Council Policy

ENTERPRISE RISK MANAGEMENT

Responsible Directorate:	*Office of the Chief Executive Officer*
Responsible Service Unit:	*Governance and Legal*
Contact Person:	*Executive Manager Governance and Legal*
Date of Approval:	*11 October 2022*
Council Resolution No:	*CE02-10/22*

1. POLICY STATEMENT

This Policy documents the City of Wanneroo's (the City) commitment to identifying, analysing, assessing and managing risks across the organisation that may impact on the City achieving its business objectives.

2. OBJECTIVE AND PURPOSE

The objective of this Policy is to ensure that the City applies and embeds a systematic risk management approach across the City in relation to all activities, functions, service delivery and decision-making.

This Policy aligns with the Australian Standard (AS) ISO 31000:2018 Risk Management – Guidelines.

An approved, robust and consistently applied risk assessment criteria will be used in the assessment of risks, and Council will review and consider the Strategic risk profile of the City at least bi-annually.

The City will actively anticipate and manage their risks, taking advantage of opportunities and containing potential hazards in line with the City's risk tolerance. The risks facing the City change frequently and the City will proactively:

- Utilise experience through knowledge sharing;
- Deal with ambiguity, uncertainty and increasing complexity;
- Prioritise, make decisions and implement solutions on a timely basis;
- Recognise and act on opportunities as they occur;
- Ensure optimised results in spite of a changing business environment; and,
- Ensure risk management is part of governance and leadership, and is fundamental to how the City is managed, operates and makes decision across all levels.

3. KEY DEFINITIONS

Audit and Risk Committee	A Committee of Council established in accordance with the requirements of the Act, to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management, internal and external audit functions and ethical accountability.
Corporate Risk	Risk impacting or affecting more than one directorate which eventuates from inadequate of failed internal processes, people and systems, or from external events.
Internal Control	Process, effected by the CEO, the Executive and Employees, designed to provide reasonable assurance regarding the achievement of the City's objectives relating to operations. Reporting and compliance
Operational Risk	Risk managed at Service Unit level by the Manager resulting from inadequate or failed internal processes, people and systems, or from external events.
Risk Appetite	ISO Guide 73:2009 Risk management vocabulary defines risk appetite as "the amount and type of risk that an organisation is prepared to pursue, retain or take also known measured as residual risk". For example, the total impact of risk an organisation is prepared to accept in the pursuit of its strategic objectives.
Risk Assessment Criteria	A matrix that is used during risk assessment to define the tolerance level of risk by considering the category of consequence severity against the likelihood.
Risk Management	AS ISO 31000:2018 defines risk as "effect of uncertainty on objectives''. A risk is often specified in terms of an event or circumstance and the consequences that flow from it.
Risk Management Framework	AS ISO 31000:2018 defines a risk management framework as a "set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization".
Risk Management Manual	An operational document intended to guide the Administration in applying the Risk Management tools and methodology.
Risk Tolerance	ISO Guide 73:2009 Risk management vocabulary defines risk tolerance as an Organisation's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives. For example, the total impact of risk an organisation is prepared to accept and tolerate in the pursuit of its strategic objectives.

Strategic Risk	The effect of uncertainty that may impact the achievement of the City's Strategic Community Plan. These risks are aligned against the Strategic Community Plan objectives to assist with integrating the risk dimension within integrated planning.

4. SCOPE

The City is one of the largest and fastest growing local governments in Western Australia providing infrastructure and services to the community under the auspices of the Local Government Act 1995.

5. IMPLICATIONS (Strategic, Financial, Human Resources)

This Policy aligns with the City's Internal Control Guidelines and both assist with reporting to the Audit and Risk Committee on the appropriateness and effectiveness of systems and procedures implemented in relation to internal control and assist in the review and reporting requirements under *Regulation 17 of the Local Government (Audit) Regulations 1996*. Decision making and policy positions are developed considering all relevant and pertaining information including the risks to achieving outcomes.

6. IMPLEMENTATION

The City's Enterprise Risk Management team will manage and monitor the implementation of the Risk Management Policy. Administration will progress the work required to ensure that risk management processes are appropriately embedded into operational activities to enable appropriate risk reporting to the Audit and Risk Committee and, if applicable, to Council.

7. RISK APPETITE

Council determines the City's risk appetite to achieve the strategic objectives and will review in line with a review of the City's Strategic risks.

Council's risk appetite is captured within separate Risk Appetite Statements **(RAS).**

Council endorses the City's **RAS** which Administration will then contextualise through application of the Risk Assessment Criteria.

The City's Enterprise Risk Management procedures define the processes for identifying, analysing, assessing and proactively managing those risks in accordance with the Risk Acceptance and Reporting Criteria as detailed below (this tool forms part of the Risk Assessment Criteria).

7.1 Risk Tolerance - Acceptance and Reporting Criteria

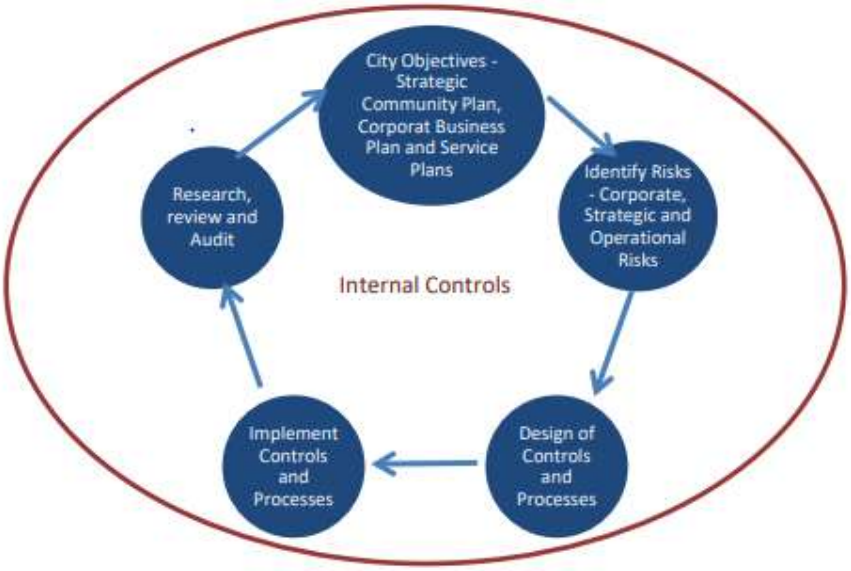
Risk Rating	Criteria for Acceptance	Responsibility	Monitoring	Reporting*
Low	Risk is acceptable with Satisfactory Controls Assessment rating. Manage by routine documentation.	Operational Leader (OL)	Annual risk review by OL	Annually to Manager
Medium	Risk is acceptable with Satisfactory Controls Assessment rating. Review to ensure that appropriate treatment and controls are in place.	Manager	Quarterly risk review by Manager	Six monthly to Executive Leadership Team (ELT)
High	Risk is only acceptable with Optimised Controls Assessment rating and documented treatment plan. Assess risk and manage to an As Low As Reasonably Practicable (ALARP) level.	Director / CEO	Quarterly risk review by Director / CEO	Quarterly to ELT, Audit & Risk Committee & Council
Extreme	Risk is unacceptable with instantaneous/immediate reporting. Undertake an ALARP** assessment and consider transfer of risk or risk avoidance options.	CEO / Council	Continually by CEO	Immediate notification to Elected Members. Monthly Immediate reporting to ELT. Subsequent reporting to Audit & Risk Committee and Council Meeting

*NOTE: All Strategic risks, regardless of their risk rating, will be reported to Audit & Risk Committee and Council

**Note: ALARP – As low as reasonably practicable

7.2 Enterprise Risk Management Framework integration with Internal Control Guidelines – Risk Based Approach

The design, monitoring and review of internal controls should consider a risk based approach whereby the selection and appropriation of resources is prioritised to obtaining assurance of the processes and systems implemented to mitigate identified risks. The diagram below depicts a simplistic relationship of how objectives, risk, control and assurance interrelate.



8. AUTHORITIES AND ACCOUNTABILITIES

In accordance with section 2.7 of the Local Government Act Council governs the City's affairs, is responsible for the performance of the City's functions, and determines the City's policies.

The Audit and Risk Committee oversees and monitors the effectiveness of enterprise risk management and internal audit activities in accordance with the Terms of Reference.

The Chief Executive Officer is responsible for leading and establishing a risk management environment that ensures effective reporting of risk.

Directors lead and manage their respective Directorate by undertaking the planning, directing and leading of work by managers or other direct reports. Assists in ensuring systems are in place that enables accountable decision making and reporting of risk across the directorate.

9. ROLES AND RESPONSIBILITIES

Council

Council determines the risk appetite appropriate to achieve the City's Strategic objectives and will be reviewed at least once every three years in line with the City's Strategic Risks.

Council is engaged/involved in the review of the City's Strategic Risks and endorses the City's Strategic Risk profile.

Council approves the City's Risk Assessment Criteria.

Audit and Risk Committee

The Audit and Risk Committee reviews the City's Strategic Risks, including the mitigation strategies and refers them to Council for endorsement.

Chief Executive Officer (CEO)

The CEO is responsible for reviewing and managing Strategic and Corporate risks and, furthermore, from time to time, request ad-hoc internal audits or other reviews on extreme and high rated risks identified to timely verify the controls implemented to mitigate or reduce these risks to an acceptable level and to report on any remaining control deficiencies to the Audit and Risk Committee in a timely manner.

Executive Leadership Team (ELT)

The Executive Leadership Team is accountable for identifying, analysing, assessing, reviewing and managing Corporate risks and will receive and review reports on the City's responses to managing risks.

All Employees / Contractors / Consultants

Every employee within the City is recognised as having a role in risk management; this involves vigilance in the identification and ongoing management of risks and participating in the risk management process.

10. DISPUTE RESOLUTION (if applicable)

All disputes in regard to this policy will be referred to the Executive Manager Governance and Legal in the first instance. In the event that an agreement cannot be reached, the matter will be submitted to the CEO for a ruling.

11. EVALUATION AND REVIEW

The Policy will be reviewed every 3 years in accordance with the requirements of this Policy.

Regular performance reporting on the effectiveness of the City's systems and controls in relation to management of risks will be presented to the Audit and Risk Committee.

12. RELATED DOCUMENTS

Risk Management Manual

Risk Assessment Criteria

Crisis Management Plan

Business Continuity Plans

Pandemic Plan

Risk Appetite Statements

13. REFERENCES

Local Government (Audit) Regulations Amendment

Local Government (Audit) Regulations 1996 clause 17 states:

> *"17. CEO to review certain systems and procedures*
>
> *(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –*
>
> *(a) risk management; and*
>
> *(b) internal control; and*
>
> *(c) legislative compliance*
>
> *(2) The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 3 calendar years.*
>
> *(3) The CEO is to report to the audit committee the results of that review."*

In addition to the requirement for the CEO to prepare a report as outlined in clause 17, the Regulation also stipulates an additional responsibility for the Audit Committee as detailed in clause 16(c) which states:

> "*(c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
>
> *(i) report to the council the results of that review; and*
>
> *(ii) give a copy of the CEO's report to the council."*

14. RESPONSIBILITY FOR IMPLEMENTATION

Executive Manager Legal and Governance

REVISION HISTORY

Version	Next Review	Record No.
8 October 2013 – CS04-10/13	October 2015	13/176693
July 2019	July 2022	15/491180
October 2022	October 2025	15/491180