JUNEE SHIRE COUNCIL

ENTERPRISE RISK MANAGEMENT

POLICY & FRAMEWORK

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Message to staff

This corporate policy and framework for managing risk is part of Junee's ongoing focus on risk management and sound corporate governance.

We are committed to a comprehensive, coordinated and systematic approach to managing risk, that is, Enterprise Risk Management. To this end risk management must be incorporated into our governance arrangements and be utilised in our business planning and monitoring to ensure we achieve our objectives. It is needed to support managers at all levels to anticipate uncertain events, exploit opportunities, and to respond appropriately to potential weaknesses.

Managing risk is good business practice and all staff should therefore include risk management as part of their everyday management practices. It should be included as an integral part of planning, decision making, reporting and evaluation processes.

The management of risk, however, is not just the responsibility of management; it is everybody's responsibility. We are therefore documenting the processes and structures to assist staff to implement and be part of a coordinated risk management process.

James Davis
<u>General Manager</u>

March 2014

Introduction

The purpose of this document is to establish and communicate to Junee's staff, contractors, volunteers, and stakeholders Junee's Enterprise Risk Management Policy and Framework.

The purpose of this Policy and Framework is to provide reasonable assurance that decisions are being made based on a sound and consistent approach to considering the risks to achieving objectives and to ensure that appropriate actions are taken to mitigate risks and take advantage of opportunities.

The Policy and Framework confirms that the use of risk management by all staff members, contractors, and volunteers is mandatory in their day-to-day activities. It also recognises that there are a number of areas within Junee that already employ specialist risk identification and assessment methodologies. These specialist methodologies form an integral element of Junee's overarching risk management framework.

Risk Management in Junee

Risk Management is the term applied to a logical and systematic approach to identifying, analysing, evaluating, treating, monitoring, and communicating risks associated with any activity, function or process in a way that will enable Junee to achieve our objectives, minimise losses and maximise opportunities.

It is not physically possible or financially responsible to completely eliminate risk. The key to successfully managing risk within Junee is to ensure sufficient controls and mitigation strategies are in place to bring risks within acceptable levels. In order to determine whether a risk is within, or outside of, acceptable limits, Junee follows the process espoused by ISO31000.
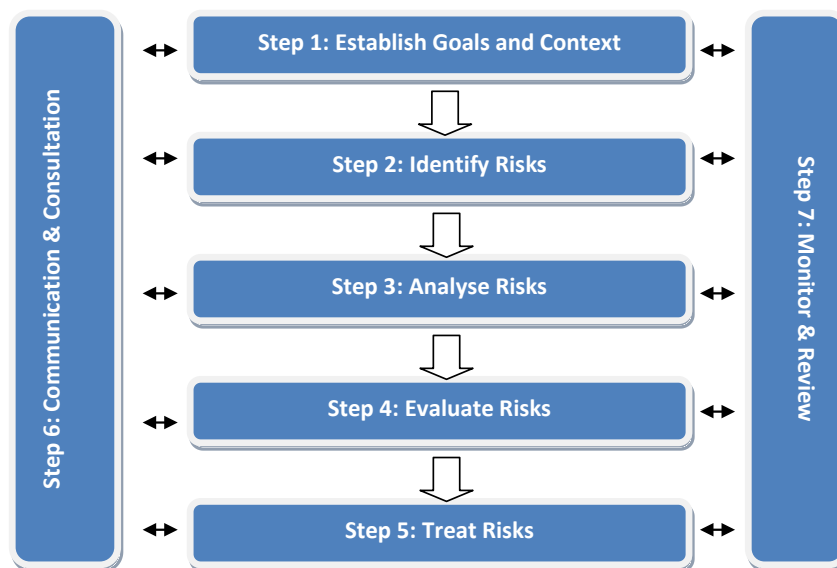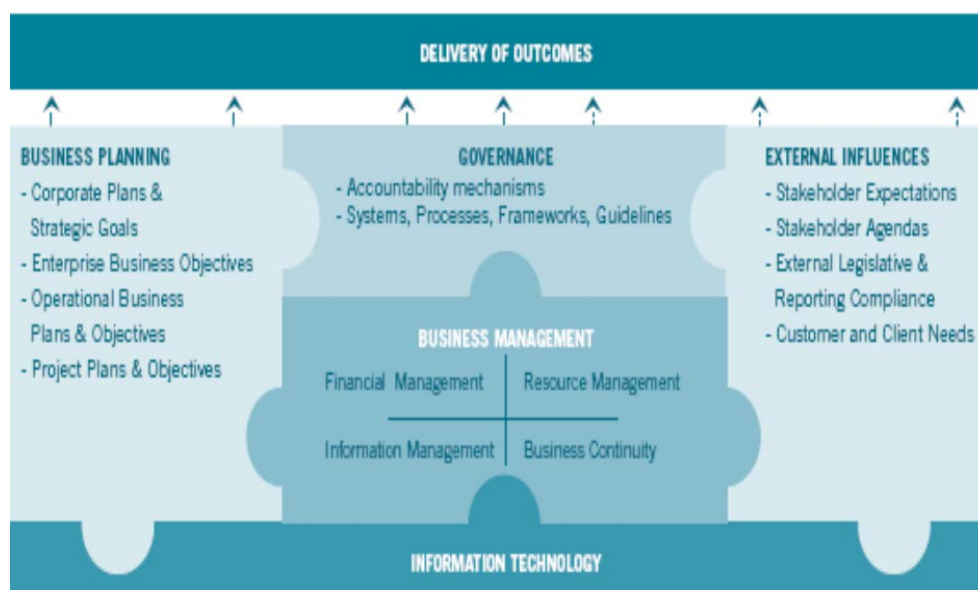

Figure 1: The Risk Management Process

Types of Risk in Junee

Risks can be found in all facets if Junee's activities. The diagram below indicates areas of the organisation in which staff are to be cognisant of the risks to achieving organisational objectives.

The following table provides an overview of the key areas/levels of risk and functional responsibilities.

Risk Level	Description	Responsibility	Monitoring
Enterprise	Those risks that can affect the achievement of high level organisational objectives. They tend to be risks that could affect the entire organisation and cross program areas, requiring a consolidated approach to mitigating them.	Senior Management Team. Division Heads are to monitor the activities within their areas of responsibility in terms of possible impact on enterprise risks.	Enterprise risks are discussed at MANEX meetings. The GM and Divisional Heads are to alert the meeting to any activities within their areas of responsibility that could impact upon enterprise risks.
Business/ Operational/ Fraud	Business, operational, and fraud/corruption risks are identified as part of the business planning process and the internal audit function across all areas of	Division Heads are responsible for the ongoing identification and management of	The internal audit committee considers these risks as part of the internal audit

Risk Level	Description	Responsibility	Monitoring
	Junee. Results of business risk assessments will be considered when reviewing the enterprise risk management framework.	these risks as part of day-to-day operations.	monitoring process.
WHS/Public Liability	Risks relating to WHS and also insurable risks are managed at an operational level.	Managers.	WHS and Insurable risks that could impact upon enterprise risks are to be reported at MANEX meetings.

The enterprise level risks that are to be the focus of Junee's risk management framework have been identified as follows:

A.   Failure to deliver essential services in a timely manner
B.   Failure to provide essential services within budget
C.   Legislative requirements are not met
D.   Serious injury to staff, volunteers, or contractors
E.   Serious fraud or misconduct
F.   Legal proceedings brought against Council

The following diagram illustrates the flow of risk related information that underpins this Enterprise Risk Framework.
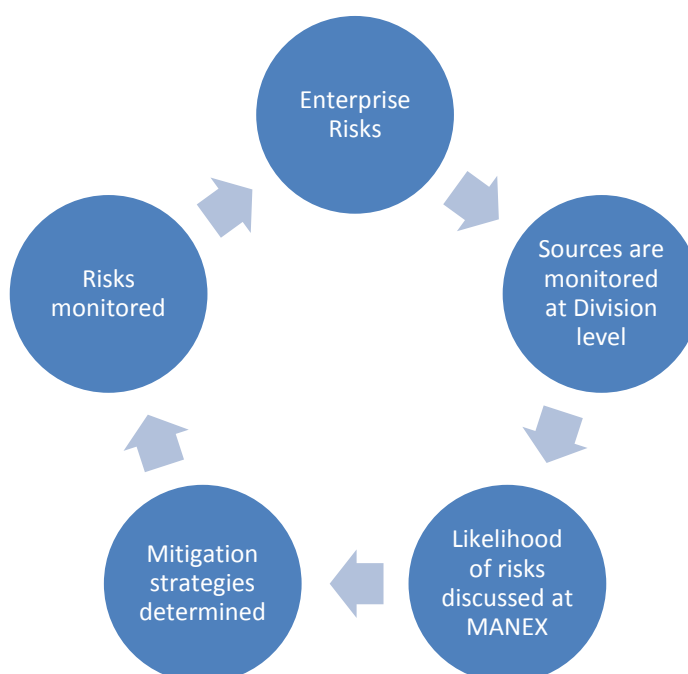
Related documents that should be read in conjunction with this Enterprise Risk Management Framework include:

- Business Risk Assessment
- Fraud and Corruption Risk Assessment
- WHS Policy
- Business Continuity Plan
- Code of Conduct.

Risk Management Policy

This Risk Management Policy and Framework supports the ongoing development of a comprehensive, cohesive and robust approach to risk identification and management.

Under this policy, Junee will manage risk in accordance with accepted international best practice. To achieve this, Junee has developed its approach to managing risk across the organisation based on the ISO Standard 31000. This Standard provides a generic framework for identifying, evaluating and mitigating risk. Junee is therefore committed to a comprehensive, coordinated and systematic approach to risk management that is directed towards supporting managers and staff at all levels to anticipate uncertain events, exploit opportunities, and to respond appropriately to potential weaknesses.

Through their accountabilities, Junee Shire Council staff will:

- Understand and manage risks arising from Junee's relationships with the public and other organisations;

- Protect people and assets;

- Harness resources to manage more effectively the risk to achieving objectives; and

- Ensure risk management processes and decisions are consistent with Junee values and codes of conduct.

The management of risk is the responsibility of every staff member and Junee is continually developing and refining processes and structures to enable effective risk management. Junee's approach to managing risk provides assurance to Council and stakeholders that Junee has a formal, systematic and pro-active approach to the identification, management and monitoring of risk.

Risk management in Junee is to be a part of everyday management practice, particularly in terms of planning, decision making, reporting, and evaluation.

Identification and analysis of risk is an integral component of Junee's activities. As a result there are a number of risk management plans already in place across the organisation. The overarching framework for managing risk relies on managers utilising available risk management tools as the basis for risk based decision making. Risk tools are developed as

reference tools for managers, however, given the many and varied aspects of risk management within Junee the tools are not designed to be prescriptive. There may be a need to modify available risk tools to ensure they are fit-for-purpose, however, managers are to ensure at all times that the underlying principles are consistent with this policy and framework.

Roles and Responsibilities for Risk Management

The General Manager has overall responsibility for risk management, and for ensuring compliance with ISO31000.

Junee Audit Committee is responsible for the ongoing monitoring and review of the risk management framework, including the actions agreed to in this Risk Management Plan.

Junee Management must exhibit to staff and clients a genuine and strong commitment to risk management as an essential element of good business management and corporate governance. They are responsible for promulgating risk management policies and practices, and for managing individual business risks and for implementing the treatments identified in this Risk Management Plan.

Senior Management Team is responsible for ensuring that the appropriate processes are in place to ensure that the enterprise and business risks in Junee are well managed.

All Junee staff, volunteers and contractors have the responsibility of ensuring that decisions are made with risk management in mind. Risk is to be part of day to day operations. In addition, all staff are required to familiarise themselves with the risk management policies, procedures, plans and strategies that are in place to enable the achievement of organisational objectives.

Risk management will form part of the business planning and budgeting cycles and will contribute to business performance through the minimisation of Junee's risks. It provides senior management and the Audit Committee with solid evidence that risk management is occurring within Junee, which, in turn makes the achievement of strategic objectives more likely.

Junee's Risk Appetite

Junee's risk appetite, or risk tolerance, is the degree to which Junee is prepared to accept risk as part of day-to-day business. It is the criteria against which risk is measured in order to determine whether the risk is acceptable to the organisation or, whether additional mitigation strategies need to be developed and implemented to bring that risk within acceptable levels.

The risk appetite developed as part of this framework is to be used when identifying and managing all risks across Junee.

The risk appetite developed by Junee considers the likelihood of risks occurring and the consequences should that risk occur, particularly in terms of the impact on people, reputation, business processes and systems, and the financial management of Junee.

The matrix that specifies how risks are to be evaluated is provided at Attachment 1 of this document.

Any risks that are rated as High or Extreme, or any foreseeable activities or events that could impact upon enterprise risks are considered unacceptable. These risks must be brought to the attention of the senior management team for their consideration.

Risks rated as Medium require analysis to ascertain whether it is worthwhile developing additional strategies to reduce the level of risk. Where it is determined that additional strategies are not required, Medium level risks must be monitored periodically to ensure that existing controls continue to adequately manage that risk.

Risks rated as Low will generally be considered as acceptable. Periodic monitoring and review is required for these risks to ensure that existing controls continue to be effective.

Risk Management Objectives and KPIs

The key objectives of implementing Junee's risk management framework are to:

- Provide an integrated approach to all risk management activities across Junee;

- Ensure commitment from the Junee Senior Management Team to making the consistent application of risk management part of day-to-day business;

- Provide a systematic approach for managers to take advantage of opportunities based on effective risk based decision making;

- Enhance the ability of Junee to ensure openness and transparency by providing the tools required to document decision making;

- Establish a risk communication and training framework through the development and dissemination of appropriate risk management tools; and

- To continue to enhance the risk culture across Junee.

The effectiveness of the implementation of the Junee risk management framework will be measured through the establishment and monitoring of a number of key performance indicators (KPIs).

On a two yearly basis, as part of the periodic review of the enterprise risk management plan, Junee will review the effectiveness of the risk management framework. This will be done through obtaining feedback from a selection of Junee staff regarding their understanding of the policies, procedures, and tools developed to encourage the consistent application of risk management.

The results of the review will be provided to the Senior Management Team and the Audit Committee and will address each of the objectives identified above.

Risk Management Tools and Training

To facilitate the implementation of the risk management framework Junee, in association with the other members of the inter-council audit group, is developing an online portal where risk mitigation strategies can be shared.

As the risks facing the Councils within the inter-council audit group are similar, and in the spirit of sharing resources to achieve better results, the risk management portal will be used to share innovative approaches to risk mitigation.

It is envisaged that the portal will be used to post things such as:

- Policies;
- Procedures;
- Strategies;
- Systems; and
- Ideas that may be useful for other member councils trying to mitigate similar risks.

Rules regarding who can access, post information, and who will manage the portal will be provided to staff as the portal is developed.

Attachment 'A' – Risk Assessment Criteria

The level of risk is defined by the relationship between likelihood and consequence applicable to the area of risk or area under review. The risk criteria developed as part of the risk management framework set the risk appetite (or risk tolerance) of Junee. The table below specifies how risks are to be considered and evaluated.

ATTACHMENT 'A'

		Consequence →				
People		Injuries or ailments not requiring medical treatment.	Minor injury or minor impact on staff morale.	Serious injury or impact requiring management attention to address morale.	Life threatening injury or impact likely to cause loss of staff.	Death or impact leading to serious industrial action or separations
Reputation		Managed as part of normal business	Scrutiny required by internal committees or internal audit to prevent escalation.	Scrutiny required by external committees, external auditors	Intense public, political and media scrutiny.	Government inquiry or adverse national media.
Business Process & Systems		Minor errors requiring corrective action, or minor delay.	Policy or procedural rule occasionally not met.	One or more key accountability requirements not met.	Strategies not consistent with Government's agenda.	Critical system failure, bad policy advice or ongoing non-compliance.
Financial		1% of operational/departmental budget	2.5% of operational/departmental budget	> 5% of operational/departmental budget	> 10% of operational/departmental budget	>20% of operational/departmental budget

(E) Extreme risk – detailed action plan required
(H) High risk – needs senior management attention
(M) Medium risk – specify management responsibility
(L) Low risk – manage by routine procedures

High or Extreme risks must be reported to Senior Management and require detailed treatment plans to reduce the risk to acceptable levels.

	Probability	Historical		Insignificant	Minor	Moderate	Major	Severe
Likelihood ↑	>1 in 10	Is expected to occur in most circumstances	**Almost Certain**	**M**	**H**	**H**	**E**	**E**
	1 in 10 - 100	Will probably occur at some stage	**Likely**	**M**	**M**	**H**	**H**	**E**
	1 in 100 – 1,000	Might occur at some time in the future	**Possible**	**L**	**M**	**M**	**H**	**H**
	1 in 1,000 – 10,000	Could occur but doubtful	**Unlikely**	**L**	**L**	**M**	**M**	**H**
	1 in 10,000 – 100,000	Only in exceptional circumstances	**Rare**	**L**	**L**	**L**	**M**	**M**