

**1. POLICY STATEMENT:**

Frankston City Council is committed to Risk Management as an integral part of good governance and is fundamental to its ethical and prudent decision making. .

**2. REASON FOR POLICY:**

Frankston City Council acknowledges Risk will manifest itself in its pursuit of maximising opportunities and in all aspects of its operations and realises that this has the potential to impact on: the health and safety of staff and the community; its legal and fiscal obligations, the environment; and the ability to meet strategic and operational objectives.

Frankston City Council understands that it has an obligation to ensure that it has a robust and effective Risk Management Framework for the identification and assessment of Risk, a robust Control environment to mitigate Risks and Control Activity so that they are managed and controlled to within acceptable levels.

It is committed to ensuring that key Risks and opportunities are identified, assessed, responded to and managed so that the Organisation maximises its ability to meet its strategic, community, corporate and operational objectives and maximises the value of its assets.

**3. SCOPE:**

This policy informs decision-making and the development and delivering of all other relevant Council policies, strategies, projects and actions as well as the delivery of services both to the Community and internal support services and the actions of management, contractors, staff and Councillors alike.

Risk Management is embedded into the organisation's decision making process at a variety of levels, including, but not limited to:-

- Council
- Executive Management Team
- Project Management
- Budget and business planning processes
- Internal Auditing

#### 4. **AUTHORISATION:**

This policy is solely managed by the Chief Executive Officer and for this reason is not delegated.



A/CEO, Frankston City Council  
24 April 2014

#### 5. **REVISION DATE:**

Annually, the:-

- Executive Management Team will set the organisations Risk Attitude and capacity to bear Risk through the review of the Risk Matrices.

The policy will be reviewed every 4 years by the Executive Management Team.

#### 6. **PRINCIPLES**

For Risk Management to be effective, it must:

- Create and protect value
- Be an Integral part of all organisational processes
- Be part of the decision making
- Explicitly address uncertainty
- Be systematic, structured and timely
- Be based on best available information
- Be tailored
- Take human and cultural factors into account
- Be transparent and inclusive
- Be dynamic, iterative and responsive to change
- Facilitate the continual improvement of the organisation<sup>1</sup>

<sup>1</sup> AS/NZS ISO 31000:2009 Risk Management Principles and guidelines, page 7

Risk is inherent in everything the Organisation undertakes in seeking to maximise opportunities and achieve its objectives and these Risks are categorised as either Community, Strategic, Corporate or Operational Risks.

Risk Management is applied to all facets of its operations and in the pursuit of its opportunities and objectives, the application of its Risk Management Framework ensures that Risk is managed effectively, efficiently and coherently.

## **7. ROLES AND RESPONSIBILITIES:**

Risk Management within Frankston City Council is an integral element of good business practice. Council and everyone within the Organisation are responsible for managing Risk and identifying opportunities. Accountability for managing Risk resides with the person accountable to manage that Risk.

Notwithstanding our “whole of organisation” approach to Risk Management, it is acknowledged that specific roles and interdependencies exist which include:-

### **Council**

- Oversees the Chief Executive Officer’s performance of the administrative function of the organisation with regards to the management of Risk and the appropriateness of the allocation of budget and resources to mitigate known exposures.
- To make informed decisions that are justifiable on the basis of the best information available and by making such decisions do not inadvertently expose the Community or the Organisation to further Risk by ensuring that any uncertainties are explicitly addressed.
- Review the Audit and Risk Management Committee’s (Committee) Charter on an annual basis and the level of resources provided are effective to enable them to carry out their activities.
- Ensure that the composition of the Committee has sufficient professional skills, knowledge and technical experience.
- Receive reports from the Committee on a regular basis.

- Review the performance of the Committee on an annual basis and receive an annual report from the Chairperson on the delivery of the Committee's initiatives against its annual performance plan.
- Approve the risk management policy.
- Make decisions, including the provisions of budget or resources, affecting the organisations Risk Profile or Exposures.

### **Audit & Risk Management Committee**

- As documented in the Committee's Charter, assist Council manage its oversight and discharge its responsibilities with regards to:-
  - Risk ;
  - Fraud and Corruption;
  - Business Continuity;
  - Compliance; and
  - Ethics.
- Monitoring the management of extreme and high Risks.

### **Executive Management Team**

- Lead the Organisation by embedding a risk aware and risk management culture by providing firm and visible support for Risk Management by clearly articulating and modelling the expected behaviours and ensuring that poor behaviours around Risk Management are not tolerated.
- To facilitate the continual improvement of the Organisation
- Review and update the Strategic and Community Risk Profiles by reviewing key risk information, identifying key risk trends and assessing the impact of external influences on the organisation.
- Within respective delegated authorities, re-allocate existing budget or resources to mitigate against extreme and high Risks or escalate the matter to Council.
- Approve the Risk Management Framework, Risk Attitude and supporting Risk Matrices.
- Satisfy itself that Risks with a lower rating are effectively managed with appropriate Controls in place.

- Attendance at the Audit and Risk Management Committee.

### **General Manager Corporate**

- Continue to develop and enhance Risk Management procedures and systems.
- Work with Risk Owners to ensure that the Risk Management processes are implemented in accordance with agreed Risk Management procedures.
- Collate and review all risk registers for consistency and completeness.
- Promote understanding of and support for Risk Management, including delivery of Risk management training.
- Oversee the review and updating of the Strategic, Corporate and Community wide Risk Profiles.
- Ensure that relevant risk information is reported to Council or cascaded, as the case may be, in a timely manner.

### **Internal Audit**

- Evaluate the effectiveness of the Control structures and financial reporting and provide Assurance regarding the effectiveness of Control Activities.

### **Risk Owners**

- Responsible for the management of Risks they have accountability for.
- Review the Risks on at least on annual basis or in the event of a major change to systems, processes or Controls, as a result of a significant incident or due to matters identified during an audit (either internal or external).
- Identify where current Control deficiencies may exist.
- Escalate the Risk where the Risk is increasing in its likelihood or consequence.
- Must record all Risks in the risk register.

- Must undertake periodic Risk Treatments of raw Risks assessed as “Extreme or High” to provide Assurance regarding the effectiveness of the Controls.
- Must undertake period assessments of Control Activities.

### **Staff and Contractors**

- Identify and assess Risks associated with personal tasks and activities and ensure compliance with policies and procedures in the performance of duties and activities.
- Report Risks to the relevant Risk Owner if they are unable to remedy the situation themselves.
- Take appropriate action to eliminate obvious defects and hazards or undertake an appropriate interim response.

### **POLICY NON-COMPLIANCE:**

Non-compliance with this policy has the potential to cause a variety of adverse events that can negatively impact on the:-

- Organisation by causing reputational damage, litigation or failing to meet standards and project outcome expectations.
- Community – though events and actions that can impact quality of life for current and future generations.
- health and safety – damage to property or personal injury to staff and / or the Community.

Breaches of this policy may result in action being undertaken under the Staff Code of Conduct and consistent with legislation and frameworks, may also be reported to the police or the respective government authorities for investigation.

### **8. LEGISLATION**

- Local Government Act 1989
- Protected Disclosure Act 2012
- Independent Board-based Anti-corruption Commissions Act 2011

### **9. RELATED DOCUMENTS:**

- Frankston City Council Plan – 2013-2017

- Audit and Risk Management Committee Charter
- Frankston City Council – Risk Management Framework
- Staff Code of Conduct
- Councillors Code of Conduct

## **10. AUTHORITIES**

- AS/NZS ISO 31000:2009
- Fraud & Corruption Prevention Strategy, incorporating AS8001-2008 – Fraud and Corruption control.
- ISO 22301:2012 – Societal security – Business continuity management systems.
- AS 3806-2006 - Compliance Programs.
- Audit Committees – A Guide to Good Practice for Local Government.
- HB 254-2005 – Governance, Risk Management and Control Assurance.

## **11. IMPLEMENTATION OF THE POLICY**

This policy (in conjunction with other related documents) will be incorporated into the key decision making processes of the Council and the Organisation. Council's Risk Management Framework provides the essential tools for the organisation to effectively manage Risks.

Notwithstanding the obligations outlined in "Roles and Responsibilities", specific actions that apply and reinforce the principles of this Policy to ensure that a Risk based methodology is integrated into the processes to support the decision making process include:-

### Council

"Risk Mitigation" is a standard template heading in all Council reports.

### Audit and Risk Management Committee

Risk Management is documented as a responsibility of the Committee within its Charter.

"Risk Identification and Mitigation" is a standard template heading in all Audit and Risk Management Committee reports.

### Executive Management Team

“Risk Implications” is a standard template heading on the “EMT & Councillor Briefing Template”.

### Contract Management

The “Procurement Process” requires a risk assessment to be completed, prior to entering into major service contracts.

The “Contract Management Plan” requires staff to undertake a “Review of Contractor risk assessments” (this also includes occupational health and safety).

### Capital Works – Business Case for Information Services Template

The template requires the proposal to assess the impact and severity of the business interruption and its potential impact upon data security.

### Capital Works – Business Case for Capital Works Template

The template requires the proposal to assess and outline the major and moderate Risks associated with the project and any key issues identified through consultation.

### Project Implementation Plan

The “Detailed Project Implementation Plan” template requires a project risk assessment be completed.

### Integrated Business Planning Process

The “Business Plan Template” requires the respective risk register to be incorporated and Risk Treatments identified and integrated into key deliverable actions.

### Budgetary Process

The Organisation’s software system for the management of its finances contains a budgetary model, which has a pre-defined template. Within this template is the opportunity for submissions known as “Other Service Opportunities”. One of the reasons for the justification of the submission is that it is a known “Risk Exposure” which has to be justified on the basis of the identification of an unacceptable Risk that has either crystallised or emerged as part of the review of the Risk Register.

Risks assessed as “Extreme” or “High” through the capital works submissions or budgetary process are presented to the Executive Management Team and Council as part of the decision making process for the allocation of resources and funding.



Internal Audit

Utilise the Risk profile to develop the annual audit plan and provide advice in relation to the effectiveness of the Controls. Recommendations of the auditor are updated into the respective Risk registers.

## 12. DEFINITIONS:

*Assurance* – relates to the likelihood that planned objectives will be achieved within an acceptable of risk.

*Audit and Risk Management Committee* – an advisory committee established by Council in accordance with Section 139 of the Local Government Act 1989.

*Business Continuity* – capability of the organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident.

*Charter* – Audit and Risk Management Committee’s blueprint for its operations and defines its terms of reference.

*Community* - All residents, ratepayers, landowners and members of the general public including individuals, groups, visitors, organisations, government and business.<sup>2</sup>

*Community Risk* – an event within the municipality that results in a reduction in amenity, standard of living, community safety or community health and well being and/or environmental degradation that requires Council services to be deployed.

*Compliance* - Adhering to the requirements of laws, industry and organisational standards and codes, principles of good governance and accepted community and ethical standards.

*Control Activity* – routines established to provide Assurance that processes operate as designed and meet the requirements of the Organisations policies, practices or procedures.

*Control* – comprises the elements of the organisations resources, systems, processes, culture, structure and tasks that modify the risk and support people in the achievement of the organisations objectives.

*Corporate Risk* – Risks that pertain to the management of key internal management systems which are the responsibility of the organisation, with little relationship to community service delivery.

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<sup>2</sup> Community Engagement Policy - 2011

*Corruption –*

- of any person that adversely affects the honest performance by a public officer or public body of his or her or its functions as a public officer or public body; or
- of a public officer or public body that constitutes or involves the dishonest performance of his or her or its functions as a public officer or public body; or
- of a public officer or public body that constitutes or involves knowingly or recklessly breaching public trust; or
- of a public officer or a public body that involves the misuse of information or material acquired in the course of the performance of his or her or its functions as a public officer or public body, whether or not for the benefit of the public officer or public body or any other person; or
- that could constitute a conspiracy or an attempt to engage in any conduct referred to as above.<sup>3</sup>

*Council* – consists of its Councillors who are democratically elected in accordance with the Local Government Act.

*Ethics* - It is a concept that signifies how we act in order to make the 'right' choice, and produce 'good behaviour'. It encompasses a thorough (and objective) examination of principles, values, duties and norms, the consideration of available choices or alternatives in order to make the right decision and the strength of character to act in accordance with the decision. Ethics concerns individuals, groups, institutions and society<sup>4</sup>.

*Executive Management Team* – senior officers comprising of the Chief Executive Officer, General Managers of Corporate, Assets, Communities and Development.

*Fraud* – means any dishonest activity occasioning actual or potential financial loss to Council or any person, corporation or other entity connected with Council, including theft and offering or receiving secret commissions and including the falsification, concealment or destruction of any commercial document or record for an improper purpose.<sup>5</sup>

*Independent Members* – independent members of the Audit and Risk Management Committee appointed by Council.

*Organisation* – a group of people working together to achieve objectives. This includes the entity, Frankston City Council, the administration and the Council.

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<sup>3</sup> 'Corruption' is defined in section 4 of the Independent Broad-based Anti-corruption Commissions Act 2011

<sup>4</sup> Psaros, Jim – *Australian Corporate Governance – A Review and Analysis of Key Issues*, p 190.

<sup>5</sup> Frankston City Council – Fraud and Corruption Framework

*Operational Risk* – Risks that emerge as a direct result of a service unit providing its service (managed and controlled at a service unit or department level).

*Risk* – effect of uncertainty on objectives.

*Risk Attitude* – the organisations approach to assess and eventually pursue, retain, take or turn away from Risk.

*Risk Management* – coordinated activities to direct and control an organisation with regard to Risk.

*Risk Matrices* – used in the Risk assessment process to determine the severity of the Risk should the event crystallise.

*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 Owner* – person with the accountability and authority to manage risk.

*Risk Profile* – description of any set of Risks at its inherent /raw or uncontrolled environment.

*Risk Treatment* – a process to modify risk which can entail mitigation, elimination, prevention or reduction or a Control Activity.

*Strategic Risk* – Risk that if crystallised would require Council or Executive Management Team intervention to mitigate and would require the re-distribution of budget and resources.