ITEM 8   POST EXHIBITION: RISK MANAGEMENT FRAMEWORK

Council regularly reviews its risk management arrangements and processes to ensure that they remain consistent with 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. Following a review, this report presents an updated Risk Management Framework to Council for adoption after the exhibition period.

RECOMMENDATION

Council adopt the revised Risk Management Framework.

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

BACKGROUND

The Risk Management Framework was recently reviewed in accordance with periodic review requirements under Council's Policy Framework and Council resolved to place an updated draft Framework on public exhibition.

PROPOSAL

A review of the Risk Management Framework has recently been undertaken as part of Council's regular timetable of review for all policies. In undertaking the review Council has taken in to account the latest version of the "Risk Management and Internal Audit for Local Government in NSW" guideline, published in December 2022, to ensure consistency with requirements and wording.

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

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.

As noted above, the revised Draft of the Guideline was released in December 2022. There have not been significant changes to the guideline intent, however some wording around responsibilities for different levels of management was amended after a period of consultation with the sector. The attached Framework has been updated to reflect these minor changes.

CONSULTATION AND COMMUNICATION

Council at its meeting on 8 May 2023 resolved to place a draft amended Code of Business Ethics on public exhibition, inviting submissions from the public. Public submissions were invited between 10 May 2023 and 1 June 2023 with no submissions being received during the exhibition period.

PLANNING AND POLICY IMPACT

It specifically delivers on core business activities as detailed in the Governance and Customer Service Plan 2022-23. This report contributes to the delivery of Our Wollongong 2032 goal "We are a connected and engaged community".

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 2032.

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 Management Framework provides 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
wollongong city of innovation	**COUNCIL POLICY**

1. PURPOSE

The purpose of this policy is to express Council's commitment to implementing organisation-wide risk management principles, systems and processes that ensure the consistent and effective assessment of risk in all Council's planning, decision making and operational processes.

2. POLICY INTENT

Council maintains a strong commitment to embedding effective risk management into all activities. 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 strategic risks by the Executive Management Committee (EMC).

Council has developed a risk management framework consistent with Australian Risk Management Standard (AS ISO 31000:2018 Risk Management) to assist to identify, treat, monitor and review risks to its operations and strategic objectives and apply appropriate internal controls.

3. WOLLONGONG 2032 OBJECTIVES

This policy contributes to the Wollongong 2032 Objective 'our local Council has the trust of the community' under the Community Goal 'we are a connected and engaged community'.

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 the risks Council faces.

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

- Risk Management Framework
- Risk Appetite Statement
- 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) .

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.

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Council aims to create a positive risk management culture where risk management is integrated into everyday activities and management risks is an integral part of governance, good management practice and decision making at Council. It is the responsibility of every staff member and their business unit to observe and implement councils risk management framework.

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 harm to our people, community and the environment or significant impairment of operations, financial losses 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 Framework 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.

4.5   Risk Management Procedures

Risk management procedures shall be developed, where required, 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.

4.7   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 provides assurance that Council's strategic risk register and risk profile are current and appropriate. The results of this review will also be communicated to the Audit, Risk and Improvement Committee (ARIC).

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5. ROLES AND RESPONSIBILITIES

5.1 Council

The elected Council is responsible for establishing the foundational elements of the Council's Risk Management framework and setting the tone at the top. This includes approving the Risk Appetite Statement.

5.2 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:

- Implementing an appropriate risk management framework.
- Ensuring sufficient resources are allocated to implement the council's risk management framework and deliver the internal controls needed to ensure council's risks are appropriately managed.
- Approving the Council's risk management policy, plans and risk reports.
- 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.
- Assigning authority and accountability for risk management at the appropriate levels and to appropriate staff in the council and ensuring they are held accountable for these responsibilities.
- 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.

5.3 Directors and Divisional Managers

Risk Management is a core responsibility for Directors and Divisional Managers at Council. In addition to their responsibilities as staff members, Directors and Divisional Managers are responsible for:

- Encouraging openness and honesty in the reporting and escalation of risks.
- Ensuring all staff have the appropriate capability to perform their risk management roles.
- Reporting to the General Manager or ERMC on the status of risks and controls.
- Identifying risks that will affect the achievement of the Council objectives and monitoring the effectiveness of risk treatment and internal controls.
- Identifying and communicating improvements in councils risk management practices to councils Governance and Risk Manager.
- Ensuring Council staff are implementing the Council's risk management framework as developed and intended and performing their risk management responsibilities

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5.4 Governance and Risk Manager

The Governance and Risk Manager leads the Risk Management Unit and is responsible for the day-to - day activities required to implement the Council's Risk Management Framework and provide specialist risk management skills and knowledge. Responsibilities include:

- Supporting the general manager by coordinating and providing clear and concise risk information, advice and/or reports that can be used in planning and decision-making.
- Coordinating the various activities relating to risk management within the council.
- Helping to build a risk management culture within the council, including facilitating and driving risk management at the strategic and operational level within the council and ensuring consistency in practice.
- 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.
- Ensuring risk management processes are applied consistently across the council.
- Developing and maintaining a risk reporting framework to enable regular advising/reporting of key risks, and the management of those risks, to the general manager or their delegate.
- Supporting council staff with their risk management obligations and providing staff with advice and tools to ensure risk management compliance.
- Assisting in implementing effective risk management communication mechanisms and information system/s.
- Establishing and maintaining an ongoing monitoring system to track the risk management activities undertaken within the council and assessing the need for further action.
- Assessing risk management information for completeness, accuracy and consistency (for example, risk registers, risk treatment plans), and
- Preparing advice or reports for the ARIC and attending Committee meetings where requested.

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

5.5   Staff

All Council staff are to be responsible for identifying and managing risk within their work areas:

- Being familiar with and understanding the principles or risk management.
- Complying with all policies, procedures and practices relating to risk management.
- Alerting management to risks that exist within their area, and
- Performing any risk management activities assigned to them as part of their daily role.

5.6 Dual Responsibilities

It is important that the risk management function is independent of line management to reduce the potential for management influence on the risks that are reported on, and to ensure independence.

Where risk management oversight or facilitation activities are performed by council staff with other council responsibilities, the council will put safeguards in place to limit any bias: These safeguards could include:

- any potential issues or conflicts of interest arising from other roles being communicated to ARIC

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- risk management staff being prohibited from undertaking risk management evaluations and reviews in relation to the council operations they are responsible for, and/or

- the committee regularly assessing that the safeguards put in place are effective

5.7   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 strategic risk register which will be reported to the ARIC.

5.8   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.

5.9   Audit, Risk and Improvement Committee (ARIC)

The ARICs role in relation to risk management is to support the Council and the General Manager to ensure that the Council's risk management framework is appropriate and operating effectively.

The breadth and depth of the assurance role is determined by council. This will be addressed as part of the ARIC Charter and ARIC meetings.

To ensure the Council and General Manager make informed budget decisions, the ARIC is to advise of the resources it considers that the council needs to effectively implement its risk management framework, having regard for any budget constraints facing the council operational environment.

6.   REVIEW

This Policy will be reviewed every three 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.

7.   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.

To ensure the risk management framework remains effective, relevant and complies with the Risk Management Standard, Council will provide quarterly reporting to ARIC and ERMC on the Risk Management function and activities.

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.

RISK MANAGEMENT FRAMEWORK	COUNCIL POLICY

APPROVAL AND REVIEW	
Responsible Division	Governance and Customer Service
Date adopted by Council	[To be inserted by Corporate Governance]
Date/s of previous adoptions	31 August 2020
Date of next review	XX May 2026
Responsible Manager	Governance and Risk Manager