

ITEM 13 DRAFT RISK MANAGEMENT FRAMEWORK AND RISK APPETITE STATEMENT

Council regularly reviews its risk management arrangements and processes to ensure that they remain best practice and provide a framework that allows decisions to be made with an understanding of Council's risk environment and to facilitate the taking of risks and capitalising on opportunities, within council's risk appetite, to assist Council meet its strategic objectives.

As part of the current review, a Risk Appetite Statement was developed and the current Management level Risk Management Policy was reviewed and elevated from a Management Policy to a Policy of Council. The Risk Appetite Statement is now presented to Council for adoption and the Draft Risk Management Framework is provided for endorsement to place on public exhibition.

RECOMMENDATION

- 1 The Risk Appetite Statement be adopted.
- 2 The Draft Risk Management Framework be placed on public exhibition for a period of 28 days.
- 3 A further report be provided to Council at the conclusion of the exhibition period.

REPORT AUTHORISATIONS

Report of: Todd Hopwood, Manager Governance and Customer Service
Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

ATTACHMENTS

- 1 Risk Management Framework (Draft)
- 2 Risk Appetite Statement

BACKGROUND

Council has a well-established enterprise wide risk management approach guided by an Enterprise-Wide Risk Management Policy which has traditionally been determined as an internal management policy. As with all policies, the policy is subject to regular review to ensure that it remains current and contemporary.

In the most recent review of Council's risk management policy approach, it was determined to escalate risk management to a Council level policy position rather than a management policy and to develop a Risk Appetite Statement. This approach is considered best practice and is consistent with the requirements of the Office of Local Government discussion paper on the implementation of a mandatory Risk Management and Internal Audit Framework.

The draft Risk Management Framework has been drafted in accordance with the OLG Discussion Paper. Whilst the elements of the OLG discussion paper have not been made mandatory as yet, it is not anticipated that there will be many changes to the proposed risk management approach as this has been developed in accordance with the current Australian Standard for Risk Management. A further review of the Risk Management Framework will occur when the OLG Risk Management Framework becomes mandatory to ensure consistency with requirements.

The proposed OLG framework requires council's risk management framework/policy to be determined by the elected Council, with a supporting risk management plan and risk management process to be determined and implemented by management.

PROPOSAL

Risk Management Framework

The draft Risk Management Framework communicates Council's commitment to risk management, and how risk management will be implemented by the Council.

The key features of the draft Risk Management Framework are:

- outlining Council's risk management objectives and priorities, and how these are linked to strategic plans and objectives
- how risk management will be integrated into the overall culture of the Council, core business activities and decision-making
- accountabilities and responsibilities for managing risk
- ensuring appropriate resources will be made available for risk management activities
- how risk management performance will be reviewed, measured, reported and improved and
- coordinating the interface between risk management and other assurance activities, for example, the Audit, Risk and Improvement Committee, internal audit function and external audit.

Risk Appetite Statement

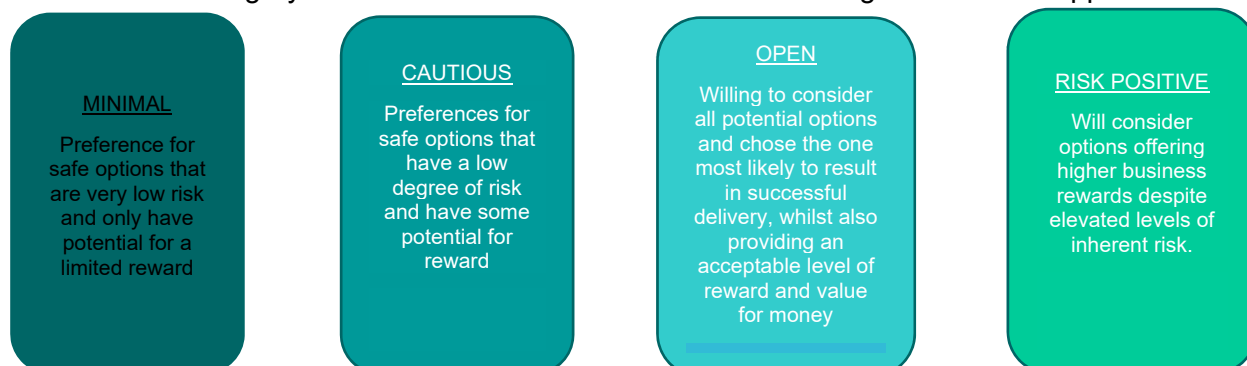
To achieve Council's vision and strategic objectives it is necessary for Council to take risks that accompany growth, transformation, innovation and are proportionate with the potential reward. Overall, Council has a balanced approach to its risk appetite aligned to its strategic objectives. Council's approach to risk appetite is to minimise our exposure to risks to our people and their safety, our reputation and corporate governance, whilst accepting and encouraging an increased degree of risk in pursuit of our key strategic directives.

The key challenges in achieving this balance are to ensure:

- ethical and effective governance practices including responsible stewardship of resources
- realisation of opportunities and allowing growth, transformation and innovation while avoiding unnecessary negative impacts
- avoidance of a risk averse culture which stifles growth, transformation and innovation rather than supports it through the correct assessment and management of risks

In support of the above and to help guide the implementation of the Risk Management Framework and all council decision making a Risk Appetite Statement (RAS) has been developed. The RAS defines eight broad risk categories and defines a risk appetite for each category as well as defining examples of activities / outcomes that council will tolerate or will not tolerate in each category.

For each risk category the RAS will define one of the four following levels of risk appetites:



It should be noted that the RAS is an overarching and broad document to guide the activities of Council. It is anticipated that Council will at times undertake activities that inherently carry greater risks. As a result, Council's risk appetite in a particular risk category may on occasion be different to the risk level of

a particular activity or project within that category. The Risk Management Plan will detail requirements for identifying and managing risks at activity or project level.

The risk tolerances defined in the RAS are examples of the type of activities / outcomes that form the boundaries set for risk taking. The RAS informs the development of risk tolerances for Council and provides guidance on how the risk appetite is to be applied to everyday business actions and decisions.

CONSULTATION AND COMMUNICATION

The draft Risk Management Framework and Risk Appetite Statement have been subject to considerable consultation with Councillors, Council's Audit Risk and Improvement Committee (ARIC) and Executive, with a number of workshops held with the ARIC to seek their guidance on both the format/content of the documents as well as the risk settings defined in the RAS. The ARIC have endorsed the draft Risk Management Framework, which is a requirement of the proposed OLG risk management framework, prior to adoption by Council.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong 2028 objective "*Our council is accountable, financially sustainable and has the trust of the community*".

It specifically delivers on core business activities as detailed in the Governance and Customer Service Division Service Plan 2019-20.

SUSTAINABILITY IMPLICATIONS

The adoption and implementation of an effective risk management framework is a critical component of Council achieving its sustainability goals. Effective risk management practices will ensure that council is efficient and innovative in achieving its strategic objectives while preserving and protecting its people, financial security and the built and natural environment in which we operate.

RISK MANAGEMENT

Risk management is a fundamental component of decision making in all Council activities. All decisions made by Council and its Officers need to consider the risks involved in taking those decisions and the impact those decisions will have on the achievement of Council's objectives. Successful implementation of the risk management framework will enhance the delivery of all six of our interconnected Community Goals outlined in Wollongong 2028.

FINANCIAL IMPLICATIONS

Council finances are an area of significant risk for Council, which is appropriately reflected in the Risk Appetite Statement. There are no additional financial implications from the development and implementation of the Risk Appetite Statement and Risk Management Framework.

CONCLUSION

Council operates in uncertain and changing economic, social, political, legal and business environments. Risk management is not about being risk averse and it is not a guaranteed way to eliminate all the risks Council faces altogether. The Risk Appetite Statement and Risk Management Framework provide direction and guidance to the management of Council in a way that allows the reduction of negative impacts of risks to a level that is acceptable and allows the decision to take calculated and appropriate risks that will help Council achieve its strategic goals and deal positively with opportunities.

**RISK MANAGEMENT FRAMEWORK
COUNCIL POLICY**

ADOPTED BY COUNCIL: [TO BE COMPLETED BY GOVERNANCE]

1. PURPOSE

To ensure that Council's risks are managed in a manner consistent with Council's risk appetite, it is essential that sound risk management practices are implemented. This document outlines a high-level approach to ensure decisions are made with an understanding of Council's risk environment and to facilitate the taking of risks and capitalising on opportunities, within council's risk appetite, to assist Council meet its strategic objectives.

2. POLICY INTENT

Council maintains a strong commitment to embedding effective risk management into all activities and as such is a core responsibility of management. Management has the responsibility to evaluate the risk environment, to put in place appropriate controls and to monitor the effectiveness of these controls, as well as communicate the risk management framework, plan and procedures throughout Council. This process is supplemented with a review of key corporate risks by the Executive Management Committee (EMC).

The objectives of this policy are to facilitate Council striking a balance between risk management and opportunity taking, whilst achieving the objectives set out in Council's strategic plan by:

1. Ensuring Enterprise-Wide Risk Management is integrated into Council's strategic and operational planning processes in order to:
 - a. Avoid, eliminate or minimise harm and/or loss, and
 - b. Minimise the adverse impacts that uncertainty presents to the achievement of Council's Community Strategic Plan.
2. Supporting and enabling effective:
 - a. Delivery of equitable and appropriate services and facilities for the community
 - b. Innovation and business improvement
 - c. Risk management practices that lead to a risk aware culture
3. Having regard to long-term and cumulative commitments by Council to environment, economic, social and governance objectives aligned with its Integrated Planning and Reporting framework.

3. WOLLONGONG 2028 OBJECTIVES

Risk management is a fundamental component of decision making in all Council activities, and all decisions made by Council and its Officers will consider the risks involved in taking those decisions and the impact of those decisions on the achievement of Council's objectives. Successful implementation of the risk management framework will enhance the delivery of all six of our interconnected Community Goals outlined in Wollongong 2028, which are shown below:

1. We value and protect our environment
2. We have an innovative and sustainable economy
3. We have a creative, vibrant city
4. We are a connected and engaged community
5. We have a healthy community in a liveable city
6. We have affordable and accessible transport

RISK MANAGEMENT FRAMEWORK

COUNCIL POLICY

4. POLICY

4.1 Council's Risk Management Framework

Council identifies, assesses and manages risk at both an enterprise ('top-down') and a business ('bottom-up') level. This process covers the full spectrum of risks including policy, strategic, market, credit and operational risks, including compliance. This Policy aims to achieve the proper identification and oversight of all the risks Council faces.

Council's risk management approach comprises the following key elements:

- Risk Management Framework
- Risk Appetite
- Risk Management Plan
- Risk Management Policies and Procedures

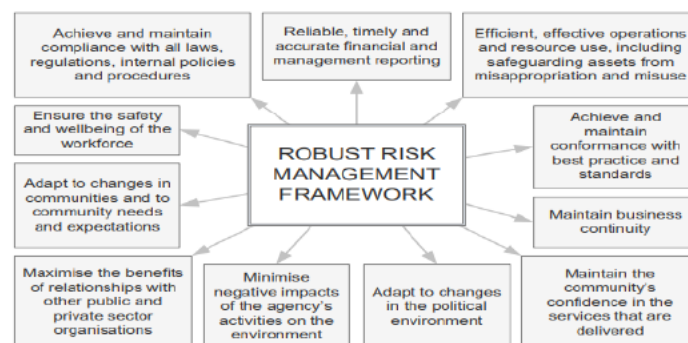
This framework is consistent with the accepted Australian Risk Management Standard (AS ISO 31000:2018 Risk Management) and comprises several important steps:

- *Identifying* and *analysing* the main risks facing the Council
- *Evaluating* those risks and making judgements about whether they are acceptable or not
- *Implementing* appropriately designed control systems to manage these risks in a way which is consistent with Council's risk appetite
- *Treating* unacceptable risks by formulating responses following the identification of unacceptable risks, including actions to reduce the probability or consequences of an event and formulation of contingency plans
- *Documenting* these processes, with summary tables (risk registers) the main forms of documentation, supplemented by risk manuals or related documents as appropriate
- Ongoing *monitoring, communication* and *review*

The approach aligns with and incorporates the principles of the 'three lines of defence' model, which is based on a set of layered defences that align responsibility for risk taking with accountability for risk control.

Divisions of Council (the first line) own and manage risks and are responsible for implementing controls to keep risks within the appetite of the organisation; the second line provides specialised risk and compliance management services; and the third line, primarily via the Internal Audit function, provides assurance to senior management on the effectiveness of governance, risk management and internal controls.

The below diagram shows the benefits and advantages to Council of having a robust risk management framework:



Source: NSW Treasury's Risk Management Toolkit

RISK MANAGEMENT FRAMEWORK

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4.2 Risk Management Culture

Risk Management Culture refers to the set of shared values and behaviours that characterise how Council considers risk in its day-to-day activities. Risk Management Culture should be embedded into and not separate from the organisational culture. Risk culture is the glue that binds all the elements of risk management together, because it reflects the shared values, goals, practices and mechanisms that embed risk into an organisation's decision-making processes and risk management into its operating processes.

Council fosters a positive risk management culture where risk management is seen as a positive attribute of decision-making rather than a corrective measure. Staff are encouraged to have a willingness to engage effectively with risk.

4.3 Risk Profile and Appetite

Council seeks to manage its risk profile carefully. This reflects the view that satisfactory fulfilment of its important public responsibilities could be seriously jeopardised if poorly managed risks were to lead to significant impairment of operations, financial losses, harm to the environment and/or damage to Council's reputation.

In support of this, Council will develop a risk appetite for Council's most significant risks. This will define the amount of risk Council is willing to accept in pursuit of its strategic goals and will form the basis of Council's approach to managing risk and taking opportunities in day to day operational activities as well as strategic decision making.

4.4 Risk Management Plan

A risk management plan will be developed to provide structure for how Council will implement the Risk Management Policy and conduct its risk management activities. The primary purpose of the plan is to ensure that the Council's arrangements for managing risks are clearly understood and practiced, and identifies where, when and how different types of decisions relating to risk are made across the Council and by whom.

The Risk Management Plan will include:

- roles, accountabilities and responsibilities in relation to risk management
- the timeframes for risk management activities
- the activities that Council will undertake to implement its risk management policy
- how risk management processes will be implemented and maintained
- resourcing requirements (people, IT and physical assets)
- training and development requirements
- performance measures that will be used to evaluate the success of the Council's risk management framework, and
- how and when the Council's Risk Management Framework will be reviewed

4.5 Risk Management Procedures

Risk management procedures shall be developed to provide a systematic way of identifying, assessing and prioritising risks, deciding how they will be managed, and documenting and communicating this across the Council. All risk management procedures are to be performed in accordance with AS ISO 31000:2018, using qualitative, semi-quantitative or quantitative methods and techniques that best suit the Council's operations, risk management maturity and decision-making needs.

4.6 Decision Making

To ensure its success, the Risk Management Framework will be integrated within all the Council's decision-making processes, governance structures, operational procedures and integrated planning and reporting processes.

RISK MANAGEMENT FRAMEWORK

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4.7 Risk Management Framework – Continuous Review

EMC is responsible for ensuring the effectiveness of the risk management framework can be assessed. This will be achieved by ensuring that:

- any approved risk treatment plans have performance targets and timelines that can be measured against goals and objectives, and
- a methodology is implemented to obtain the data needed to measure the impact of the Council's risk management framework.

The ongoing monitoring and review of the information gathered from Council's risk management processes will be undertaken by the Enterprise-Wide Risk Management Committee (ERMC) to ensure the risk management framework is up-to-date and relevant.

The ERMC will undertake an annual assessment that identifies that Council's risk register and risk profile are current and appropriate. The results of this review will also be reviewed by the Audit, Risk and Improvement Committee (ARIC).

5. REVIEW

This Policy will be reviewed every two years from the date of each adoption of the policy, or more frequently as required. This policy will be reviewed within one year of any significant restructure or change to Council's operating environment. This policy is to be endorsed by the ARIC before consideration by Council.

6. REPORTING

The General Manager will publish an attestation statement in the Council's Annual Report indicating, for the prior financial year, whether Council has complied with its risk management requirements.

7. ROLES AND RESPONSIBILITIES

7.1 Council

The elected Council is responsible for determining Council's Risk Appetite.

The elected Council is also responsible, as part of the approval of the annual budget, for the provision of the resources needed to:

- implement an appropriate risk management framework, and
- deliver risk treatments and internal controls needed to ensure risks are appropriately managed.

7.2 General Manager

Consistent with the General Manager's role under section 335 of the *Local Government Act 1993* to conduct the day-to-day management of the Council, the General Manager has ultimate responsibility and accountability for risk management in the Council. This includes:

- approving the Council's risk management plan, risk treatment plans, risk register and risk profile
- overseeing the Council's risk management framework and ensuring it is effectively communicated, implemented and reviewed regularly
- ensuring council operates within its risk appetite
- promoting and championing a positive risk culture

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- ensuring that all Council managers and staff (permanent, temporary or contract) understand their risk management responsibilities and that these are included in all job descriptions, staff induction programs, performance agreements and performance appraisals
- annually attesting that Council's risk management framework complies with statutory requirements and remains contemporary and in line with best practice; and
- approving the Council's implementation of corrective actions recommended by the Council's internal audit function, external audit and ARIC.

7.3 Directors and Divisional Managers

Directors and Divisional Managers have the responsibility for managing specific policy, project and program risks across the Council. This includes being responsible, within the sphere of their authority, for:

- promoting awareness of risks and risk treatments that must be implemented
- ensuring Council staff are implementing the Council's risk management framework as developed and intended and performing their risk management responsibilities
- identifying risks that will affect the achievement of the Council objectives
- establishing and/or implementing specific policies, operating and performance standards, budgets, plans, systems and/or procedures to manage risks, and
- monitoring the effectiveness of risk treatment and internal controls.

7.4 Governance and Risk Manager

The Governance and Risk Manager will be the Responsible Officer for the Policy and will coordinate the following functions in relation to the Policy:

- maintaining appropriate records relating to the Risk Management Framework and its application
- implementing effective risk management communication mechanisms within Council
- developing and maintaining a risk reporting framework to enable regular advising/reporting of key risks, and the management of those risks, to the senior management group and ARIC
- supporting the Senior Leadership Team by co-ordinating and providing clear and concise risk information, advice and/or reports that can be used in planning and decision-making
- undertaking regular reviews of both the policy and associated procedures
- helping to build a risk management culture within the Council, including facilitating and driving risk management at the strategic and operational level and ensuring consistency in practice
- train and educate relevant employees with respect to policy and procedures and ensure documents, tools, templates and user guides are current and readily available.
- coordinating the various activities relating to risk management within the Council
- ensuring there are easily accessible systems and processes in place to enable all staff to conveniently undertake risk management in their day-to-day work
- supporting Council staff with their risk management obligations and providing staff with advice and tools to ensure risk management compliance
- establishing and maintaining an ongoing monitoring system to track the risk management activities undertaken within Council and assessing the need for further action, and
- assessing risk management information for completeness, accuracy and consistency (for example, risk registers, risk treatment plans)

The Governance and Risk Manager will allocate responsibility for the implementation of some of the above functions as appropriate and as required. This will be outlined in the Risk Management Plan.

RISK MANAGEMENT FRAMEWORK

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7.5 Staff

All Council staff are to be responsible for:

- helping to identify risks in their business unit
- implementing risk treatment plans within their area of responsibility
- following standard operating procedures (where applicable), and
- communicating or escalating new risks that emerge to their manager.

7.6 Enterprise-Wide Risk Management Committee (ERMC)

The Enterprise-Wide Risk Management Committee (ERMC) oversees Council's overall risk management practices and is responsible for ensuring that Council's risks are identified, assessed and effectively managed in accordance with this Policy. The ERMC also reviews and monitors existing and emerging corporate risks, possible improvements and business continuity arrangements. The ERMC will undertake an annual review of Council's corporate risk register which will be reported to the ARIC.

7.7 Internal Audit

The Internal Audit function develops and implements a risk-based audit program to provide assurance that risks are identified and key controls to mitigate these risks are well-designed and working effectively and that overall good governance is evident. Internal Audit reports are reported to EMC and to the ARIC to ensure independent oversight of the effectiveness of controls and any recommendations that are made for improvement.

7.8 Audit, Risk and Improvement Committee (ARIC)

The ARIC will be responsible for providing independent assurance to the General Manager and Council that the risk management framework is appropriate and working effectively and provide advice on an annual basis that Council has complied with its risk management requirements. This includes advising whether:

- Council's risk management framework operates effectively and supports the achievement of the council's strategic goals and objectives
- Council's risk appetite is appropriately reflected in the Council's internal control framework
- Council is operating within the risk appetite determined by Council
- risk management covers all relevant risk categories including strategic, operational, compliance, reputational and reporting risks
- Council takes an enterprise risk management approach that is fully integrated into all aspects of the Council, including decision-making processes and operations
- risks are formally considered when developing and implementing all Council policies, programs, projects and other activities, including procurement
- major risks have been identified and assessed by the council and appropriate risk treatments have been implemented that reflect the Council's risk criteria
- internal controls are effective and appropriate
- Council's risk management framework complies with AS ISO 31000:2018
- resources provided for risk management are sufficient for managing risks facing Council
- risk management policies, procedures and plans are being complied with.

RISK MANAGEMENT FRAMEWORK

COUNCIL POLICY

8. RELATED POLICIES AND PROCEDURES

Risk management is a fundamental component of decision making in all Council activities. As such all policies and procedures of Council should be guided by this Policy and the Risk Management Plan to maintain appropriate risk management considerations at the heart of all decisions and processes.

This policy and council's risk management approach are informed by the Risk Management Guidelines (AS ISO 31000:2018) issued by Standards Australia.

APPROVAL AND REVIEW		
Responsible Division	Governance and Customer Service	
Endorsed by ARIC	09 June 2020	
Date/s adopted	<i>Executive Management Committee Endorsement</i> 26 May 2020	<i>Council</i> [DD Mmmm YYYY]
Date/s of previous adoptions		
Date of next review	[Two years from last adoption]	

Risk Appetite Statement

GUIDELINE

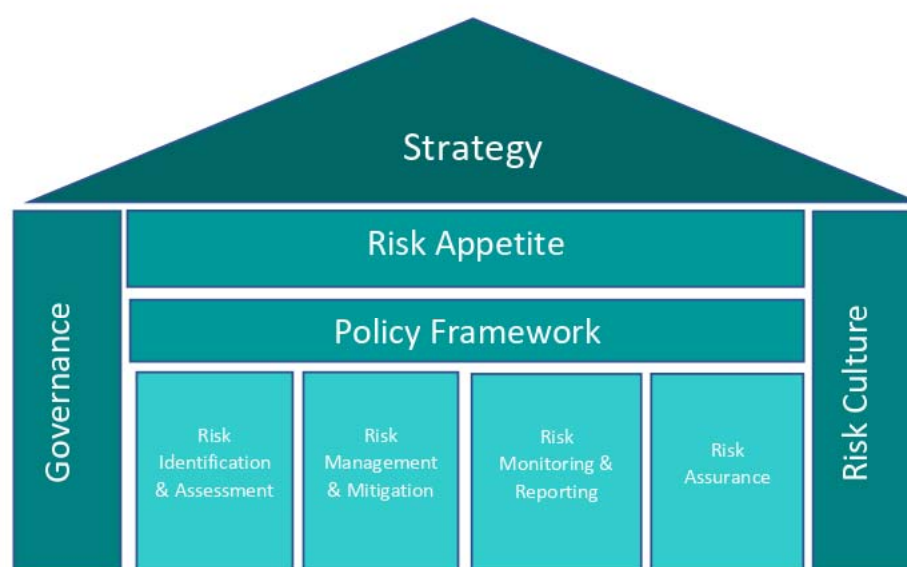
Introduction

Risk Management is an essential component of Council's governance framework and supports the achievement of Council's goals and objectives. Effective risk management increases the probability of successful outcomes whilst protecting the reputation and sustainability of Council.

The risk appetite is the amount of risk an organisation is willing to accept in pursuit of its strategic goals. The Risk Appetite Statement (RAS) considers the most significant categories of potential risks to Council and provides an outline as to how much risk Council is willing to accept in this area.

How risk appetite fits within Council

The risk appetite of Council informs the strategic decision-making process. The diagram below shows how the Risk Appetite Statement fits into the organisation and informs risk management.



Our community is at the centre of everything we do. The community's priorities and aspirations for the future as well as their wellbeing form the basis of our Community Strategic Plan. The needs of our community are front of mind in the development of our risk appetite as we balance the achieving of the goals set by our community with the risks inherent in the environments in which we deliver those outcomes.

Risk Appetite

Council, its subcommittees, management and staff (including contractors and volunteers) will consult Council's Risk Appetite in both strategic and operational decision making. The Council's vision and strategic objectives will necessitate that Council accept some risks that accompany growth, transformation, innovation and are proportionate with the potential reward.

Overall, Council has a balanced approach to its risk appetite aligned to its strategic objectives. Council's approach to risk appetite is to minimise our exposure to risks to our people and their safety, our reputation and corporate governance whilst accepting and encouraging an increased degree of risk in pursuit of our key strategic directives.

Risk Appetite Statement

GUIDELINE

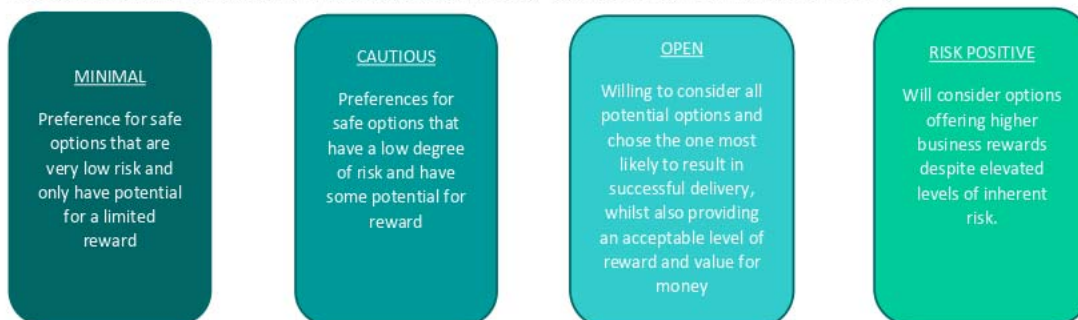
The key challenges in achieving this balance are to ensure:

- ethical and effective governance practices including responsible stewardship of resources
- realisation of opportunities and allowing growth, transformation and innovation while avoiding unnecessary negative impacts
- avoidance of a risk averse culture which stifles growth, transformation and innovation rather than supports it through the correct assessment and management of risks

It is acknowledged that Council may at times undertake activities that inherently carry greater risks. As a result, Council's risk appetite in a particular risk category may on occasion be different to the risk level of particular activity or project within that category. The Risk Management Plan will detail requirements for identifying and managing risks at activity or project level.

Risk Appetite Ratings

Council categorises its level of risk appetite into four categories as can be seen below:



Risk Tolerances

Risk tolerances are the boundaries set for risk taking. The risk appetite statement informs the development of risk tolerances for Council and provides guidance on how the Risk Appetite Statement is to be applied to everyday business actions and decisions.

While risk appetite is a qualitative statement, risk tolerances operationalise the statement by using quantitative measures where possible to better enable monitoring and review.

The Risk Appetite will set the tone for risk taking in general, whilst the tolerance informs:

- Expectations for mitigating, accepting and pursuing certain types of risk
- Boundaries and thresholds for acceptable risk taking
- Actions to be taken or consequence for acting beyond appropriate tolerances

Implementation of the Risk Appetite Statement

Council's appetite for and tolerance of risk as outlined in the Risk Appetite Statement (RAS) form the basis of our approach to managing risk in our day-to-day activities. The RAS informs the Enterprise Risk Management Policy and Framework which provide the structure for our risk management processes.

Staff are responsible for managing their risk environment. This includes having appropriate controls in place and monitoring their effectiveness. These risks are identified, assessed and managed at both enterprise level ('top-down') and at operational level ('bottom-up'). Risk registers are used to document the risks. Risks outside the appetite or agreed tolerance levels should be managed in line with this RAS and should be reported to the Executive Management Committee. The Executive Management Committee up is accountable for compliance with this RAS. Risk appetite also needs to be articulated for discussion at Council meetings and at the Audit Risk and Improvement Committee meetings.

Risk Appetite Statement

GUIDELINE

Risk Management Framework

Council's Risk Management Framework aims to effectively identify and manage risk across the organisation. The framework sets the requirements and responsibilities for staff and emphasises that the management of risk and risk reporting is everyone's responsibility to have appropriate controls in place and ensure the effectiveness of these controls.

Risks are identified, analysed, evaluated and monitored at both an organisational (top-down) and operational (bottom up) level.

Council has ultimate accountability for this process. The Risk Management Framework is reported to the Audit Risk and Improvement Committee on a quarterly basis.

Risk Assessments

The Governance and Customer Service Division maintain a register of Corporate and Business risks Council faces in its day-to-day operations and the control framework which is in place to mitigate risks. These Registers consider risks from within Council and external sources and are reviewed regularly. Risk Registers are also updated where necessary when there are key changes in policies, structures or functions and in response to incidents.

All risks which are judged as unacceptable at Divisional level are reported to the Audit, Risk and Improvement Committee and remedial action plans to reduce these risks to acceptable levels are reported, where appropriate, to the Executive Management Committee.

Divisions are required to manage their specific operational risks in a manner which is consistent with this Statement, and to manage and address any risks outside appetite or agreed tolerance levels. Departmental risk appetite settings in their Risk Registers for groups of risks with a similar nature must also be consistent with this Statement.

Review

This Risk Appetite Statement is reviewed annually or whenever there is a significant change to the Council's operating environment. This review is coordinated by the Governance and Risk Manager. Changes to the Risk Appetite Statement must be approved by the Executive Management Committee and are presented to the ARIC for review and comment before providing to Council for endorsement.

Risk Appetite Statement

GUIDELINE

Wollongong City Council's Risk Appetite Statement

Below are the Risk appetites and tolerance levels determined for Wollongong City Council. Our risk appetites and our risk management framework support our decision making and ensures Council makes appropriate and informed decisions.

Risk Category	Context	Risk Appetite Rating	Risk Tolerance Levels	
			Council will tolerate	Council will not tolerate
Our People and Safety	<p><i>We support a safe and healthy workforce that treats everyone fairly.</i></p> <p><i>Council has minimal appetite for work practices, actions or inactions that compromise the wellbeing and safety of people including staff, contractors, volunteers and community.</i></p>	Minimal	<ul style="list-style-type: none"> Minor unforeseen incidents or injuries that arise from time to time while undertaking normal activities. Minor morale issues relating to improving workforce performance. Minor staff grievances that can be dealt with through normal internal mechanisms. Practices that are not in line with best practice if safety and duty of care is not compromised. Minor morale and staff grievances due change within the organisation due to innovation or change management processes leading to more efficient and effective outcomes. 	<ul style="list-style-type: none"> Actions or behaviours that are deliberate and willingly contravene the Code of Conduct and WHS policies and procedures. Actions which do not align to WCC values of respect, sustainability, courage, integrity and one team. Practices that knowingly compromise staff well-being, workplace or community safety (including discrimination, harassment or bullying). Activities that result in reasonably foreseeable and preventable fatalities, harm, serious injuries or illnesses to our Community, Customers, Councillors or Employees. Events that occur arising from untrained employees or failed internal processes. Unsafe infrastructure and work environments
Infrastructure	<p><i>Council is committed to continuous improvement in order to provide excellent infrastructure services that provide benefits to our Community.</i></p> <p><i>Council is open to taking moderate levels of risk to</i></p>	Open	<ul style="list-style-type: none"> Moderate financial and reputational impacts arising from the implementation of new of innovative technologies. Moderate impacts leading to short term disruption to community due to implementation of construction procedures which provide value for money provided community has been informed 	<ul style="list-style-type: none"> Failure of third-party contractors to provide services within budget and agreed timeframes. Non-completion of a significant portion of new or renewal infrastructure projects beyond financial year (or scheduled completion period if project runs across multiple years). Significant delays to projects that are considered within Council control Asset failure significantly earlier than the projected lifespan of the asset

Risk Appetite Statement			GUIDELINE
	<i>enhance our City's infrastructure.</i>		<ul style="list-style-type: none"> • Moderate short-term financial impact on capital costs of projects where there are demonstrated long term sustainable gains. • Moderate impacts to infrastructure due to implementation of new technology, innovation initiatives or projects. • Unforeseen interruptions of up to 2 days to critical infrastructure from uncontrollable events where Council responds and communicates promptly to impacted stakeholders. • Minor unforeseen and unavoidable cost variations in capital projects within the established contingency allocated to each project
Service Delivery	<p><i>Council delivers a range of community services, events and facilities which contribute to our City.</i></p> <p><i>Council is open to creativity and innovation and is willing to take some level of risk to deliver efficiencies, enhance capabilities and provide a service to be proud of to our community.</i></p> <p><i>Council is open to taking moderate risk to enhance service delivery.</i></p>	Open	<ul style="list-style-type: none"> • Unforeseen interruptions of up to 2 days to critical business functions from uncontrollable events where Council responds and communicates promptly to impacted stakeholders. • Unforeseen interruptions of up to 7 days to less critical business functions from uncontrollable events where Council responds and communicates promptly to impacted stakeholders. • Moderate reputational impact from community complaints relating to service quality or new initiatives to deliver enduring benefits to our community. • Moderate impacts to service delivery due to implementation of new technology, innovation initiatives or projects. • Moderate impacts arising from innovations and ideas that contribute and encourage creating a flexible workforce.

Risk Appetite Statement			GUIDELINE
Environmental	<p><i>Council recognises the importance of conserving and enhancing our environment and understands that sustainability considerations in all council decisions is important.</i></p> <p><i>Council have a cautious appetite for environmental impacts arising from normal business activities, however, is open to innovative practices for the betterment of the environment.</i></p>	Cautious	<ul style="list-style-type: none"> • Environmental impacts offset by other activity resulting in a net environmental benefit. • Minor environmental impacts from uncontrollable or unforeseen events or in order to deliver enduring benefits to our community well into the future. • Changes to procedures and practices to accommodate improved environmental outcomes • Minor cost impacts in the selection of products, services that have a significant positive impact on the environment <ul style="list-style-type: none"> • Decisions that do not appropriately consider the principles of ecologically sustainable development or the Council value of Sustainability. • Failure to minimise significant impacts on biodiversity and reduce our ecological footprint. • Decisions, activities and practices that result in long term or irrevocable environmental damage or negative climate impacts, threatens biodiversity, including extinction of flora and fauna, or is hazardous to human life. • Activities and practices that knowingly compromise the environment, are reasonably foreseeable and preventable. • Failure to meet environmental commitments or legal requirements resulting in EPA fines or penalties.
Financial	<p><i>Council recognises the financial risks involved in delivering a wide range of services, programs and capital projects.</i></p> <p><i>Council has a cautious appetite for variation in financial performance as long as long-term financial sustainability is not threatened</i></p>	Cautious	<ul style="list-style-type: none"> • Minor unforeseen and unavoidable budget variations of up to 4% favourable and 2% unfavourable for divisional budgets • Minor unforeseen and unavoidable cost variations in capital projects within the established contingency allocated to each project • Short Term (less than 12 months) negative performance from commercial business aspects if core services are not affected • Minor losses, or capital outlays, attributable to new processes or innovation to improve services to meet community needs. • Calculated financial risks to deliver infrastructure, improve service delivery or promote ecological sustainability. <ul style="list-style-type: none"> • Financial activities and/or investment practices that contravene legislated or policy requirements • Failure to maintain or implement effective systems, processes and controls which adequately protect Council from fraudulent activity • Fraudulent or corrupt financial transactions • Actions that have a significant negative impact on long term financial sustainability. • Available funds below target over a five-year period • A three-year average operating deficit.

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			<ul style="list-style-type: none"> Minor cost impacts of the implementation of weighted scoring in procurement to benefit local competent suppliers. Capital expenditure budget delivered within 5% variance in a single year and a 2% average over a 3 year period
Information Technology	<p><i>Our assets (including information) are vital in maintaining our business practices and therefore Council has a cautious approach to safeguarding from both external and internal threats, misuse, modification and unintended damage.</i></p> <p><i>Council's aim is to protect our assets contained within our ICT systems and services. We will be successful through the application of appropriate internal controls, a cyber aware workforce, effective governance, timely remediation of identified control weaknesses, persistent review of the external threat landscape and consistent management of our third-party providers.</i></p> <p><i>Council has an open appetite for risks associated with Information Technology Systems.</i></p>	Cautious	<p>Cyber Security</p> <ul style="list-style-type: none"> Some cyber threats which if they were successful would have a minor or limited impact upon Council's business because they do not compromise the integrity, confidentiality or availability Council information or assets Timely remediation of identified cyber security control weaknesses
		Open	<p>IMT Systems and Services</p> <ul style="list-style-type: none"> Scheduled outages that are agreed to by the business owners and are regarded as part of normal business activities Implementation of new technologies which create new opportunities for business improvement and innovation of systems which also could involve some minor to moderate risk.
			<p>Cyber Security</p> <ul style="list-style-type: none"> Cybersecurity threats that could have been prevented through judicious application of technical and behavioural controls. An unprepared response in the event of an external cyber attack Significant threats to assets arising from external malicious attacks Misuse, inappropriate distribution or loss of sensitive or confidential council information due to the actions of staff
			<p>IMT Systems and Services</p> <ul style="list-style-type: none"> Prolonged unplanned outages of critical Council systems and services Failure to maintain systems and services which adequately protect Councils data and information and maintain adequate audit trails A lack of diligence in relation to information security the procurement and implementation of ICT systems and services Data loss due to inappropriate data management processes Poor information governance processes Failure to maintain recovery plans in place and test plans on a regular basis

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Governance	<p><i>Council is committed to good governance and meeting legislated and regulatory requirements in a consistent and fair manner.</i></p> <p><i>Council has minimal appetite for significant breaches of legal obligations or contractual agreements that result in fines, penalties or reputational damage.</i></p> <p><i>Council will seek innovative approaches to governance practices subject to compliance with legislation and protection of our interests</i></p>	Minimal	<ul style="list-style-type: none"> • Decisions made on merit in accordance with Council values that are not in line with professional advice. • Minor technical breaches that have been considered by Council. • Temporary non-compliance due to unrealistic regulatory timeframes. • Risks which may give rise to isolated complaints that are incidental to normal business activities despite best efforts to avoid or mitigate • Streamlined governance processes subject to effective controls remaining in place
Reputation	<p><i>Council recognises the importance of protecting its reputation.</i></p> <p><i>Council does however understand that negative publicity may occur where there is competing priorities and interests in the Community.</i></p> <p><i>Council has a cautious appetite for significant</i></p>	Cautious	<ul style="list-style-type: none"> • Corrupt or fraudulent conduct by staff, councillors or contractors • Unreasonable delays when reporting, investigating or correcting any fraudulent, improper, unethical or corrupt conduct. • Any instances where Council Officials knowingly break the law, fail to comply with legal obligations or recklessly breach internal policies. • Material breaches of legislation or the Code of Conduct • Failure to consider expert / professional legal advice. • Unauthorised release of confidential information. • Any behaviour which gives rise to extensive litigation and indictable offences. • Failure to comply with Government Directions or orders

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	<i>impacts on Council's reputation.</i>		<ul style="list-style-type: none"> • Decision-making that is not open, honest and transparent and reflects the long-term interests of the community. • Failure to notify Executive of significant incidents that may impact Council reputation in less than 24hrs of the incident occurring. • Complaints that are not responded to in a prompt and professional manner within 10 days.

Risk Appetite Statement

