



16.1.	Strategic Risk Register
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Purpose

The purpose of this report is to provide Council an update on the Strategic Risk Register.

Executive Summary

Portfolio 5: Governance and Finance

Strategic Objective: To provide a financially viable Council that is accountable, transparent and practices good governance.

Priority 1: Maintain and build the financial sustainability of the Borough

Priority 3: Accountable and transparent governance

Officers have developed a suite of policies and procedures to ensure that Borough has an effective risk management system in place.

Regular review of the Strategic Risk Register will provide an opportunity to assess the current external context to identify any new or emerging strategic risks. It will also enable strategic opportunities to be included as they are identified.

RECOMMENDATION

That Council receives the update on the Strategic Risk Register.



Background

The following policies and procedures form part of Council's risk management process.

Risk Management Policy

The policy outlines Council's commitment to managing risks and sets Council's risk management objectives. It also defines and explains how responsibility for managing risks is distributed among Councillors, officers and committees of the organisation.

Through the policy, Council confirms its risk appetite. The risk appetite is the amount of risk exposure, or potential adverse impact from an event, that the Borough of Queenscliffe is willing to accept in pursuit of its objectives. The policy indicates the Borough will tolerate a low to moderate level of risk depending on the risk category defined in the risk management policy. The policy was last reviewed and adopted by Council at its December 2022 ordinary meeting.

Risk Management Framework

The risk management framework details the roles and responsibilities of risk management within Council, and the reporting structures that provide Council with the appropriate oversight of risk management within the organisation. In other words, the risk management framework explains how risk is identified, managed and reported internally in line with the risk appetite of the Council. The Audit and Risk Committee reviews and approves the Risk Management Framework.

Strategic Risk Register

The strategic risk register articulates risks that could impact on Council's strategic objectives. It is presented at each Audit and Risk Committee meeting, and the minutes of the Audit and Risk Committee are tabled at the following ordinary meeting of Council.

Operational Risk Register

The operational risk register is used to identify and record risks and controls (controls that can be used to manage the risk within the risk appetite of the Council), of each business unit/area. The head of each directorate is responsible for ensuring the accuracy, completeness, and timeliness of the operational risk register. The internal



Risk and Governance Committee oversees the operational risk registers of each business unit.

Discussion

A strategic risk is something that is unplanned and, if it occurs, forces a change in the strategic direction of Council. The responsibility of strategic risk management is assigned to Councillors and the management team as it relates to achievement of the strategic objectives in the Council Plan.

Strategic risk is different to operational risk; operational risk is something that would impact on the organisation's ability to achieve the current strategy and is managed within the organisation.

A list of strategic risks has been identified as relating to delivery of the strategic objectives of Council and form the Strategic Risk Register, which is attached to this report.

In accordance with Local Government Performance Reporting Framework (LGPRF), Council is required to assess its strategic risks every six months, including their likelihood and consequences of occurring and risk minimisation strategies.

The Borough assesses its strategic risk quarterly and reports to the Council through its Audit and Risk Committee.

The likelihood and consequences are identified in Council's Risk Management Framework. The Risk Level Matrix is the result of assessing likelihood by consequence across the various consequence types.

The Risk Level Matrix rates identified risk from 1 to 25 where 1 represents the lowest level of risk and 25 represents the highest level of risk.

The first level of assessment of each of the strategic risks is gross risk. The second level of assessment is residual risk. Gross risk is commonly defined as "the risk without considering internal controls" or alternatively "a raw risk that has no mitigation factors or treatments applied to it." Residual risk on the other hand is commonly defined as "the level of risk remaining after controls have been applied."



Therefore, the difference between gross and residual risk is the controls in place to reduce or mitigate the risk.

In the Strategic Risk Register, in addition to identifying the effectiveness of current controls, it assesses the benefit and effort required if mitigation continues or is introduced across a risk. Although this is a subjective assessment, it will provide some insight into where effort could be applied in the future for the most benefit.

It should be noted that for some strategic risks even the best controls may not mitigate the overall impact, for example, impacts of climate change.

As a part of the initial risk assessment exercise conducted by RSD Audit (Council's internal auditors), a comprehensive review of Council's strategic risk register was also performed by the internal auditors. Subsequently, the strategic risk register has been updated to reflect feedback from our internal auditors. The Audit and Risk Committee has reviewed and approved these changes.

Options

1. That Council receive the update regarding the Strategic Risk Register.
2. That Council request further information or amendments to the document.

Communications and Engagement

Community Engagement

The purpose of this report is to inform the community regarding this proposal.

Collaboration

There are no collaboration requirements associated with this report.

Governance Context

Relevant Law

Local Government Act 2020

Council's responsibility for risk management is identified in the *Local Government Act 2020* which states:



- Section 9(2)(c): A Council must in the performance of its role give effect to the overarching governance principles, including the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks.
- Section 53(1): A Council must establish an Audit and Risk Committee.
- Section 53(3)(b)(i): An Audit and Risk Committee must consist of majority of members who are not Councillors of the Council and who collectively have expertise in financial management and risk and experience in public sector management.
- Section 54(2)(c): The Audit and Risk Committee Charter must specify the functions and responsibilities of the Audit and Risk Committee including: 'monitor and provide advice on risk management and fraud prevention systems and controls'.

Council has an active Audit and Risk Committee which has oversight for the risk management function of Council and provides important advice to Council on risk management documents and activities.

Council has further responsibilities under the Local Government (Planning and Reporting) Regulations 2020 (Regulations) which outline annual reporting requirements for Council. Part of the requirements are the Local Government Performance Reporting Framework (LGPRF). The indicators within the LGPRF are reported in Council's Annual Report.

Item 19 of the Governance and Management Checklist in Schedule 1 of the Regulations contains the requirement for risk reporting which includes "six-monthly reports of strategic risks to Council's operations, their likelihood and consequences of occurring and risk minimisation strategies" under the LGPRF.

Charter of Human Rights

This report has had consideration to, and complies with, the Charter of Human Rights and Responsibilities Act 2006.

Gender Equality Act 2020

The *Gender Equality Act 2020* requires a Gender Impact Assessment to be undertaken when the Council develops or reviews any Council policy, program or service that has a direct and significant impact on the public. Has a Gender Impact Assessment been



undertaken in respect of the matters in this Council Report?

No; this is an update on Council's strategic risk register but it is not considered a program or service in its own right and therefore a Gender Impact Assessment is not required.

Regional, State and National Plans and Policies

Not applicable.

Legal and Risk Implications

Not applicable.

Related Documents

Climate Emergency Response Plan 2021–2031

Community Vision 2021–2031

Council Plan 2021–2025

Financial Plan 2022–2032

CP017 Risk Management

Disclosure of Interest

No officer involved in the preparation of this report has any conflicts of interest.

Considerations

Environmental Sustainability

Risk associated with the environment are identified in the Strategic Risk Register.

Financial and resource implications

There are no financial or recourse implications associated with this report.

Innovation and Continuous Improvement

Not applicable.

Implementation

Operational Impacts



There are no operational impacts associated with this report.

Implementation Process

This project will be delivered by existing staff and resources.

Attachments

1. Strategic Risk Register [**16.1.1** - 5 pages]
2. Risk Management Framework [**16.1.2** - 17 pages]