

## Enterprise Risk Management Policy

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### 1. Scope

1.1 This Policy applies to all City of Parramatta Council (**Council**) Councillors and Employees, as well as volunteers, trainees, private contractors, and consultants having Employee functions or acting in an Employee capacity on behalf of Council.

### 2. Purpose

2.1 This Policy establishes Council's commitment to, and objectives around, managing Risks.

2.2 This Policy sets out a framework for Council to manage Risk on a systematic, organisation-wide basis, consistent with AS/NZS ISO 31000:2018 Risk management – Guidelines. This Policy integrates Risk Management into all decision making and Council's overall corporate governance.

### 3. Policy

3.1 Council acknowledges that it has a moral, financial, social, and legal responsibility to effectively manage Risk and opportunities in all areas of operations, and to ensure the efficient and ethical use of resources and services used by ratepayers, residents, Council Officials, and visitors.

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- 3.2 Council recognises that Risk is inherent in all business activities and needs to be managed to maximise opportunities and minimise negative outcomes, including to:
- (a) minimise the incidence of personal injury and ill health of Council Officials and members of the public;
  - (b) minimise the incidence of damage to equipment and facilities;
  - (c) minimise the financial and operational Risks and losses to the Council and the public;
  - (d) minimise resources spent in relation to loss; and
  - (e) maximise the benefit gained from opportunities identified.
- 3.3 Risk Management is an integral part of Council decision making and Council's organisational processes. Risk Management will be integrated into all Council activities through Council's Enterprise Risk Management Framework, which will provide the ability to minimise Risk Exposure while optimising every opportunity.
- 3.4 Council will regard uncertainty as inherent in its approach to Risk Management. Council will identify and analyse a range of Risks so that Risk Owners are better able to implement controls and treatments to mitigate the likelihood and/or consequences of uncertainty.
- 3.5 Council will ensure that Risk Management is planned and controlled to ensure efficiency, through applying an approach which is systematic, structured, and timely.
- 3.6 Council will approach Risk Management based on the best available information. Council recognises that information is often limited and imperfect, but in managing Risk Council will consider information from diverse sources including observation, experience, forecasts, and experts.
- 3.7 Council will ensure that its approach to Risk Management is transparent and inclusive. Council recognises that internal and external stakeholders can have a major impact on the organisation and as such must be involved when establishing and determining Risk.
- 3.8 Council will take an approach to Risk Management which is dynamic and responsive to change. Council must respond to changes in the internal and external environment, and will amend its processes, plans, and frameworks, accordingly.

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### 3.9 Risk Appetite

The Executive Team is responsible for applying the Risk Appetite that Council is willing to accept in making its decisions. Council's Risk Appetite is as follows:

Measure	Description	Indicators		
		Green (A – within appetite)	Amber (B - low appetite)	Red (C - no appetite)
Strategic	<p>(a) Council has an appetite for meeting our strategy, and for adopting strong legal, compliance, people and Risk Management practices to support our strategy;</p> <p>(b) Council has low appetite for undertaking activities which are not aligned with Council's approved strategy; and</p> <p>(c) Council has no appetite for undertaking activities or services for which Council lacks the resources, capability, or financial means to execute.</p>	<ul style="list-style-type: none"> <li>Delay in achievement of objective of between 3 and 6 months</li> <li>Minor component of objectives unable to be achieved but overall objective still achievable</li> </ul>	<ul style="list-style-type: none"> <li>Delay in achievement of objective of between 6 months and 2 years</li> <li>Important component of objectives unable to be achieved</li> <li>Some negative external stakeholder feedback</li> </ul>	<ul style="list-style-type: none"> <li>Delay in achievement of objective in excess of 2 years</li> <li>Significant part of objectives becomes unachievable</li> <li>Significant negative external stakeholder feedback</li> </ul>
Operational	<p>(a) Council has an appetite for meeting Council's key performance indicators (KPI) in the Delivery Program and Operational Plan;</p> <p>(b) Council has low appetite for undertaking unplanned activities that jeopardise achievement of KPIs; and</p> <p>(c) Council has no appetite for failing to achieve KPIs.</p>	<ul style="list-style-type: none"> <li>Process or asset breakdown resulting in minor service disruption (&lt; 20 external customers affected)</li> <li>Internal impact (less than 1 day)</li> <li>Loss of non-critical information</li> <li>Recoverable loss of data</li> <li>Local service issue resolved in 1 day managed by changes to operational processes i.e. workarounds</li> </ul>	<ul style="list-style-type: none"> <li>Process or asset breakdown having an impact on a major customer group; service disruption of up to 3 days</li> <li>Loss of critical information or records</li> <li>Local service issue lasting more than 1 day</li> <li>Service issue for more than 2 hours where no workarounds available</li> <li>Service issue affecting external customers for up to 1 day</li> </ul>	<ul style="list-style-type: none"> <li>Service disruption having an impact on internal or external customers of up to 1 week</li> <li>Breach of systems security affecting private client information</li> <li>Loss of records or critical information that cannot be recovered</li> <li>Service issue lasting more than 3 days</li> </ul>

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Measure	Description	Indicators		
		Green (A – within appetite)	Amber (B – low appetite)	Red (C – no appetite)
Financial	(a) Council has an appetite for operating within a balanced budget; (b) Council has low appetite for reducing reserves to maintain operational capability; and (c) Council has no appetite for operating at a loss.	<ul style="list-style-type: none"> <li>\$250k - \$1m financial impact (one off) or \$100k - \$500k (recurrent)</li> </ul>	<ul style="list-style-type: none"> <li>\$1m - \$5m financial impact (one off) or \$500k - \$1m (recurrent)</li> </ul>	<ul style="list-style-type: none"> <li>\$5m - \$50m financial impact (one off) or \$1m - \$10m (recurrent)</li> </ul>
Governance	(a) Council has an appetite for operating within legislative requirements and Council Policies and Procedures; (b) Council has low appetite for inadvertent breaches of legislation and Council Policies and Procedures; and (c) Council has no appetite for intentional breaches of legislation and Council Policies and Procedures.	<ul style="list-style-type: none"> <li>Inadvertent, one-off regulatory or policy breach requiring corrective action and some external disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing or systemic breaches of law or policy resulting in corrective action and external reporting</li> <li>May result in corrective action from outside Council, including overturning of Council decision</li> </ul>	<ul style="list-style-type: none"> <li>Significant or systemic breaches of the law resulting in Council being the subject of external corrective action</li> <li>Council decisions being found invalid or loss in legal proceedings</li> </ul>
Reputational	(a) Council has an appetite for behaving in a way that reinforces Council's reputation in the community; (b) Council has low appetite for actions that diminish Council's reputation; and (c) Council has no appetite for acting in a way that disregards Council's standing with the community.	<ul style="list-style-type: none"> <li>Minor local media/public/political interest</li> <li>Small amount of non-recurring negative local media</li> </ul>	<ul style="list-style-type: none"> <li>Significant negative local media/public/political interest</li> <li>Some negative media in major metropolitan press</li> </ul>	<ul style="list-style-type: none"> <li>Major negative media/public/political attention lasting up to 1 week</li> </ul>

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Environmental	<p>(a) Council has an appetite for undertaking operations in a sustainable, and environmentally conscious manner;</p> <p>(b) Council has low appetite for negatively impacting the environment; and</p> <p>(c) Council has no appetite for unsustainable, environmentally degrading actions.</p>	<ul style="list-style-type: none"> <li>Short term effects on built &amp; natural environment;</li> <li>Damage to a single property or parcel of land</li> <li>Inadvertent breach of policy</li> </ul>	<ul style="list-style-type: none"> <li>Serious medium-term effects on built &amp; natural environment from single incident (e.g. one-off pollution spill)</li> </ul>	<ul style="list-style-type: none"> <li>Significant long-term impact on built &amp; natural environment;</li> <li>Investigation of Council with adverse findings</li> </ul>
Work Health and Safety	<p>(a) Council has an appetite for undertaking operations in a safe manner;</p> <p>(b) Council has low appetite for operating in a manner which impacts the safety and wellbeing of Council Employees and any other individuals having Employee functions or acting in an Employee capacity on behalf of Council; and</p> <p>(c) Council has no appetite for unsafe work practices.</p>	<ul style="list-style-type: none"> <li>Medical treatment required</li> <li>Lost time &lt;5 days</li> </ul>	<ul style="list-style-type: none"> <li>Lost time &gt;5 days, &lt;1 month</li> </ul>	<ul style="list-style-type: none"> <li>Lost time &gt;1 month</li> <li>Long-term or permanent disability</li> <li>Single fatality</li> </ul>
Fraud & Corruption	<p>(a) Council has an appetite for behaving honestly and ethically;</p> <p>(b) Council has low appetite for inadvertently acting in an unethical manner; and</p> <p>(c) Council has no appetite for dishonesty, fraud, or corruption.</p>	<ul style="list-style-type: none"> <li>Isolated misuse of assets / waste of public money (less than \$1,000 in value)</li> </ul>	<ul style="list-style-type: none"> <li>Misuse of public assets/waste of public money over \$1000</li> <li>Any cash fraud</li> <li>More than a single breach</li> </ul>	<ul style="list-style-type: none"> <li>Systemic misuse of assets/waste of public money over \$1000 or substantial financial fraud</li> <li>Corruption</li> </ul>

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		Green (A – within appetite)	Amber (B – low appetite)	Red (C – no appetite)
People	<p>(a) Council has an appetite for demonstrating its People First, Community First guiding principle;</p> <p>(b) Council has low appetite for low staff engagement; and</p> <p>(c) Council has no appetite for high staff turnover.</p>	<ul style="list-style-type: none"> <li>Loss of specialist capabilities which require recruitment action</li> <li>Likely to be successfully recruited, internally or externally, within a reasonable period</li> <li>Modest delays in time to fill vacancies</li> <li>Some delay in essential training</li> </ul>	<ul style="list-style-type: none"> <li>Specialist skills lost that are difficult to fill</li> <li>Time to fill likely to exceed 3 months</li> <li>Role cannot be easily reassigned or redistributed to other Employees</li> <li>Critical training delayed or unavailable</li> <li>Voluntary turnover rate &gt;12% but &lt;20%</li> <li>Employee engagement rates are below 50%</li> </ul>	<ul style="list-style-type: none"> <li>Difficulty attracting and retaining staff with the appropriate skills</li> <li>Critical vacancies likely to take more than 6 months to fill</li> <li>Turnover rate exceeds 20%</li> <li>Employee engagement rates are below 40%</li> <li>Critical training needs cannot be met</li> </ul>
Innovation	<p>Council is willing to take Risks in pursuit of innovation, recognising that not all initiatives will succeed. We acknowledge that innovation involves uncertainty and that there are inherent Risks associated with exploring new ideas.</p>	<ul style="list-style-type: none"> <li>Embracing innovation to drive progress but remain mindful of the potential Risks involved</li> <li>Take calculated Risks and explore innovative ideas that have a reasonable chance of success</li> <li>Some failures may occur, but are expected to be valuable learning opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Undertake innovation with minimal Risks or uncertainties, with the focus on ensuring the stability and continuity of operations</li> <li>Prioritise incremental or proven innovations over disruptive or experimental ones</li> </ul>	<ul style="list-style-type: none"> <li>Undertake significant Risks</li> <li>Pursue highly innovative and transformative initiatives</li> <li>A more experimental and disruptive approach to innovation</li> <li>The possibility of substantial negative impacts</li> </ul>

#### 4. Delegation

4.1 There are no Administrative and/or Legislative Delegations applicable to this Policy.

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**5. Procedure**

5.1 This Policy must be read in conjunction with Council’s Risk Management Procedure, which provides detailed guidance regarding the Risk Management processes and activities to be undertaken by Council.

5.2 Council will provide Risk Management training for all appropriate Employees on how to use and apply the Enterprise Risk Management Framework, to ensure consistency and quality throughout the organisation. This Policy will be communicated to all Employees at induction training, through regular awareness emails, and through publication on the Intranet.

5.3 Council will undertake Risk assessment by:

- (a) identifying and assessing key Risks at least annually, in conjunction with the business planning cycle;
- (b) identifying and assessing Risks any time Council undertakes a new area of business operations or undertakes a substantial change in business operations;
- (c) identifying and assessing Risks whenever Council undertakes a new project or event; and
- (d) periodically reviewing its Risk assessment process.

5.4 The Executive Team is responsible for ensuring Risk is managed across Council in accordance with the Risk Appetite set by Council.

5.4.1 The Executive Team is responsible for the ongoing identification, monitoring, and effective management of all strategic Risks relating to the delivery of the strategic priorities in the Delivery Plan which will be included in the Strategic Risk Register.

5.4.2 Each Executive Director responsible for a delivery project or advocacy project in the Delivery Plan is responsible for identifying, monitoring, mitigating, and reporting all Risks associated with the project, including ensuring appropriate resources for Risk Management are made available.

5.4.3 Executive Directors are responsible for all Risks with a residual Risk rating of ‘Severe’ or above, as identified in the relevant Risk Register.

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- 5.5 The senior manager (Business Unit Manager) responsible for an area of business operations is responsible for identifying, monitoring, mitigating, and reporting all operational Risks associated with their business operations, including ensuring appropriate resources for Risk Management are made available. The senior manager is also responsible for reviewing Risks arising from Council's business operations and escalating severe or extreme Risks to Council in a timely way.
- 5.6 The nominated project or event manager is responsible for identifying, monitoring, mitigating, and reporting all Risks associated with the project or event. A project control group will be responsible for ensuring appropriate resources for Risk Management are made available.
- 5.7 All Employees, and individuals having Employee functions or acting in an Employee capacity on behalf of Council, have an ongoing responsibility to provide input, including reporting as required, to enable the ongoing identification, assessment, and management of Risks.
- 5.8 The Risk and Audit Manager is responsible for coordinating the development, implementation, and maintenance of the Enterprise Risk Management Framework throughout Council, including training and awareness, corporate Risk Management performance, and management reporting.
- 5.8.1 The Risk and Audit Manager will provide to the Executive Team quarterly reports on the status of the Strategic and Operational Risk Registers.
- 5.9 The Audit Risk and Improvement Committee (ARIC) will provide independent assurance and assistance to Council on the Enterprise Risk Management Framework.
- 5.9.1 Council will provide a report to the ARIC, at least annually, which sets out how Council has complied with this Policy, including identification of any significant or systemic breaches of this Policy.

## 6. Definitions

Audit Risk and Improvement Committee	A committee established under section 428A of the <i>Local Government Act 1993</i> (NSW) that provides independent assurance to Council by monitoring, reviewing, and providing advice about governance processes, compliance, Risk Management and control
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	frameworks, external accountability obligations and overall performance.
Council Official	Councillors, Employees, and delegates of Council (including members of committees that are delegates of Council).
Delivery Plan	The prevailing Council-endorsed Delivery Program and Operational Plan for the City of Parramatta Council.
Employee	A person who is directly employed by Council on a full time, part time, temporary, or casual basis.
Enterprise Risk Management Framework	Set of components, including management policies and strategies, procedures and practices, to establish the context, identify, analyse, evaluate, treat, monitor and communicate Risk.
Risk	Refers to the risk of uncertainty on objectives. It is measured in terms of consequences and likelihood. Risks can have both positive and negative effects on objectives. The concept of Risk has two main elements: (1) the likelihood of something happening, and (2) the consequences if it happens.
Risk Appetite	<p>The level of Risk that Council is prepared to accept in pursuit of its objectives, before action is deemed necessary to reduce the Risk.</p> <p>Council's Risk Appetite is classified as follows:</p> <ul style="list-style-type: none"> <li>• Within appetite: Council's preferred state.</li> <li>• Low appetite: Council does not prefer this state, however the state will be tolerated whilst moving to the desired state.</li> <li>• No appetite: Council does not wish to operate in this state.</li> </ul>
Risk Exposure	Extent to which an organisation and/or stakeholder is subject to an occurrence or change of a particular set of circumstances.
Risk Management	Refers to coordinated activities to direct and control an organisation with regard to Risk. Risk Management explicitly addresses inherent uncertainty associated with Council objectives.
Risk Owner	Person or entity with the accountability and authority to manage a Risk.

<b>REFERENCES</b>	AS/NZS ISO 31000:2018 Risk management – Guidelines <i>Local Government Act 1993 (NSW)</i>
<b>ASSOCIATED POLICIES</b>	Risk Management Procedure
<b>ATTACHMENTS</b>	Nil

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