



TOWN OF  
VICTORIA PARK



# RISK MANAGEMENT FRAMEWORK

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# 1 Introduction

The Risk Management Framework (“the Framework”) outlines the Town’s approach to the management of risk by setting out the following key governing elements:

- Principles, framework and process and systems.
- Structure.
- Risk appetite statement for the Town.
- Risk assessment and acceptance criteria adopted by Council.

## 1.1 Context and Purpose

The design and content of the Framework is based on AS/NZS ISO 31000:2018 Risk Management Guidelines.

It complements the following key documents of the Town:

1. [Policy 004 Risk Management](#) (“the Policy”), which sets out the general scope, expectations and high-level roles and responsibilities for risk management.
2. Management Practice 004.1 Risk Management (“the Management Practice”), which provides standard operating procedural guidelines for the risk management process and criteria for Town employees.

It is essential that all areas of the Town adopt the guidance material contained in the Policy, the Management Practice and this Framework document to ensure:

- strong corporate governance
- compliance with relevant legislation, regulations and internal policies
- the achievement of Integrated Planning and Reporting objectives
- An understanding of uncertainty, opportunities and threats and their effects on objectives.

## 1.2 Assumptions and constraints

This Framework aims to balance a documented, structured and systematic process with the current size and complexity of the Town, and takes into consideration existing time, resource and workload pressures.

# 2 Why Manage Risk?

AS/NZS ISO 31000:2018 Risk Management Guidelines outline some key philosophies on the management of risk:

- Internal and external factors create uncertainty in the achievement of objectives.
- The process of managing risk:

- Is iterative, helping to set strategy and achieve objectives
- Informs decision-making and forms part of good governance and leadership
- Underpins management at all organisational levels
- Improves business systems
- Involves stakeholder interaction
- Considers internal and external contexts, human behaviour and culture.

## 2.1 Understanding Risk

- Risk management helps to provide transparency by identifying risks and understanding their causes, likelihood (probability) and impact, as well as ensuring proper accountability and ownership of risk in organisational decision-making.
- Understanding risk helps to identify mitigations to treat risks so that strategic and operational objectives can be achieved.

## 3 Key Elements

### 3.1 Principles, Framework and Process

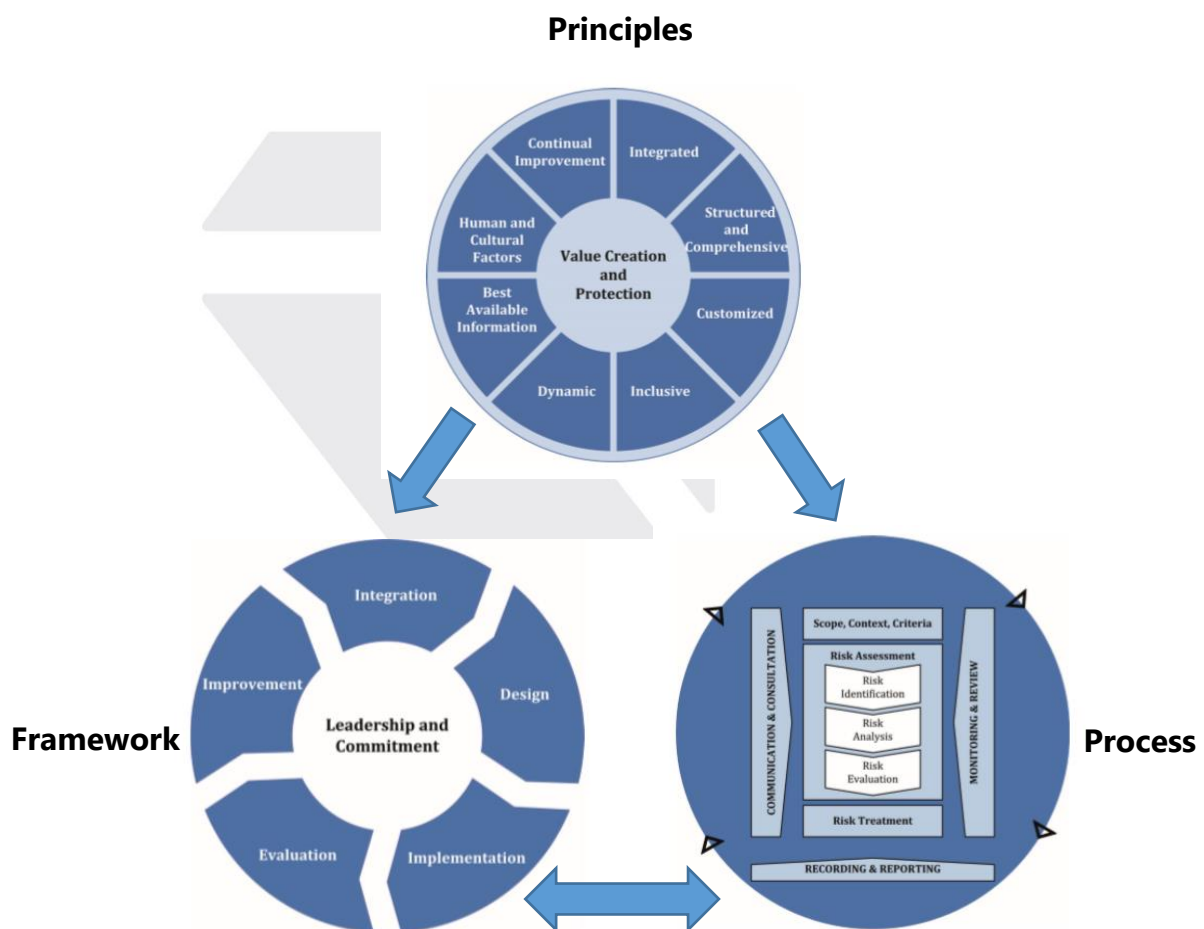


Figure 1. Risk Management Principles, Framework and Process (Source: AS/NZS ISO 31000:2018)

The risk management principles are aimed at creating and protecting value, and inform a robust structured framework and customised processes which enable the organisation to set strategy and achieve objectives through innovation and performance improvement.

The Town's internal Management Practice 004.1 provides operational procedures on the iterative risk management process such as:

- risk assessment (identification, analysis, evaluation) and treatment
- recording and reporting
- monitoring and review.

## 3.2 Governing Structure

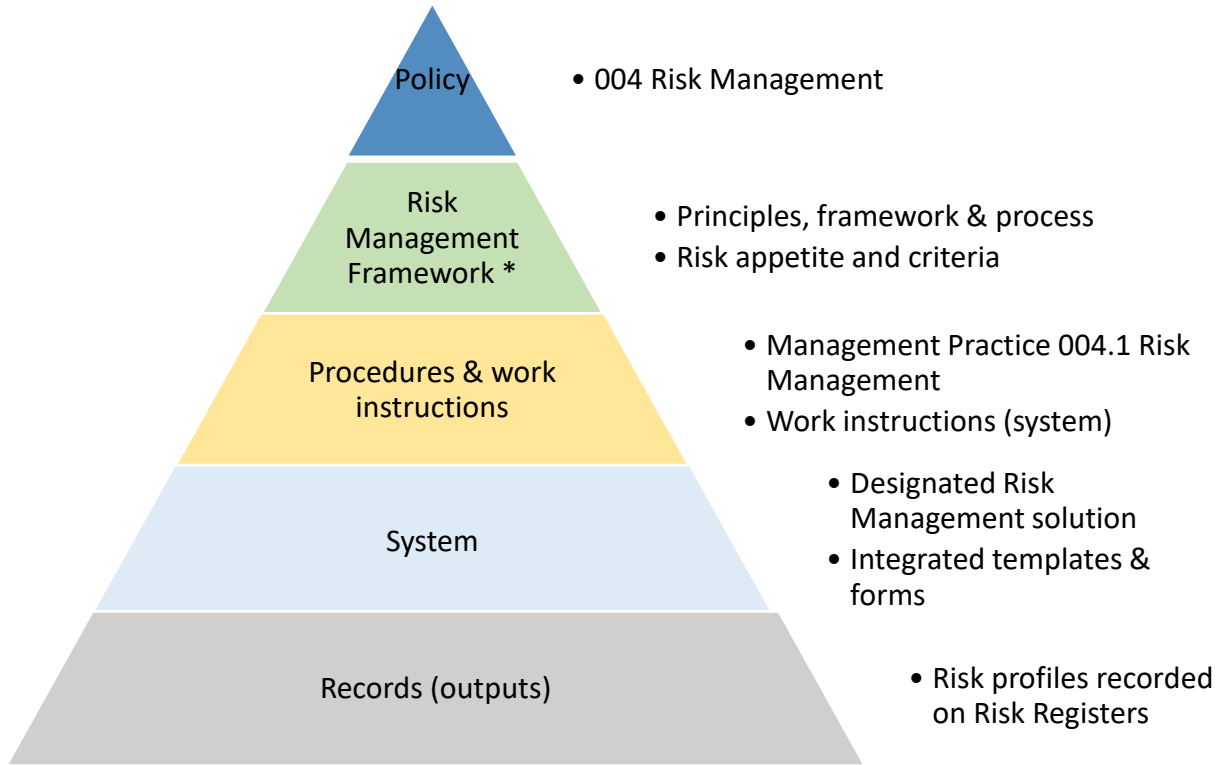
The Town's current governing structure for risk, which includes audit reporting, is based on the Three Lines of Defence Model:

- The **1st Line of Defence** is concerned with management controls and generally has a real-time focus. It is aimed at review of governance and compliance arrangements to demonstrate 'checks and balances' are working effectively.
- The **2nd Line of Defence** centres on risk oversight and involves some degree of real-time activity, with a mandate to review 1st Line of Defence activities. This encompasses the work of specialist areas like risk management, technical and regulatory compliance, and safety. This aims to confirm the effectiveness of governance and compliance arrangements, and to identify and action improvements.
- The **3rd Line of Defence** involves independent assurance that evaluates the adequacy and effectiveness of both 1st Line and 2<sup>nd</sup> line risk management approaches. This is undertaken by an internal auditor function, to independently confirm governance and compliance effectiveness, and to recommend improvements.

Roles and responsibilities of the Town's Three Line of Defence Model is explained in greater detail in the Town's Management Practice 004.1 'Risk Management'.

### 3.3 Document Structure

The current Risk Management documentation structure reflects best practice in Quality Management Systems (ISO 9001) as shown in the hierarchy below.



\*This document.

Figure 3. Risk Management document structure

## 4 Risk Assessment and Acceptance Criteria

The Risk Assessment and Acceptance Criteria are applied to the risk assessment and treatment process, with detailed operational procedures detailed in Management Practice 004.1 Risk Management.

### 4.1 Risk Impact Categories

These are categories against which the consequences/impacts of risk will be assessed:

Risk impact category	Description
<b>Financial</b>	Financial loss that may or may not be managed within the existing budget and may or may not impact a program or service.
<b>Environmental</b>	Harm to the environment or heritage asset or area.
<b>Health and Safety</b>	Harm or injury to people with potential time loss and/or medical care.
<b>Infrastructure/ICT Systems/ Utilities</b>	Damage to assets/infrastructure with financial consequences. Loss of utilities/ICT systems resulting in disruption to services.
<b>Legislative Compliance</b>	Breach of legislation and compliance requirements that may or may result in legal action and financial penalties.
<b>Reputation</b>	Media exposure that may or may not impact reputation and image and may or may not require action or intervention.
<b>Service Delivery</b>	Disruption to a service or major project in progress that may result in delays to delivery.

### 4.2 Risk Likelihood

The predicted likelihood of the risk event occurring over time and activity/frequency:

Likelihood	Description
<b>Almost Certain</b>	Expected to occur in most circumstances (>80% probability) <b>and/or</b> Likely to occur at least once in every year.
<b>Likely</b>	Will probably occur in most circumstances (50 to 80% probability) <b>and/or</b> Likely to occur once every >1 -2 years.
<b>Possible</b>	Might occur at some time (25 to 49% probability) <b>and/or</b> Likely to occur once every >2-5 years.
<b>Unlikely</b>	Could occur but unlikely (2 to 24% probability) <b>and/or</b> Likely to occur once every >5-20 years.

Likelihood	Description
Rare	May occur in exceptional circumstances (<2% probability) <b>and/or</b> Not likely to occur more than once in 30 years.

### 4.3 Risk Scoring Matrix

The overall risk level for a particular risk is assessed based on the likelihood and consequence scores for the risk plotted in the risk scoring matrix:

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	Medium	Medium	High	Extreme	Extreme
Likely	Medium	Medium	High	High	Extreme
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium

### 4.4 Effectiveness of Controls

Rating of the overall effectiveness of risk control measures currently used, in reducing the likelihood and/or consequence of the risk event occurring:

Effectiveness rating	Description
Fully effective	Fully effective at all times (will significantly reduce the likelihood and/or consequence of the risk at all times).
Substantially effective	Effective in most circumstances (will have a reasonably significant effect in terms of reducing the likelihood and/or consequence of the risk)
Partially effective	Partial control most of the time (will have some effect in terms of reducing the likelihood and/or consequence of the risk)
Totally ineffective	Not effective at all in mitigating the risk (will not have any effect in terms of reducing the likelihood and/or consequence of the risk)



## 4.5 Risk Appetite and Opportunities

The ISO Guide 73:2009, Risk Management – Vocabulary defines risk appetite as “The amount and type of risk that an organisation is willing to pursue or retain”. The risk appetite/attitude for residual risk has been identified for each Impact Category for the organisation in the following table.

Impact category	Consequence			
	Low	Medium	High	Extreme
Financial	●			
Environmental		●		
Health and Safety	●			
Infrastructure/ICT Systems/Utilities		●		
Legislative Compliance	●			
Reputation/Image	●			
Service Delivery		●		

## 4.6 Risk Treatment Options

Risk is treated through one of the following treatments and in accordance with the Town’s strategic and operational objectives, risk appetite and available resources.

Treatment	Description
<b>Accept</b>	Accepting or retaining the risk at its residual risk rating level, without further treatment, even though it may exceed the organisation’s risk appetite.
<b>Treat</b>	Further treating risks to reduce the likelihood and/or consequence of the risk.
<b>Transfer/Share</b>	Transferring part of the risk (either management of the activity/service or consequences) to another party. Sharing risk does not mean that the responsibility/accountability for the risk has been transferred.
<b>Avoid</b>	Avoiding a risk/event with detrimental consequences by deciding not to proceed with the activity likely to create the risk, or by disposing of the asset, etc.

## 4.7 Risk Consequences

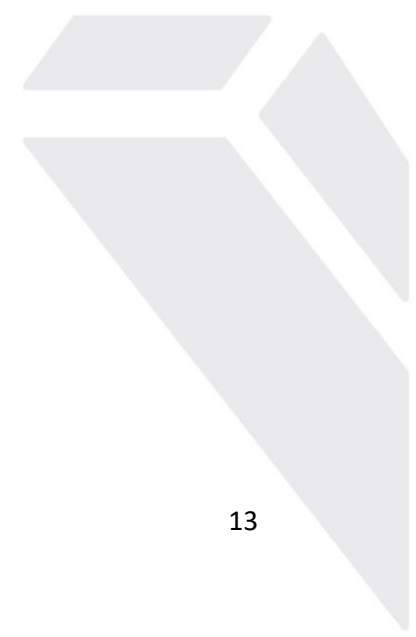
The following table provides guidance as to the graded consequences of risk for each Risk Impact Category. It is not an exhaustive list of consequences for each operational activity of the Town.

Impact Category	Insignificant	Minor	Moderate	Major	Severe
<b>Financial</b>	Minimal financial impact that can be managed within the program or service budget. Less than \$10,000.	A financial loss that can be managed within the department budget. \$10,000 to less than \$100,000.	A financial loss that can be managed within the organisational budget. \$100,000 to less than \$500,000.	A financial loss unable to be managed within the organisational budget resulting in reduction in a program or service. \$500,000 to less than \$2M.	A critical financial loss resulting in closure of or significant reduction in a program or service. Greater than \$2M.
<b>Environmental</b>	Negligible damage that is contained on-site. The damage is recoverable with no permanent effect on the environment or the asset. The resource or asset will take less than 6 months to recover.	Minor damage to the environment or heritage asset or area that is immediately contained on-site. The resource or asset will take less than 2 years to recover or it will only require minor repair.	Moderate damage to the environment or a heritage listed asset or area, which is repairable. The resource or asset will take up to 10 years to recover.	Significant damage to an <i>environmentally significant</i> area or asset from which it will take more than 10 years to recover. OR Extensive damage to a non-heritage listed area or asset that has heritage values. OR Significant damage to a <i>Council Heritage Listed</i> area or asset that involves either extensive remediation or will take	Irreversible and extensive damage is caused to a <i>World Heritage Listed Area, a National Heritage Listed Site, a Register of the National Estate Site or a Council Heritage Listed</i> area or asset. OR Irreversible and extensive damage is caused to a <i>Matter of National Environmental Significance</i> under the Act (e.g. endangered species, RAMSAR wetland, marine environment).

Impact Category	Insignificant	Minor	Moderate	Major	Severe
				more than 10 years to recover.	
<b>Health and Safety</b>	No injury / minor First Aid treatment only.	First Aid treatment or precautionary medical attention only. Person likely to immediately resume normal duties.	Person unable to resume normal duties in the short-medium term.	Hospitalisation with potential to result in permanent impairment.	Single or multiple fatality.
<b>Infrastructure/ICT Systems/ Utilities</b>	Minor damage where repairs are required however, assets or infrastructure are still fully operational. OR Loss of utilities/systems resulting in minor disruption to a service for up to 12 hours.	Short term loss or damage where repairs are required to allow the assets or infrastructure to remain operational using existing internal resources. OR Loss of utilities/systems resulting in minor disruption to a service (> 12 hours - 24 hours).	Medium term loss of key assets and infrastructure, where are repairs required to allow them to remain operational. Cost moderate and outside of budget allocation. OR Loss of utilities/systems resulting in disruption to a department for up to 12 hours.	Widespread, medium term loss of key assets and infrastructure, where repairs required to allow the infrastructure to remain operational. Cost significant and outside of budget allocation. OR Loss of utilities/systems resulting in serious disruption to several services or more than 1 department for up to 12 hours.	Widespread, long-term loss of substantial key assets and infrastructure. Infrastructure requires total rebuild or replacement. OR Failure of utilities/systems resulting in the loss of function for several departments (> 12 hours).

Impact Category	Insignificant	Minor	Moderate	Major	Severe
<b>Legislative Compliance</b>	Minor technical breach but no damages. No monetary penalty. Internal query.	Minor technical non-compliances and breaches of Corporate/Council Policy or State/Commonwealth regulations with potential for minor monetary penalty.	Compliance breach of regulation with investigation or report to authority with possible fine. AND/OR Special audit by outside agency or enquiry by Ombudsman.	Major compliance breach with potential exposure to large damages or awards. Potential prosecution with penalty imposed. District court action. OR Multiple compliance breaches that together result in potential prosecution with penalty imposed.	Severe compliance breach with prosecution and/or maximum penalty imposed. Supreme Court or criminal action. OR Multiple compliance breaches that together result in prosecution with maximum penalty imposed.
<b>Reputation</b>	Customer complaint. AND/OR Not at fault issue, settled quickly with no impact.	Non-headline community media exposure. Clear fault. Settled quickly by ToVP response. Negligible impact.	Negative local (headline) and some regional media coverage. Council notification. Slow resolution.	Negative regional (headline) and some national media coverage. Repeated exposure. Council involvement. At fault or unresolved complexities impacting public or key groups.	Sustained national media coverage. Maximum multiple high-level exposure. Direct Council intervention. Loss of credibility and public/ key stakeholder support.
<b>Service Delivery</b>	Some non-essential tasks will not be able to be achieved. AND/OR Unable to provide service for <1 business day. AND/OR	Less than 5% of essential tasks will not be achieved. AND/OR Unable to provide service for 1-2 business days. AND/OR Major Project in progress delay for 1 - 2 months.	5% - 10% of essential tasks will not be achieved AND/OR Unable to provide service for 2-5 business days. AND/OR Major Project in progress delay for 2-3 months.	10% - 20% of essential tasks will not be achieved. AND/OR Unable to provide service for 5-10 business days. AND/OR Major Project in progress delay for 3-6 months.	Greater than 20% of essential tasks will not be achieved. AND/OR Unable to provide service for >10 business days. AND/OR

Impact Category	Insignificant	Minor	Moderate	Major	Severe
	Major Project in progress delay for < 1 month.				Major Project in progress delay for > 6 months.



## 5 Related documents

- [Policy 004 Risk Management Policy](#)
- [Management Practice 004.1 Risk Management](#)
- [Audit and Risk Committee – Terms of Reference](#)

## 6 References

- Standards Australia, *AS/ISO 31000:2018 Risk Management Guidelines*.
- *ISO Guide 73:2009, Risk Management – Vocabulary*.

## 7 Revision history

Version	Action	Date	Authority	Resolution number	Report number
1	Adopted		Council		

CM9 Document: D23/23116.