systems.

This guideline outlines the requirements to support the implementation of Council's Risk Management Policy in order to create and protect value by improving performance, encouraging innovation and supporting the achievement of Council's objectives.

This Guideline will:

- Align with the objectives of the Risk Management Policy;
- Establish roles and responsibilities for managing risk;
- Encourage innovation by integrating risk and management into the strategic and operational processes across all departments of Council;
- Ensure that Council maximises its opportunities, whilst minimising any negative impacts identified during the Risk Management process;
- Assist in the development of a continuous improvement culture by integrating Risk Management processes into all Council functions; and
- Demonstrate alignment to the Victorian Government Risk Management Framework (VGRMF) and the Australian Standard AS ISO 31000:2018 Guidelines for managing risk.

Principles

Council's Risk Management Framework is underpinned by the following principles:

Integrated	• Risk Management is integrated into all of Council's activities.
Structured and comprehensive	• Council's Risk Management framework is structured in its methodology and comprehensive in its application.
Customised	• Council's Risk Management is customised to support the diversity of Council's objectives and activities.
Inclusive	• Council includes appropriate and timely involvement of stakeholders to ensure greater awareness and informed Risk Management.
Dynamic	• Council's Risk Management is dynamic and changes to support the internal and external context. Council anticipates, detects, acknowledges and responds to changes and events in a timely manner.
Best Available Information	• Council draws on the best available information, including historical and current information, limitations and uncertainties to support Risk Management in a clear and timely manner.
Human and Cultural factor	• Council acknowledges that human behaviour and culture significantly influence all aspects of Risk Management at all levels.
Continuous improvement	• Risk Management is continually improved through learning and experience.

Figure 1. Macedon Ranges Shire Council Risk Management Framework Principles

Macedon Ranges Shire Council Risk Management Framework

Council's Risk Management framework is centred on leadership and commitment to Risk Management, and includes the complementary supporting elements of evaluation, integration, improvement, design, and implementation.

Figure 2. Risk Management Framework

Leadership and commitment

Council and its Senior Leadership Team will demonstrate a commitment to ensuring that Risk Management is integrated into all organisational activities by:

- Developing and implementing a Risk Management framework;
- Allocating appropriate resources for Risk Management; and
- Assigning roles, authorities, responsibilities and accountabilities with respect to Risk Management and communicating these at all levels of the organisation.

Council's leadership and commitment are articulated in the Risk Management Policy.

Design

The Risk Management Framework elements are brought to life through the following key documents:

- Risk Management Policy: articulates Council's commitment to managing risk.
- Risk Management Procedure: provides guidance on how Council manages risk.
- Risk Management Guidelines: explain what Council does to manage risk.
- Risk Appetite Statement: articulates how much Risk Council is willing to pursue to achieve objectives.
- Risk Management Tools: are designed to support staff carry out the Risk Management procedure and include, but are not limited to, risk registers and risk assessments.

Figure 3. Macedon Ranges Shire Council Risk Management Framework key documents

Levels of risk

Macedon Ranges Shire Council has defined Risk Management at three levels:

- **Level 1 –** Strategic risks linked to the long-term Council Plan. Strategic risks are captured and managed in Council's strategic risk register, with oversight by the Audit and Risk Committee, and the Executive Leadership Team.
- **Level 2 –** Operational risks linked to operational objectives. Operational risks are captured and managed in Council's operational risk register. These risks have oversight by Council's Executive Leadership team, the Audit and Risk Committee and Council's Risk Management Committee.
- **Level 3 –** Unit/Plan/Project risks linked to departments, local plans and projects. These risks are captured and maintained in a risk register and managed locally by the Unit/Plan/Project. These risks are managed by the relevant departmental/unit Manager, sponsor or project governance/implementation committee.

Figure 4. Risk Management levels

Integration

Risk Management encompasses all three levels of risk at Council, and forms a key part of Council's organisational culture, and is integrated into Council's existing processes, including those in Figure 5 below.

Figure 5. Key processes that include Risk Management and influence Council's organisational culture

Council processes

For each of these processes, Council must consider the risk implications.

Business Continuity Management: Council maintains a Business Continuity Management System to ensure minimal disruption occurs and supports the resumption of activities. Business Continuity Management is a form of Risk Management activity to assess and where appropriate, treat, the risk that disruption may cause or impact on Council to achieve its objectives.

Business Continuity Plan (BCP): which is designed to manage risk by limiting or reducing the impact of a disruption, (such as severe weather event or loss of key personnel), and enable the resumption of critical business functions/services of Council following a disruption.

Information Communication Technology Disaster Recovery Plan: is incorporated into the BCP, intended to protect, and recover, Council's Information Technology infrastructure and data in the case of a disruptive event, (such as cyberattack or loss of infrastructure) by defining actions to be taken before, during and after an event.

Compliance: Council is required to maintain compliance with many standards and legislation across the spectrum of service delivery. Compliance with legislation reduces risk exposure for Council. Council manages compliance with legislation, by allocating changes/new legislation with the relevant subject matter expert (or department) and may create an implementation committee, project plan to support the implementation and may result in the development or changes to policy and process.

Business planning and budget process: Strategic and Business Planning, (which includes long-term financial planning and annual budgeting,) must adequately consider the risks facing Council in setting and pursuing its objectives and the effectiveness of systems that are in place to manage and communicate those risks.

Risk Management will be integrated into Council's governance structures, including decision-making. Risk assessment and management processes will be incorporated into Council and Committee reports, where there is a potential impact on achievement of Council's objectives or on the wider community. Council members are expected to:

- give adequate consideration to risks when setting Council's objectives;
- understand the risks facing Council in pursuit of its objectives;
- oversee the effectiveness of systems implemented by the organisation to manage risk;
- accept only those risks that are appropriate in the context of Council's objectives; and
- consider information about such risks and make sure they are properly communicated to the appropriate stakeholder or governing body.

Financial management: Is the practice of protecting value for Council by managing exposure to financial risks. Council reports its financial statements and is regularly audited to ensure accountability and transparency.

Fraud management: Fraud management encompasses financial and operational fraud risks. The Fraud and corruption framework is reviewed and audited regularly to ensure compliance with best practice and provides assurance to Council.

Insurance: Council manages an insurance portfolio to reduce the financial risks to Council arising from claims for a variety of sources. Insurance is considered the last line of defence before risk retention.

Internal audit: Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Risk Management, control and governance processes. The process of internal audit may result in the identification of new risks or more effective treatments for existing risks.

Municipal emergency management: Council plans for, and undertakes, prevention, preparedness, response and recovery activities to support its community in the event of emergencies and natural disasters. This process includes alignment and co-operation with lead agencies and other Councils in the region as well as providing information and training for workers to protect them from harm whilst responding to emergencies and natural disasters.

Occupational Health and Safety: Council's Occupational Health and Safety programs and systems provide a coordinated and systematic approach to managing health and safety risks to prevent harm in the workplace.

Performance Management: Both Risk Management and performance management start with the establishment and communication of goals and objectives and development of strategies, which are then cascaded throughout the organisation. Appropriate measures and reporting structures will be put in place to monitor the effectiveness of Council's Risk Management processes, (at an individual and organisational level), which will in turn assist in identifying gaps or emerging risks.

Project Management: Council's projects, regardless of scale, consider risks that may affect the achievement of project objectives as an integral part of the project management lifecycle.

Service Delivery: Council's risk exposures vary according to the functions, facilities and services it provides and these will inevitably change over time. Council's planning processes will address both the risks associated with provision of functions, facilities and services, (such as capacity and resources,) and risks arising from their delivery, (such as public safety and community reaction).

Tender and contract management: Risk Management is integrated into the tender and contract management processes at Council. Contractors are required to demonstrate a level of risk maturity by requesting third party providers to have appropriate policies, processes and insurances in place.

Implementation

Council's Risk Management framework includes and is supported by the Risk Management Guideline that includes timeframes and resource requirements and processes for engagement with, and provision of information to, stakeholders.

Oversight of the implementation of the Risk Management Framework responsibilities sits with Audit and Risk Committee.

Evaluation

To ensure Council's Risk Management practices and processes are in line with best practice, Council reviews its Risk Management Framework, risk appetite statement and tolerances in accordance with the table below, unless required earlier due to circumstance or significant changes in conditions.

Item	Description	Responsibility	Frequency
Risk Management Policy	Review the currency and effectiveness	Council endorsement	Every four years and within the first year of Councillor term.
Risk Management Guidelines	Review the currency and effectiveness	ELT endorsement	Annually
Risk Management Procedure	Review the currency and effectiveness	ELT endorsement	Annually
Risk Appetite Statement	Review the currency and effectiveness	Council endorsement	Annually

Performance measurement

Council's annual performance on Risk Management will be measured against the following three categories, and presented annually to the Audit and Risk Committee:

Category	Description	Measure
Adoption	Measures to understand the adoption and application of the Risk Management Framework.	• Number of new operational and strategic risks profiled and being managed by the Risk Management process • Number of staff trained in Risk Management • Number of facilitated Risk Management sessions conducted
Maturity	This measures the maturity of the Risk Management program within the Council.	• Number of risk events that eventuated • Number of risks that occurred more than once • Number of Risk Management tools being utilised
Value Add	This measures the extent to which Risk Management is contributing to the achievement of the Council's objectives and outcomes.	• Number of risks closed • Number of treatment actions completed • Number of internal audit action items completed

Oversight of the evaluation of the Risk Management Framework responsibilities sit with Audit and Risk Committee.

Improvement

To maintain and improve the value of Risk Management to the organisation, Council will monitor and adapt its Risk Management framework, with a view to continually improve the suitability, adequacy and effectiveness of the Risk Management artefacts, tools, and processes.

Council will seek out improvement opportunities and options to benchmark for the purposes of refining and evolving risk systems and processes.

Reviews, improvements and amendments to the Risk Management Framework are discussed with the Risk Management Committee and the Audit and Risk Committee.

Training

Risk Management awareness training is conducted via the following methods:

- Corporate orientation
- One-on-one sessions with risk owners – (including identification and controls)
- Facilitated Risk Management sessions with risk owners and stakeholders - on request
- Risk Management online module

Feedback obtained from participants who attend Risk Management training is shared with the Audit and Risk Committee and the Risk Management Committee.

References

- > AS/NZS ISO 31000:2018 – Risk Management – Principles and Guidelines
- > Victorian Government Risk Management Framework

Related Policies

- > Risk Management Policy
- > Risk Management Procedure
- > Risk Appetite Statement
- > Audit and Risk Committee Charter

Related Legislation

- > *Local Government Act 2020*

Definitions

Term	Definition
Audit and Risk Committee	The Audit and Risk Committee (the Committee) is a committee established by Council in accordance with section 53 and 54 of the *Local Government Act 2020* (LGA). The Committee is not a delegated committee of Council and does not have executive powers nor authority to implement actions in areas over which Council management (management) has responsibility, nor any delegated financial responsibility. The Committee does not have any management functions and is therefore independent of management. The Audit and Risk Committee Charter, outlining the responsibilities and function of the Committee are here:

Term	Definition
	https://www.mrsc.vic.gov.au/files/assets/public/council/our-council/audit-risk-committee-charter-2022.pdf
Consequence	Outcome of an event. A consequence can be certain or uncertain and can have positive or negative or direct or indirect effects on objectives.
Control	Measure that maintains and / or modifies risk. Controls include, but are not limited to, any process, policy, device, practice, or other conditions and / or actions which maintain and / or modify risk.
Event	Occurrence or change of a particular set of circumstances. An event can have one or more occurrences and can have several causes and several consequences.
Executive Leadership Team (ELT)	A management team that comprises the Chief Executive Officer and Directors.
Likelihood	Chance of something happening. In Risk Management, 'likelihood' is used to refer to the change of something happening, whether defined, measure or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically.
Opportunity Risk	An opportunity risk is defined as an uncertainty that if it occurs would have a positive effect on achievement of objectives.
Risk	Effect of uncertainty on objectives. An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats. Objectives can have different aspects and categories and be applied at different levels.
Risk Assessment	The overall process of risk identification, risk analysis and risk evaluation.
Risk Analysis	Process to understand the nature of the risk and to determine the level of risk.
Risk Appetite	The types and amounts of risk that an organisation is willing to accept in the pursuit of its strategic and business objectives.
Risk Criteria	Terms of reference against which the significance of risk is evaluated. Based on organisational objectives and internal and external contexts. Risk criteria can be derived from standards, laws, policies and other requirements.
Risk Culture	Refers to the system of beliefs, values and behaviours throughout an organisation that shapes the collective approach to managing risk and making decisions. A positive risk culture is one where every person in the agency believes that thinking about and managing risk is part of their job.
Risk Management	Coordinated activities to direct and control an organisations decisions about risk.

Term	Definition
Risk Management Framework	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving Risk Management throughout the organisation.
Risk Management Policy	Statement of overall intentions and direction of an organisation related to Risk Management.
Risk Maturity	The benchmarking of an agency's Risk Management framework relative to leading practice
Risk Owner	Person or unit with the accountability and authority to manage risk.
Risk Profile	Is a description of any set of risks. The set of risks can contain those that relate to the whole organisation or part of the organisation
Risk Register	Record of information about identified risks.
Risk Source	Element which alone or in combination has potential to give risk to risk.
Risk Tolerance	The organisations readiness to bear the risk and risk treatment in order to achieve objectives. Risk tolerances are based on the maximum level of acceptable risk and may be expressed in various ways depending on the nature of the risk.
Risk Treatment	Process to modify risk, it can involve: avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk, taking or increasing the risk in order to pursue an opportunities, and/or removing the risk source.
Senior Leadership Team (SLT)	A management team that comprises the Chief Executive Officer, Directors and Managers.
Senior Management Team (SMT)	A management team that comprises all Managers.
Stakeholder	Person or organisation that can affect or perceive themselves to be affected by a decision or activity.