

ENTERPRISE RISK MANAGEMENT POLICY

POLICY OBJECTIVE

This Official Council Policy deals with the management of risk across all activities associated with Wentworth Shire Council.

Effective Enterprise Risk Management (ERM) contributes to improving business and organisational outcomes through:

- increasing the likelihood of achieving the goals set out in the Council's Community Strategic Plan, Delivery Program, Operational Plan and other strategies;
- improved and consistent decision-making and planning;
- an effective alignment between strategic goals (as per the Delivery Program) and operational activities;
- a more conscious and effective risk-taking culture;
- more effective and efficient allocation and use of resources;
- improving loss prevention and incident management;
- improving organisational ability to meet relevant legal and regulatory requirements; and
- improving organisational resilience.

To that effect the objectives of this policy is to:

- Outline Council's commitment to an integrated approach to the management of risk in all forms which may have an adverse effect on achieving Council's objectives;
- Acknowledge that managing risk is part of governance and leadership, and is fundamental to how Council is managed at all levels;
- Integrate risk management into Council's decision making to assist in making informed choices for the benefit of the organisation, the Wentworth Community and our stakeholders; and
- Promote an atmosphere of risk awareness and willingness to manage risk at all levels of the organisation.

1. POLICY STATEMENT

The intent of this policy is to provide a common approach to managing strategic and operational risks across the organisation.

Wentworth Shire is committed to safeguarding the community, managing Council's resources effectively and achieving the goals as outlined in Council's Community Strategic Plan.

As such, Council will take a structured and integrated approach to the management of its risks, where a risk is defined as *"the effect of uncertainty on objectives"*. This definition can include any threat or opportunity that could potentially prevent, delay or impede Council from meeting its planned objectives, or conversely, potentially improve the potential for success. Through the Enterprise Risk Management Framework (including this policy), Council will address these threats and opportunities through:

- Having an integrated approach to the identification, management and mitigation of risk in all forms;
- Ensuring that the management of risk is an integral part of Council's decision making, functions, operations and processes; and
- Promoting a workplace culture of risk awareness including ensuring that Council employees and contractors have the knowledge and tools to manage risk.

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2. POLICY COVERAGE

This risk management policy demonstrates Council's commitment to the proactive management of risk at both a Council and Organisational level and applies to all Councillors, Staff, Contractors and Volunteers.

3. STRATEGIC PLAN LINK

Objective: Wentworth is a caring, supportive and inclusive community that is informed and engaged in its future.

Strategy: Provide strong and effective representation, leadership, planning, decision-making and service delivery.

4. DEFINITIONS ABBREVIATIONS AND ACRONYMS

Term/Word	Definition
ARIC	Audit, Risk & Improvement Committee
AS ISO	Standards Australia International Organisation for Standardisation
Council Risk	The elected members that make up the Council of the Shire of Wentworth. In the context of the Guidelines, Council has the equivalent meaning of a board or oversight body.
ERM	Enterprise Risk Management
ERMF	Enterprise Risk Management Framework
ERMP	Enterprise Risk Management Plan
Management	The Executive Management Team led by the General Manager.
Operational Risk	Have the potential to disrupt Council's pursuit of its objectives through the day to day operations of Council. The disruption could be adverse or beneficial and should be continually addressed and monitored.
The Organisation	Councillors, the General Manager and staff of the Wentworth Shire Council.
Risk	The effect of uncertainty on objectives. Effect is a deviation from the expected. It can be positive, negative or both and can address, create or result in opportunities and threats.
Strategic Risk	Have the potential to affect Council's strategic direction, usually from a source external to Council. These risks could have an adverse or beneficial impact on Council's pursuit of its objectives and should be continually addressed and monitored.
SMT	Senior Management Team

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5. POLICY CONTENT

Governing Standards

Wentworth Shire Council's approach to risk management is based on the following eight principles from the Risk Management Standard: AS ISO 31000:2018:

- risk management is **integrated** into all organisational activities and decision-making processes;
- risk management is a **structured and comprehensive** process that achieves consistent and comparable results;
- the risk management framework and process is **customised** to the organisation;
- risk management is **inclusive** of all stakeholders and enables their knowledge, views and perceptions to be considered;
- risk management is **dynamic** and able to respond to changes and events in an appropriate and timely manner;
- risk management decisions are based on the **best available information** and takes into account any limitations and uncertainties;
- risk management considers **human and cultural factors**; and
- risk management is continuously and periodically **evaluated and improved** through learning and experience.

Leadership and Commitment

- Council is committed to the formal, systematic, structured and proactive management of risks across all aspects of the organisation, including council itself;
- Council recognises that risk management is a part of, and not separate from, the organisation's purpose, governance, leadership and commitment, strategy, objectives and operations;
- Council will ensure that risks are adequately considered when exercising the functions prescribed to it in the Local Government Act;
- Council will ensure that risk management processes are in place to enable it to consider all risks that could affect council's ability to meet its goals, including risks that cannot be insured, for example, council's reputation and culture;
- Council will actively encourage the integration of risk management across the strategic and operational functions of the whole organisation, considering any interdependencies that could reduce losses or maximise growth opportunities;
- Council will continually improve its risk management performance by periodically reviewing and evaluating the suitability, adequacy and effectiveness of its ERM framework and associated practices;
- Council will encourage an open and transparent risk culture in which risks are identified, analysed and reported, so that they can be managed effectively. "Openness in culture refers to the capacity within the organisation to express divergent views and the willingness of staff to report issues. Transparency refers to being clear and unambiguous about the organisation's structure, operational and performance, both externally and internally, and maintaining a genuine dialogue with, and providing insight to, legitimate stakeholders and the community generally; and
- In accordance with section 428A of the Local Government Act Council will establish an Independent Audit, Risk & Improvement Committee to continuously review and provide independent advice to the General Manager and the Council. Council will adopt and comply with the Internal Audit Charter and the Committee will act in accordance with its Terms of Reference.

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Risk Categories

Given that organisations can face many risks it is helpful to group and categorise risk to assist in a) identifying trends, b) addressing risks holistically and c) tailoring reportable risks. The following six (6) Risk Management Categories will be used for monitoring and reporting purposes:

Risk Management Category	Definition
People Risks	This category includes WHS risks along with recruitment and HR risks (including pandemic and infectious diseases)
Reputational Risks	The underlying drivers of reputational risk are related to ethics and integrity, such as fraud, bribery and corruption; security risk, both physical and cyber; product and service risks, such as safety, health and the environment and third-party relationships, with organisations increasingly being held accountable for the actions of their suppliers and vendors.
Legal, Regulatory and Political Risks	This category includes litigation risk, public liability risks, risks arising from contentious issues, risks arising from public interest disclosures etc.
Financial Risks	This category includes the risk of financial fraud, investment and borrowing risks;
Security and Operational Risks	Risk arising from Cyber security; security of assets, disruption to operations
Natural and Environmental Risks	Risks from fire, flood, storm and tempest. Damage to the environment through natural or man-made events (eg mining)

Risk Appetite Statement

In exercising its functions under the *Local Government Act 1993*, Council has an appetite for accepting risk that appropriately balances the rights, expectations and quality of life of the people it serves, with the obligations: a) to provide a safe working environment for its staff, and b) to provide continuity and sustainability in the provision of services and growth of the organisation.

As such appetite for taking risk can vary across these different areas, therefore Council's risk appetite statements have been developed against each of Council's risk categories. These statements are qualitative in nature and designed to provide an indication of Council's general position when deciding to take or retain risk, in pursuit of its objectives.

These statements use a four-level ordinal scale to indicate the amount of risk Council is willing to take or retain for each category. The four levels are as follows:

- **Avoid** – (little to no appetite) – Avoidance of adverse exposure to risks even when outcome benefits are higher;

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- **Resistant** – (small appetite) – A general preference for safer options with only small amounts of adverse exposure;
- **Accept** – (medium appetite) – Options selected based on outcome delivery with a reasonable degree of protection; and
- **Receptive** – (larger appetite) – Engagement with risk based more on outcome benefits than potential exposure.

Each category has been given a primary and a secondary appetite. These positions are defined as follows:

- **Primary Appetite** – Indicates a general appetite for taking or retaining risk for the given risk category.
- **Secondary Appetite** – Indicates an appetite by exception position for taking or retaining risk in specific circumstances

Council expects the General Manager to provide it with ongoing assurance that the organisation has suitable processes in place to appropriately identify and manage all strategic and operational, within the following tolerance levels:

Risk Category	Risk Appetite Statement
Reputational	Council is responsible for making decisions that adequately service the community as a whole, but is aware that all decision carry a degree of risk that segments of the community will disagree with. Consequently, in the current operating environment Council is willing to Accept risk where there is a reasonable degree of protection for achieving the desired outcome. However, in some circumstances Council's appetite will become more Resistant to risk exposure and Council will actively attempt to limit adverse risk exposures.
Financial	As a general position Council is Resistant to taking risks in its financial activities to achieve its objectives and prefers to take safer options in order to ensure long term financial sustainability. Council will, however Accept some risk to ensure outcome delivery where reasonable protections are in place.
Natural & Environmental	In consideration of its commitment to the natural environment of the Wentworth Shire, Council tends to be Resistant to taking risk in pursuit of its environmental objectives and prefers to limit its risk exposures whilst maintaining the environmental resilience of the region. With the exception of very specific circumstances, Council's appetite for taking risk does not change, and Council remains Resistant to large risk exposures and prefers safer options.
Security & Operational	As a general position, Council is willing to Accept appropriate levels of risk with regard to the delivery of services in the Wentworth Shire as long as the focus remains on outcome delivery and reasonable protections can be maintained. However, in specific circumstances, for short periods, Council will adopt a more conservative position and endeavour to Avoid decisions that would adversely increase its exposure.
Legal, Regulatory & Political	Council is Resistant to taking on, or retaining risk relating to its Legal, Regulatory and Political processes. Council will seek, practicable options that limit exposure in this area. In some circumstances Council will be more conservative and prefer to Avoid risk exposure even if the potential for favourable outcome benefits is considered to be high.

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People	As a general position Council will Avoid taking risks that compromise the wellbeing and safety of its staff, stakeholders and the wider Wentworth Shire community in order to achieve outcome delivery and will seek practicable options that limit exposure in this area. With the exception of very specific circumstances, Council's appetite for taking risk does not change, and Council will endeavour to Avoid large risk exposures and prefer safer options.
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Council's expectation is that management will keep Council informed about the controls being implemented to safeguard it against any adverse effects of the risks outlined above.

Integration of Risk Management

Council is committed to ensuring that Risk Management is an integral part of strategic decision making and operational management. Council requires the General Manager to:

- ensure that the Principles of Risk Management are embedded into practices and processes across the organisation;
- keep Council informed about risks that fall outside council's tolerance levels and advise council on the controls being implemented for those risks;
- guide Council in its decision making by considering risk management issues in Council reports;
- guide Council in determining appropriate levels of funding, training and resources required to undertake risk management activities;
- develop and implement a Risk Management Plan that provides structure for how the organisation will implement this policy and conduct its risk management activities;
- embed key controls to manage risks into business processes;
- establish appropriate mechanisms for measuring and reporting risk management performance to the Audit, Risk & Improvement Committee; and
- communicate risk management policies, plans and issues to staff and other stakeholders

Risk Considerations by Council

To assist Council in making informed decisions the General Manager is to ensure that risk implications are included in all reports when necessary and that appropriate controls have been implemented to manage those risks within the acceptable risk tolerances set by Council.

Review, Monitoring and Continuous Improvement

In line with the Office of Local Government's Internal Audit guidelines, Council's expectation is that the General Manager will implement "the three lines of defence" model which will include:

- **Continuous Monitoring** – at this level, risk controls are routinely checked against parameters, for example, bank reconciliations, peer review of processes
- **Line Management review** – subject to selection, and typically based on raw-risk rating. Line management may perform self-assessments and quality reviews on risks and their risk treatments
- **Independent review** – Performed by internal and external audit staff, the level of assurance should be based on testing systems rather than conditions. Both the scope and frequency of testing should be lower than the first two categories.

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Accountabilities and Responsibilities

Positions	Accountabilities and Responsibilities
Mayor & Councillors	<ul style="list-style-type: none"> • In consultation with the Executive Management Team and the Audit, Risk & Improvement Committee <ul style="list-style-type: none"> ○ Approves Council's appetite for taking and/or retaining risk; ○ Approves Council's Enterprise Risk Management Framework with consideration of the risk appetite and the threats and opportunities to Council from that framework; ○ Approves the strategic goals required to achieve the Framework and clearly articulates the critical success factors in achieving those strategic goals; and ○ Articulates, the strategic risks (threat and opportunity) to Council from the objectives and strategy. • Requires the Executive Management Team to actively manage strategic risks and report frequently on their status; • Recognises their responsibilities for making informed decisions that take into consideration the associated risks and opportunities; and • Actively supports the implementation of the Enterprise Risk Management Policy and the Enterprise Risk Management Plan.
Audit, Risk & Improvement Committee	<ul style="list-style-type: none"> • Independent review and oversight of Council's governance, risk management and control activities; • Oversight of risk management at Council and the Internal Audit function; and • Requires the periodic review of Council's strategic and other significant operational risks to ensure appropriate risk treatment/controls have been implemented and to maintain effectiveness
Internal Audit	<ul style="list-style-type: none"> • Risk assurance to the Audit, Risk & Improvement Committee and the General Manager through execution of the annual internal audit plan.
General Manager	<p>The General Manager has overall accountability for Risk Management across Council and is therefore responsible for:</p> <ul style="list-style-type: none"> • Demonstrating a commitment to Enterprise Risk Management; • Establishment of the Enterprise Risk Management capability within Council and leads the conversation about risk – Council's chief "Risk Champion"; • Implementing the tone, culture and expectations for Enterprise Risk Management activities as directed by Council, and assigning appropriate responsibilities to the Executive Management Team; • Exercising due diligence; • Ensuring the implementation and ongoing evaluation of appropriate risk management systems; • Ensuring that a safe and healthy working environment is provided and maintained in all situations and at all Council sites; and • Ensuring adequacy of resources for risk management activities and sets appropriate delegations for risk management activities.

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Executive Management Team	<ul style="list-style-type: none"> • Accountable for ownership and management of risks in their respective areas; • Creates an environment where managing risk is an accepted and expected part of normal operations; • Accountable for the effective implementation and continual improvement of the Enterprise Risk Management Plan; • Implements monitoring and management of relevant performance measures for strategic goal's critical success factors within their area of responsibility; • Ensures that strategic and significant risks are reported in accordance with the Enterprise Risk Management reporting requirements; and • Recommends recurrent and discretionary allocation of funding to the broader Executive Management Team, for the purpose of managing risks identified as priority in accordance with the Enterprise Risk Management Plan.
Delegated Risk Manager	<ul style="list-style-type: none"> • Leading the Risk Management Function; • Responsible for developing, implementing and managing an Enterprise Risk Management Framework that is fit for purpose; • Responsible for reporting strategic risks and certain residual risks to the Audit, Risk & Improvement Committee; and • Supporting the organisation to manage its risks through: <ul style="list-style-type: none"> ○ Provision of risk management advice and guidance to staff, and ○ Custody and maintenance of the Enterprise Risk Management Framework.
Department Managers	<ul style="list-style-type: none"> • Accountable for managing risk within their area of responsibility, including monitoring and managing measures for the strategic goal's critical success factors; • Ensures that employees and relevant stakeholders apply the appropriate risk management tools and templates in the correct manner; • Are responsible for providing assistance and advice to staff in relation to the management of risks but not to take on the responsibility of another individual; • Monitor the respective operational risk profile assessments, determine and ensure implementation of control measures for risks identified, and escalate any significant risks to management in accordance with risk management protocols; • Responsible Contract/Project Managers are to ensure risks associated with the engagement of contractors are appropriately identified and managed; and • Responsible Contract/Project Managers are to ensure the responsibilities and accountabilities vested in the Contractor are clearly documented and communicated to the Contractor.
All staff & Contractors	<p>All employees are responsible to implement and embed risk management in their area of accountability. They are required to:</p> <ul style="list-style-type: none"> • Identify, manage and monitor risks and opportunities in the areas of accountability; • Communicate areas of risk to their supervisor or manager; and

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	<ul style="list-style-type: none">• Act appropriately to ensure their own safety as well as that of other employees, customers, and other workers e.g. Contractors on site and their employees who are undertaking work on behalf of Council, and members of the public.
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6. RELATED DOCUMENTS & LEGISLATION

Legislation

- Local Government Act (NSW) 1993
- Local Government (General) Regulation 2021

Council Policies

- GOV022 – Legislative Compliance Policy

Council Documents

- Enterprise Risk Management Framework
- Enterprise Risk Management Plan
- Legislative Compliance Framework
- Governance Framework

7. ATTACHMENTS

Nil.

8. DOCUMENT APPROVAL

This document is the latest version of the official policy of the Wentworth Shire Council, as adopted by Council on 14 December 2022. All previous versions of this policy are null and void.

This policy may be amended or revoked by Council at any time.

A PDF copy of the signed document can be accessed from Council's record management system and Reliansys.

Signed:



General Manager Wentworth Shire Council

27 FEB 2023

Date

