# Council Policy

# Enterprise Risk Management

## Policy Purpose

The purpose of the Policy is to communicate Council's commitment to:

- using risk management as a tool to effectively manage risk as an integral part of planning and decision making across the organisation
- manage identified risks and actively monitor the risk environment
- to establish clear guidelines to ensure that councillors and staff at all levels are aware of potential risks and of their individual responsibility for the effective management of those risks.

## Policy Statement

To build the Northern Beaches Council into an innovative organisation that fosters flexibility, seeks opportunity and focuses on results. Council recognises the importance of a risk framework to strengthen its capacity to effectively identify, understand and capitalise on challenges and pursue opportunities.

Council recognises that unmitigated risks can adversely impact its ability to achieve strategic and operational objectives. Accordingly, Council is committed to a holistic, consistent and systematic approach to risk management to ensure that risks are identified, fully understood, adequately communicated, monitored and effective controls put in place to manage risks.

Council's approach to Enterprise Risk Management (ERM) is consistent with the *Australian/New Zealand Risk Management Standard: AS/NZS ISO 31000:2018* and the directions under the *Local Government Act (1993).*

This policy seeks to give effect to this commitment and approach.

## Policy Objectives

The objective of this Policy is to establish a risk management framework that will formalise the principles and practices for effective risk management across Council. The primary objectives of Council's ERM Policy are:

- to promote sound decision making using the ERM Framework to ensure Council move with increased confidence towards the achievement of our objectives
- to promote good governance by demonstrating transparent and responsible risk management processes aligned with accepted best practice standards and methods
- to promote a risk aware culture where all Councillors and all staff assume accountability for managing risks
- to effectively integrate risk management into Council's executive planning activities to ensure the achievement of strategic objectives as identified in the Community Strategic Plan and associated documents
- to implement the risk framework to enhance accountability and deliver positive strategic and operational outcomes
- to provide staff with necessary tools to manage risks
- to provide an innovative, flexible and resilient framework through continuous refinement to ensure the consistent management and/or mitigation of risks which may impact on Council.

Council's understanding and management of potential risks will provide greater certainty and security for councillors and Council staff, for our stakeholders and for our community. Council's ability to make sound decisions using a risk management tool will ensure we move with increased confidence towards the achievement of our objectives.

**Risk Management Principles**

The Northern Beaches Council ERM Framework complies with the risk management process prescribed in *AS/NZS ISO 31000:2018* and seeks to achieve principles set by the Standard.

The principles and practices of risk management involve coordinated activities to direct and control the organisation with regard to risk. It is a systematic process that involves:

- establishing the context of risks
- identifying risks
- analysing risks
- addressing risks
- monitoring and reviewing risks
- communication and consultation.

Risk management does address uncertainty but it cannot eliminate all risk. Council's risk management is implemented and maintained as follows:

- The ERM Framework considers the internal and external context and is therefore aligned with strategic objectives, statutory obligations, processes, services, culture, structure and operating environment.
- Risks are prioritised on a 'top down' basis. The key emphasis is on higher level 'strategic' risks cascading to operational risks. This approach enables the full integration of managing risk throughout all Council's processes.

Council's approach is documented as follows:

- ***Why*** the ERM Framework will be implemented (outlined in this Policy).
- ***How*** the Policy will be implemented (contained in the Risk Management Strategy, supported by risk procedures and an action plan).
- ***Where*** identified risks will be captured (Risk Register with treatment plans).

**Risk Appetite Acknowledgment**

Council acknowledges that at times it must undertake activities that inherently carry greater risks in pursuit of its vision and strategic objectives. This will necessitate that Council may accept risks that:

- facilitate transition and transformation opportunities
- generate additional sources of income, improve efficiency and seek savings
- maintain and/or improve levels of services to the community
- are proportionate with the potential reward.

Council recognises that its acceptance of risk will always be subject to ensuring that potential benefits and risks are fully understood and that sensible measures to manage the risks are established.

Council, Senior Management and staff will have regard for Council's stated Risk Appetite detailed in the ERM Strategy in both strategic and operational decision making. Council's risk appetite will be reviewed annually or whenever a significant change to Council's operating environment occurs. This review will be coordinated by the Manager, Enterprise Risk. Proposed changes to Council's Risk Appetite will be endorsed by Senior Management following review by the Audit, Risk and Improvement Committee.

**Roles and Responsibilities**

The following is a broad overview of the roles and responsibilities for the management of risk within Council. Full roles and responsibilities are contained in the Risk Management Strategy.

***Council*** is ultimately responsible for adopting and committing to the ERM Policy, monitoring the strategic risk environment and considering risk management issues contained in Council reports.

***Senior Management*** are responsible for ensuring the ERM Framework (Policy and Strategy) are effectively implemented and monitored within their areas of responsibility.

***All staff*** are responsible for adequately considering risks associated with decisions they make and to ensure they consistent with the ERM Framework.

***Audit, Risk and Improvement Committee*** is responsible for periodic oversight of the ERM Framework and that it is implemented effectively.

**Scope and application**

Senior Management will be responsible for creating an environment where staff assume responsibility for Enterprise Risk Management through consistent Risk Management practices as part of their everyday activities and decision making. Appropriate training and resources will be made available to assist staff in identifying, assessing and controlling risks.

**Responsible Officer**

General Manager Customer and Corporate

**References and related documents**

This Policy provides the over-arching guidance for Council's Risk Management Program. It is supported by:

- Risk and Opportunity Management Framework
- Risk Management Assessment Guideline
- Strategic and Operational Risk Registers
- Fraud and Corruption Control Plan
- Business Continuity Plan

If there are any amendments to this policy, all other policies and plans must be reviewed in order to ensure that they align.

***Legislation***

- Local Government Act (NSW) 1993
- Local Government (General) Regulation 2005
- Australian Standard AS/NZS ISO 31000:2018 Risk Management Principles and Guidelines

## Definitions

*Senior Management:* Refers to Level 1 (CEO), 2 (General Managers) and 3 (Executive Managers)

*Strategic*: Longer term and/or high level risks/opportunities that have the potential to impact on Council's ability to deliver its key services, e.g. preparing for an ageing workforce, poor financial planning and failure to comply with legislative requirements.

*Operational:* Day to day risks/opportunities that impact the quality of the services that Council delivers, e.g. poor contract management, the adequacy of the Business Continuity program or the effectiveness of the Workplace Health and Safety system.

*Residual risk:* The remaining level of risk after risk treatment measures have been taken into account.

*Risk:* The effect of uncertainty on objectives. Note: effect can be positive or negative

*Risk acceptance:* An informed decision to accept the likelihood of a particular risk and its consequences.

*Risk Appetite:* The level of risk that an organisation is prepared to accept before mitigation action is deemed to be necessary.

*Risk Tolerance:* The readiness to bear the risk (after risk treatment) in order to achieve objectives.

*Risk analysis:* A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.

*Risk assessment:* The overall process of risk analysis and risk evaluation.

*Risk control:* That part of risk management which involves the implementation of policies, standards, procedures and physical changes to eliminate or minimise adverse risks.

*Risk evaluation:* The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.

*Risk identification:* The process of determining what can happen, why and how.

*Risk management:* The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.

*Risk management process:* The systematic application of management policies, procedures and practices to the task of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

*Risk treatment*: Selection and implementation of appropriate options for dealing with risk.

## Review Date

The policy is due for review in the first year of the new elected Council and then every 2 years thereafter. The next review is due in November 2020.

## Revision History

| Revision | Date | Change | HPE CM Ref |
|---|---|---|---|
| 1 | 25/7/2017 | Policy adopted by Council with no changes following exhibition | 2017/136547 |
| 2 | 27/11/2018 | Revised policy adopted by Council with minor amendments to ensure currency of policy | 2017/136547 |