

## Council Policy

# Enterprise Risk and Opportunity Management

### Background

The purpose of the policy is to affirm Council's commitment to:

- using risk management as a tool to effectively manage risk and assess opportunities as an integral part of planning and decision making and in the pursuit of our organisational objectives
- manage identified risks and actively monitor the risk environment
- 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

Council recognises the importance of risk management 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 adopts the approach that risk management must be aligned to a strong internal control environment.

Council's approach to Enterprise Risk and Opportunity Management (EROM) is consistent with the *Australian/New Zealand Risk Management Standard: AS/NZS ISO 31000:2018*; and aligns with *COSO Enterprise Risk Management – Strategy and Performance (2017)* and *COSO Internal Control – Integrated Framework (2013)*, and the directions under the Local Government Act 1993.

### Principles

The guiding principles of this policy are:

- to promote sound decision making using the EROM Framework to ensure Council advances with increased confidence towards the achievement of our objectives
- to promote good governance by demonstrating transparent, accountable 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 related strategies and plans
- to embed a framework which provides 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
- to provide an environment of greater certainty and confidence for councillors and Council staff, for our stakeholders and for our community about Council's ability to make sound decisions.

## Risk Appetite Acknowledgement

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 change and improvement 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 as detailed in the Risk Appetite Statement for both strategic and operational decision making.

## Scope

The following is a broad overview of the roles and responsibilities for the management of risk within Council. Full roles and responsibilities are outlined in the EROM Framework.

**Council** is ultimately responsible for adopting and committing to the EROM Policy, monitoring the strategic risk environment and considering risk management issues affecting strategic and Council decisions.

**Senior management** is responsible for ensuring the EROM Policy and Framework 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 consistently apply the EROM Framework.

**Audit, Risk and Improvement Committee** is responsible for oversight of risk management in accordance with the Audit Risk and Improvement Committee Charter.

## Application

Senior Management will be responsible for creating an environment where staff assume responsibility for 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 responding to risks.

## References and Related Documents

This policy provides the over-arching commitment to Council's EROM Framework. It is supported by Council's:

- Audit Risk and Improvement Committee Charter
- Business Continuity Sub-Plans
- Enterprise Risk and Opportunity Management Framework
- Fraud and Corruption Control Plan
- Risk Appetite Statement
- Risk and Opportunity Management Assessment Guidelines

- Strategic, operational, functional and initiative-based risk registers.

### Legislation and Other Guidance

- Australian Standard AS/NZS ISO 31000:2018 Risk Management Principles and Guidelines
- COSO Internal Control – Integrated Framework (2013)
- COSO Enterprise Risk Management – Integrating with Strategy and Performance (2017)
- Local Government Act 1993 (NSW)
- Local Government (General) Regulation 2005
- Office of Local Government (DRAFT) Internal Audit and Risk Management Framework.

### Definitions

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

*Risk:* the effect of uncertainty on objectives, where this effect can be positive or negative

*Risk control:* the policies, strategies, processes and procedures or other internal controls, and tasks or physical changes to eliminate or minimise risks

*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 assessment:* the overall process of risk analysis and risk evaluation

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

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

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

*Senior management:* refers to the CEO, Directors Executive Managers.

### Responsible Officer

Executive Manager Governance and Risk

### Review Date

The next review is due in November 2022.

### Revision History

Revision	Date	Status	TRIM 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
3	24/11/2020	Revised policy adopted by Council with minor amendments to ensure currency of policy	2017/300338