ITEM 9   POST EXHIBITION - RISK MANAGEMENT FRAMEWORK

A draft Risk Management Framework was recently placed on public exhibition. A total of 3 submissions were received during the exhibition period. A summary of the submissions is now presented to Council to consider in the adoption of the Framework.

RECOMMENDATION

The Risk Management Framework be adopted.

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
2   Risk Management Framework - Engagement Report

BACKGROUND

At its meeting held on 29 June 2020 Council resolved to put on public exhibition a draft Risk Management Framework whilst also adopting a Risk Appetite Statement.

PROPOSAL

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

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.

CONSULTATION AND COMMUNICATION

The draft framework was placed on public exhibition on 2 July 2020 for a period of 28 days in which time the public could view the draft document and make comment. During the exhibition period the webpage for the policy exhibition was visited 61 times, with 23 copies of the document being downloaded and 3 submissions being received by the end of the exhibition period.

On the following page a summary of the three submissions received from the public are provided. Comments from council officers are provided in relation to each submission.

Submission No.	Received From	Details	
1	Resident Submission	Resident noted the draft Framework is comprehensive and well written. In some places, the wording appears "passive" rather than definitive. For example, Council "should" where perhaps Council "will" would be more appropriate. Resident also felt sections stating that Council will do certain things, should have time frames or dates.	The language used allows the framework to be flexible to the changing environment and risk culture of the organisation. Dates may be included in documents supporting the implementation of the framework; however, target dates are not generally included in this type of policy document.
2	Resident Submission	The risk framework does not identify WCC risks or even major risks. Appears to be a blanket statement.	The purpose of the Risk Management Framework is to define the high-level deliverables and responsibilities in the management of risk by Council. The details or corporate risks and other major risks are covered in Council's risk registers, risk appetite statement and risk management plan.
3	Neighbourhood Forum 5	The Forum would like to congratulate Council on the risk documentation and noted that the focus is on risk management rather than risk aversion.	The positive feedback from the neighbourhood forum is acknowledged and it is intended that the new risk management framework will allow Council to implement a continuous improvement approach to risk management

There are no changes recommended to the Risk Management Framework as a result of the submissions.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong 2028 objective "*Our council is accountable, financially sustainable and has the trust of the community*".

It specifically delivers on core business activities as detailed in the Governance and Customer Service Division Service Plan 2020-21.

SUSTAINABILITY IMPLICATIONS

The adoption and implementation of an effective risk management framework is a critical component of Council achieving its sustainability goals. Effective risk management practices will ensure that Council is efficient and innovative in achieving its strategic objectives while preserving and protecting its people, financial security and the built and natural environment in which we operate.

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 2028.

FINANCIAL IMPLICATIONS

Council finances are an area of significant risk for Council, which is appropriately reflected in Council's adopted Risk Appetite Statement. There are no additional financial implications from the development and implementation of the Risk Management Framework.

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
COUNCIL POLICY

ADOPTED BY COUNCIL: [TO BE COMPLETED BY GOVERNANCE]

1. PURPOSE

To ensure that Council's risks are managed in a manner consistent with Council's risk appetite, it is essential that sound risk management practices are implemented. This document outlines a high-level approach to ensure decisions are 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.

2. POLICY INTENT

Council maintains a strong commitment to embedding effective risk management into all activities and as such is a core responsibility of management. 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 key corporate risks by the Executive Management Committee (EMC).

The objectives of this policy are to facilitate Council striking a balance between risk management and opportunity taking, whilst achieving the objectives set out in Council's strategic plan by:

1. Ensuring Enterprise-Wide Risk Management is integrated into Council's strategic and operational planning processes in order to:
   a. Avoid, eliminate or minimise harm and/or loss, and
   b. Minimise the adverse impacts that uncertainty presents to the achievement of Council's Community Strategic Plan.

2. Supporting and enabling effective:
   a. Delivery of equitable and appropriate services and facilities for the community
   b. Innovation and business improvement
   c. Risk management practices that lead to a risk aware culture

3. Having regard to long-term and cumulative commitments by Council to environment, economic, social and governance objectives aligned with its Integrated Planning and Reporting framework.

3. WOLLONGONG 2028 OBJECTIVES

Risk management is a fundamental component of decision making in all Council activities, and all decisions made by Council and its Officers will consider the risks involved in taking those decisions and the impact of those decisions 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 2028, which are shown below:

1. We value and protect our environment

2. We have an innovative and sustainable economy

3. We have a creative, vibrant city

4. We are a connected and engaged community

5. We have a healthy community in a liveable city

6. We have affordable and accessible transport

RISK MANAGEMENT FRAMEWORK	COUNCIL POLICY

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 all the risks Council faces.

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

- Risk Management Framework
- Risk Appetite
- 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) and comprises several important steps:

- *Identifying* and *analysing* the main risks facing the Council
- *Evaluating* those risks and making judgements about whether they are acceptable or not
- *Implementing* appropriately designed control systems to manage these risks in a way which is consistent with Council's risk appetite
- *Treating* unacceptable risks by formulating responses following the identification of unacceptable risks, including actions to reduce the probability or consequences of an event and formulation of contingency plans
- *Documenting* these processes, with summary tables (risk registers) the main forms of documentation, supplemented by risk manuals or related documents as appropriate
- Ongoing *monitoring, communication* and *review*

The approach aligns with and incorporates the principles of the 'three lines of defence' model, which is based on a set of layered defences that align responsibility for risk taking with accountability for risk control.

Divisions of Council (the first line) own and manage risks and are responsible for implementing controls to keep risks within the appetite of the organisation; the second line provides specialised risk and compliance management services; and the third line, primarily via the Internal Audit function, provides assurance to senior management on the effectiveness of governance, risk management and internal controls.

The below diagram shows the benefits and advantages to Council of having a robust risk management framework:
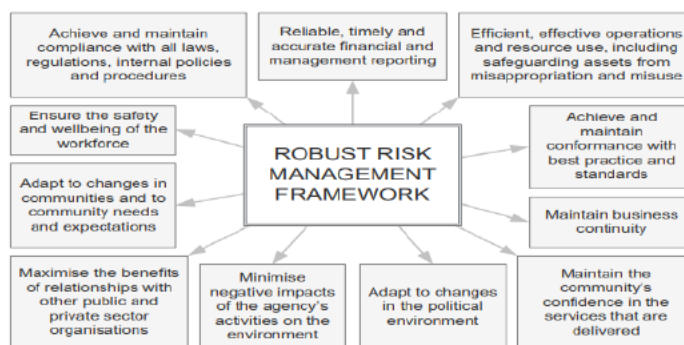
Source: NSW Treasury's Risk Management Toolkit

RISK MANAGEMENT FRAMEWORK	COUNCIL POLICY

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. Risk culture is the glue that binds all the elements of risk management together, because it reflects the shared values, goals, practices and mechanisms that embed risk into an organisation's decision-making processes and risk management into its operating processes.

Council fosters a positive risk management culture where risk management is seen as a positive attribute of decision-making rather than a corrective measure. Staff are encouraged to have a willingness to engage effectively with risk.

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 significant impairment of operations, financial losses, harm to the environment 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 Policy 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.

The Risk Management Plan will include:
- roles, accountabilities and responsibilities in relation to risk management
- the timeframes for risk management activities
- the activities that Council will undertake to implement its risk management policy
- how risk management processes will be implemented and maintained
- resourcing requirements (people, IT and physical assets)
- training and development requirements
- performance measures that will be used to evaluate the success of the Council's risk management framework, and
- how and when the Council's Risk Management Framework will be reviewed

4.5   Risk Management Procedures

Risk management procedures shall be developed 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.

4.6   Decision Making

To ensure its success, the Risk Management Framework will be integrated within all the Council's decision-making processes, governance structures, operational procedures and integrated planning and reporting processes.

RISK MANAGEMENT FRAMEWORK	COUNCIL POLICY

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 identifies that Council's risk register and risk profile are current and appropriate. The results of this review will also be reviewed by the Audit, Risk and Improvement Committee (ARIC).

5. REVIEW

This Policy will be reviewed every two 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. This policy is to be endorsed by the ARIC before consideration by Council.

6. 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.

7. ROLES AND RESPONSIBILITIES

7.1 Council

The elected Council is responsible for determining Council's Risk Appetite.

The elected Council is also responsible, as part of the approval of the annual budget, for the provision of the resources needed to:

- implement an appropriate risk management framework, and
- deliver risk treatments and internal controls needed to ensure risks are appropriately managed.

7.2 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:

- approving the Council's risk management plan, risk treatment plans, risk register and risk profile
- 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

RISK MANAGEMENT FRAMEWORK	COUNCIL POLICY

- ensuring that all Council managers and staff (permanent, temporary or contract) understand their risk management responsibilities and that these are included in all job descriptions, staff induction programs, performance agreements and performance appraisals

- 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.

7.3 Directors and Divisional Managers

Directors and Divisional Managers have the responsibility for managing specific policy, project and program risks across the Council. This includes being responsible, within the sphere of their authority, for:

- promoting awareness of risks and risk treatments that must be implemented

- ensuring Council staff are implementing the Council's risk management framework as developed and intended and performing their risk management responsibilities

- identifying risks that will affect the achievement of the Council objectives

- establishing and/or implementing specific policies, operating and performance standards, budgets, plans, systems and/or procedures to manage risks, and

- monitoring the effectiveness of risk treatment and internal controls.

7.4 Governance and Risk Manager

The Governance and Risk Manager will be the Responsible Officer for the Policy and will coordinate the following functions in relation to the Policy:

- maintaining appropriate records relating to the Risk Management Framework and its application

- implementing effective risk management communication mechanisms within Council

- developing and maintaining a risk reporting framework to enable regular advising/reporting of key risks, and the management of those risks, to the senior management group and ARIC

- supporting the Senior Leadership Team by co-ordinating and providing clear and concise risk information, advice and/or reports that can be used in planning and decision-making

- undertaking regular reviews of both the policy and associated procedures

- helping to build a risk management culture within the Council, including facilitating and driving risk management at the strategic and operational level and ensuring consistency in practice

- train and educate relevant employees with respect to policy and procedures and ensure documents, tools, templates and user guides are current and readily available.

- coordinating the various activities relating to risk management within the Council

- 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

- supporting Council staff with their risk management obligations and providing staff with advice and tools to ensure risk management compliance

- establishing and maintaining an ongoing monitoring system to track the risk management activities undertaken within Council and assessing the need for further action, and

- assessing risk management information for completeness, accuracy and consistency (for example, risk registers, risk treatment plans)

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

RISK MANAGEMENT FRAMEWORK	COUNCIL POLICY

7.5 Staff

All Council staff are to be responsible for:

- helping to identify risks in their business unit
- implementing risk treatment plans within their area of responsibility
- following standard operating procedures (where applicable), and
- communicating or escalating new risks that emerge to their manager.

7.6 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 corporate risk register which will be reported to the ARIC.

7.7 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.

7.8 Audit, Risk and Improvement Committee (ARIC)

The ARIC will be responsible for providing independent assurance to the General Manager and Council that the risk management framework is appropriate and working effectively and provide advice on an annual basis that Council has complied with its risk management requirements. This includes advising whether:

- Council's risk management framework operates effectively and supports the achievement of the council's strategic goals and objectives
- Council's risk appetite is appropriately reflected in the Council's internal control framework
- Council is operating within the risk appetite determined by Council
- risk management covers all relevant risk categories including strategic, operational, compliance, reputational and reporting risks
- Council takes an enterprise risk management approach that is fully integrated into all aspects of the Council, including decision-making processes and operations
- risks are formally considered when developing and implementing all Council policies, programs, projects and other activities, including procurement
- major risks have been identified and assessed by the council and appropriate risk treatments have been implemented that reflect the Council's risk criteria
- internal controls are effective and appropriate
- Council's risk management framework complies with AS ISO 31000:2018
- resources provided for risk management are sufficient for managing risks facing Council
- risk management policies, procedures and plans are being complied with.

RISK MANAGEMENT FRAMEWORK	COUNCIL POLICY

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.

APPROVAL AND REVIEW		
Responsible Division	Governance and Customer Service	
Endorsed by ARIC	09 June 2020	
Date/s adopted	*Executive Management Committee Endorsement* 26 May 2020	*Council* [DD Mmmm YYYY]
Date/s of previous adoptions		
Date of next review	[Two years from last adoption]	

Project Report:	Wollongong City Council's Draft Risk Management Framework	28-Jun-2020	to	03-Aug-2020

Visitors Summary
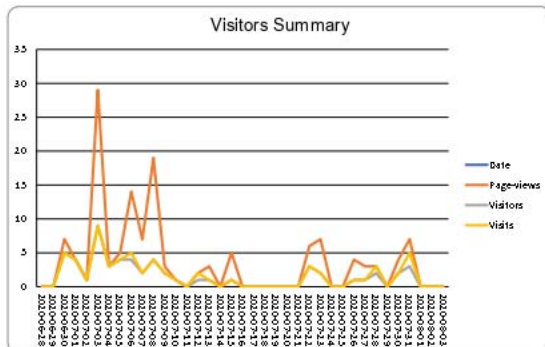
Project Highlights

Total Visits	61
New Registrations	0
Video views	0
Photo Views	0
Document Downloads	23

Admin Notes

ENGAGED PARTICIPANTS	2		
Engaged Actions Performed	Registered	Unverified	Anonymous
Contributed on Forums	0	0	0
Participated in Surveys	2	0	0
Contributed to Newsfeeds	0	0	0
Participated in Quick Polls	0	0	0
Posted on Guestbooks	0	0	0
Contributed to Stories	0	0	0
Asked Questions	0	0	0
Placed Pins on Places	0	0	0
Contributed to Ideas	0	0	0

INFORMED PARTICIPANTS	23
Informed Actions Performed	Participants
Viewed a video	0
Viewed a photo	0
Downloaded a document	20
Visited the Key Dates page	0
Visited an FAQ list Page	8
Visited Instagram Page	0
Visited Multiple Project Pages	20
Contributed to a tool (engaged	2

AWARE PARTICIPANTS	48
Aware Actions Performed	Participants
Visited at least one Page	48

ENGAGEMENT TOOLS SUMMARY

Forum Topics	0	Guestbooks	0	Places	0	News Feeds	0	Ideas	0
Qandas	0	Quick Polls	0	Stories	0	Survey Tools	1		

Tool Type	Engagement Tool Name	Tool Status	Visitors	Contributors		
				Registered	Unverified	Anonymous
SurveyTools	Wollongong City Council's draft Risk Management F	Draft	8	2	0	0

INFORMATION WIDGET SUMMARY

DOCUMENTS	1	PHOTOS	0	VIDEOS	0	FAQS	1	KEY DATES	1

Widget Type	Engagement Tool Name	Visitors	Downloads/Views
Document	Risk Management Framework (Draft)	20	23
FAQ	faqs	8	8
Key Dates	Key Date	0	0