City of Joondalup

RISK MANAGEMENT FRAMEWORK

Contents

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Risk terms used in this document

Controls

Existing (implemented) activities that manage risk that can be evidenced, and performance measured.

Control Effectiveness

Overall defined rating of performance for all controls managing a single risk or an individual control's success in meeting its own objectives.

Control or Treatment Stakeholder

Person or group responsible for conducting or implementing control or treatment activities.

Inherent Risk

Level of risk exposure before considering effectiveness of any existing controls.

Mitigation

Generic term for actions taken to reduce the negative effects of risk.

Residual Risk

Current management status of risk after considering effectiveness of controls and attainment of target levels.

Risk

Possible event that if it occurs, will impact the ability to meet objectives.

Risk Assessment

A document outcome of the processes that identify, analyse and evaluate risks.

Risk Attitude

Defines the approach to risk and influences how risks are assessed and addressed.

Risk Category

Defined name given to a group of risks that fall into a common theme of planning.

Risk Champion

Person with competent skills in risk management, including City processes, that can actively engage groups to facilitate risk discussions and best practice.

Risk Classification

Defined name given to an area of risk impact.

Risk Level or Rating

Qualitative description of risk exposure that is the risk rating.

Risk Management

Term for coordinated group of activities that direct and control risk exposure.

Risk Management Framework

Internal document outlining the process and responsibilities for managing risk.

Risk Management Guidelines

Internal document providing activity details for the process and responsibilities for managing risk.

Risk Management Plan

Documented intentions to manage risk for a given activity or group of activities describing the approach and resources.

Risk Management Policy

Public document outlining the commitment and approach to managing risk.

Risk Manager/s (Portfolio)

Person or group with the authority to accept responsibility, on behalf of the City, for risks within an entire risk portfolio.

Risk Owner (Individual)

Person with authority to accept responsibility for individual risks, on behalf of the City.

Risk Portfolio

Administrative grouping of risks based on risk category and responsibility.

Risk Register

List of all significant risks for an activity or group of activities.

Risk Tolerance

The level of risk and management considered as acceptable.

Target Risk

Level of risk defined as acceptable for each risk classification without further action.

Treatments

Intended activities or processes that aim to modify residual risk exposure.

Treatment Plan

Documented account of activities that aim to alter exposure to an inherent risk event.

Introduction

The City of Joondalup ("the City") is committed to ensuring that effective risk management remains central to all its operations and activities whilst delivering a wide and diverse range of services to its many customers and stakeholder groups.

The *Strategic Community Plan, Joondalup 2022* outlines the City's vision as:

"A global City: bold, creative and prosperous"

To achieve this vision, it requires sound corporate governance and the integration of good risk management practices within processes, planning, reporting and performance measurement. Development of sound governance documents for risk management process are a key to this.

The *Risk Management Policy* outlines the City's commitment and approach to managing risks. Risks are to be recorded, analysed and reported, based on the context of the individual risk and the risk portfolio it belongs to.

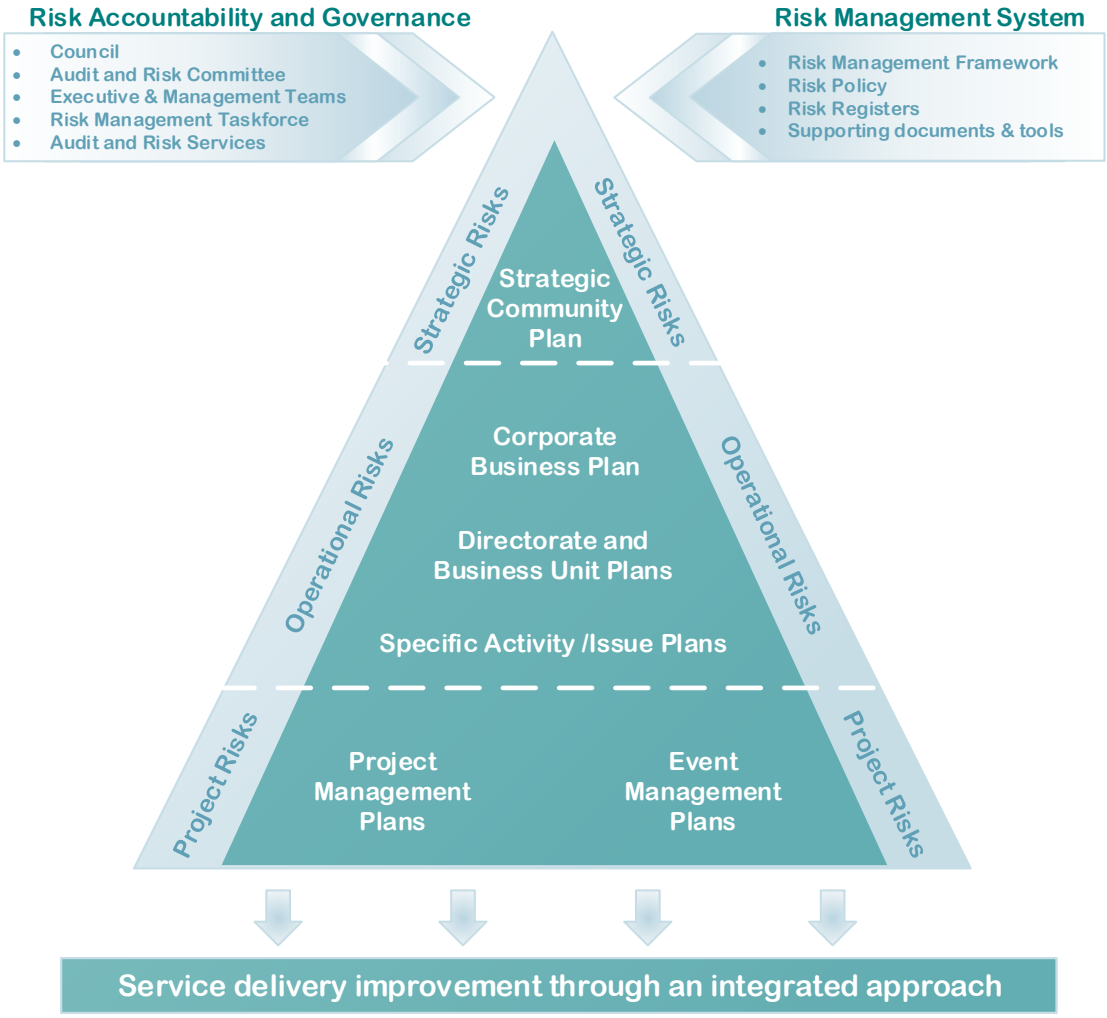
The *Risk Management Framework* ("the Framework") aims to uphold the City's Primary Values of being transparent, accountable, honest, ethical, respectful, sustainable and professional. The Framework provides the guidance to integrate risk management into activities and functions performed by the City.

The City's *Risk Management Guidelines* ("the Guidelines") provides detailed application guidance for the Framework. This includes procedures, practices, responsibilities and activities (including their sequence and timing).

Risk management provides the City with the ability to demonstrate clear evidence based decision making in achievement of its objectives whilst maximising opportunity and minimising risk. Every planning activity undertaken by the City requires the identification of risks and results in the requirement to manage risk to acceptable levels. This continuous cycle demonstrates the integrated nature of risk management within City systems.

The management of risk is not an isolated function and should be an integral part of organisational culture, through the creation and updating of policies, protocols, plans, systems and processes. The effective use of risk management will ensure the City's readiness to manage the delivery of critical services with least impact possible following a disruptive risk event (which in essence is business continuity management).

Diagram 1 – Integrated Planning and Risk Alignment



The *AS ISO 31000:2018 Standard, Risk Management – Guidelines* defines risk as "the effect of uncertainty on objectives" and risk management as "coordinated activities to direct and control an organisation with regard to risk."

The Framework covers key areas including:

1. Risk Attitude
2. Benefits of Good Risk Management
3. Principles of Risk Management
4. Risk Categories and Classification
5. Roles and Responsibilities
6. Risk Management Process

The Framework is part of the City's Risk Management System, which includes two components:

- Foundations – policy, objectives, mandate and commitment.

- Arrangements – plans, procedures, practices, responsibilities and activities (including their sequence and timing).

1. Risk Attitude

The City seeks to manage risk carefully. The City's risk attitude influences how risks are assessed and addressed. The City's attitude towards risk affects whether or not risks are taken, tolerated, retained, shared, reduced or avoided. It determines when further treatments are required and when control efforts can be reduced.

The City accepts the taking of controlled risks, supports the use of innovative approaches and the development of new opportunities to improve service delivery in the achievement of its objectives. Risks must be properly identified, evaluated and managed to ensure acceptability within the targets and tolerances set in this document, alongside the context in which a risk exists.

The inherent level of risk is assessed by considering criteria for both consequence and likelihood providing the level of overall impact to the City. Controls (existing activities) that aim to reduce the risk need to be assessed for their combined effectiveness in managing the risk to provide the current level of risk that remains, residual risk. Residual risk changes with variances in effectiveness of controls applied and requires monitoring. Control effectiveness is rated as:

RATING	CRITERIA
Strong	Controls are operating as intended, no indication of deficiencies. Overall reasonable assurance that risk is being managed and control objectives are met.
Adequate	One or more control weaknesses identified, overall control environment is adequate, appropriate and effective. Some controls may require improvement.
Inadequate	No controls, numerous weaknesses identified, or gaps noted. Overall control environment does not give reasonable assurance that risks are being managed or that control objectives are being met.

Target level of inherent risk is the amount of risk the City is prepared to be exposed to before further action (development and implementation of treatment plans) is deemed necessary. The table below defines the agreed target levels for each primary business impact area, that are defined as the Framework classifications.

Table 1 Inherent target risk levels by classification

	LOW	MEDIUM	HIGH	EXTREME
Financial Loss		♦		
Health, Safety and Wellbeing		♦		
Reputation		♦		
Service Delivery		♦		
Environment		♦		
Governance and Compliance		♦		

The qualitative only approach requires the outcome of the risk process to have established the inherent risk level, control effectiveness and target status. It is these three elements that provide the residual (or current) risk exposure.

The risk tolerance and management guidance for each risk level is shown below:

RISK LEVEL	TOLERANCE AND MANAGEMENT GUIDANCE	MINIMUM MONITORING / REPORT FREQUENCY
Low	ACCEPTABLE with adequate or less control effectiveness; managed by routine procedures, consider if all controls are required.	Annual report to Risk Manager; projects in line with project length.
Medium	ACCEPTABLE IN MOST CASES depending on Risk Management Framework classification of primary area of impact assigned (approval required to manage outside of target); can have adequate and/or partially effective controls; managed by standard procedures; monitor effectiveness of controls.	On discovery outside of target risk to Risk Manager; then six-monthly report to Chief Executive Officer or as directed; projects in line with project length.
High	REQUIRES ACTION. Approval to manage at this level is required. MUST have strong effective controls; needs regular monitoring; consider treatment plans to further reduce the risk or improvement of existing controls; reporting of mitigation efforts and justification for risk rating required for Chief Executive Officer approval.	On discovery to Chief Executive Officer; three-monthly to Chief Executive Officer or as directed; projects in line with project length.
Extreme	UNACCEPTABLE REQUIRES ACTION. MUST have strong, effective controls; needs active management with consideration to control effectiveness and the replacement of ineffective controls; all treatment plans must be documented explored, implemented and managed at the highest level; reporting and justification for risk rating is required for Chief Executive Officer and/or Council approval.	Immediately on discovery to Chief Executive Officer; monthly or as directed.

NOTE: Audit and Risk Services are responsible for the reporting of strategic and operational risk levels assessed as high and/or extreme; along with the provision of a generic risk report or dashboard for Risk Managers and Owners to monitor risk activity. Any other reporting should be in line with the activity the risk has been identified, for example monthly reporting activities of the Project Management Framework.

2. Benefits of Good Risk Management

- Greater likelihood of achieving City objectives
- Compliance with legislative requirements
- Improving stakeholder trust and confidence
- Encouraging decisive leadership rather than management of crisis
- Better information for decision making
- Reducing unexpected and costly surprises
- Better results from projects and activities
- More effective and efficient allocation of resources
- Balancing opportunity and risk
- Enhanced accountability and corporate governance
- Assisting in obtaining insurance cover

3. Principles of Risk Management

The City has adopted the use of the *AS ISO Standard 31000:2018 Risk Management – Guidelines* ("the Standard").

The Standard provides a set of principles to guide effective risk management which have been interpreted in Diagram 2 including how the City demonstrates these principles.

Diagram 2 – AS ISO 31000 Risk principles (inner circle) and City activities that demonstrate them (outer circle)

PRINCIPLE	CITY ACTIVITIES
Integrated	Directors and Managers support risk management by use of the risk management process throughout all City planning activities, including projects, and by using risk to inform decision making. Planning activities require monitoring for implementation and effectiveness demonstrated through regular reporting requirements.
Structured and Comprehensive	Simple key performance indicators set around risk management tasks provide a base for performance to be measured and analysed to feed continual improvement and training programs. Risk dashboards display the status of risk items that require some oversight to meet compliance.
Customised	Using the residual risk target levels and associated tolerances within those levels, effort and reporting can be targeted based on the current risk exposure (residual risk). The risk level, associated control effectiveness and target status determines the minimum required monitoring, reporting and escalation on a risk-by-risk basis alongside the internal and external context of the risk.
Inclusive	The Standard outlines the risk management process and recommends the inclusion of stakeholders from beginning to end, as reflected in training and facilitation sessions. Risk Managers ensure that all stakeholders are nominated, documented and are communicated with at appropriate times. Training is available through the Induction Program and Corporate Training Calendar.
Dynamic	The City provides a live risk management system that assigns Risk Managers to a portfolio of risks within their area of responsibility. This system allows immediate addition and update of risk items, capturing knowledge and expertise in the constantly evolving risk landscape.
Best available information	The City always seeks to employ experts in their field and encourages professional development that assist in the identification of new and emerging risks. Sharing experiences with other local government authorities and groups alongside learning and sharing from the City's risk experiences can help further mitigate risk events.
Human and cultural factors	Council, the Chief Executive Officer and the Executive Leadership Team are stakeholders to all risks the City is exposed to and are expected to lead by example by using and promoting risk management in their responsible areas. Communication is facilitated through various meetings (Council, Audit and Risk Committee, Strategic Executive Leadership Team, Executive Leadership Team and Risk Management Taskforce) that allow stakeholder input and time to discuss and assess risk. Training provided by Audit and Risk Services or externally, in risk management is promoted by the Executive Leadership Team and Managers to appropriately manage risk at all levels.
Continual improvement	The City demonstrates continual improvement by ensuring there is active participation in the risk management process through the Executive Leadership Team and Managers use of all risk principles. Documenting risk and control strategies in a system available to all staff shares risk experiences allowing other teams to focus their mitigation efforts in the right place at the right time. Audit and Risk Services ensures the review of the City's risk management documentation (such as the Policy and Framework) and training programs that includes input from stakeholders to capture learning experiences to shape the City's approach.

4. Risk Categories and Classifications

The City maintains an electronic risk register that groups risk by portfolio, followed by the Framework classifications and lastly the strategic objective themes as defined in the *Strategic Community Plan*.

Three risk portfolio categories

Strategic Risk (single portfolio)
Risks of an internal or external nature that affect the achievement of the City's long-term objectives defined by the *Strategic Community Plan*. This category of risk requires input from Council and is managed by the Chief Executive Officer with the Executive Leadership Team.

Operational Risk (multiple portfolios aligned to Business Units)
Risks of an internal or external nature that have day-to-day impact on the City's ongoing operational activities that deliver the *Strategic Community Plan*. These risks are managed by Directors and Business Unit Managers.

Project Risk (multiple portfolios)
Risks of an internal or external nature that have an impact on the development and delivery of projects that contribute to the delivery of the *Strategic Community Plan.* This category of risk is managed within the Project Team for the life of the project.

Risk portfolios are aligned to the City's organisational structure and are managed in alignment to risk management processes.

Framework Classifications

The Framework classifications define the risk relationship to a primary area of business and are listed below:

Classification	Definition
Financial Loss	Budget expenditure; single and reoccurring losses
Health, Safety and Wellbeing	Injury and illness (physical or mental); life loss; absence; liability claims; staff retention; potential reprisal resulting from public interest disclosure
Reputation	Items of news; customer satisfaction; staff turnover; time/effort to recover; internal and/or external actions
Service Delivery	Timely delivery; quality of service; customer satisfaction; disruption; cancellations; backlogs; complaint increases; resources
Environment	Living organisms affected; water; emissions; waste; pollution; natural resources; climate and coastals impacts
Governance and Compliance	Breach of policy/procedure (internal and external); audits; compliance; risk management; achievement of objectives; internal and external investigations

A Qualitative Risk Matrix provides consequence criteria guidelines using the classifications listed above (including target risk levels) to allow determination of the inherent risk rating by:

- Level of consequence – insignificant; minor; moderate; major; catastrophic
- Likelihood – rare; unlikely; possible; likely, almost certain

Strategic Objective Themes

The strategic objective themes (or aspirational outcomes) that define the relationship to the *Strategic Community Plan* are listed below:

Classification	Definition
Governance and Leadership	The City is recognised for its outstanding governance practices, which are achieved through strong leadership and fully-integrated community engagement systems.
Financial Sustainability	The City is a financially diverse local government that uses innovative solutions to achieve long-term financial sustainability. Its rates revenue is moderated through the adoption of ongoing service efficiencies and alternative income streams.
Quality Urban Environment	The City's built environment is planned for enduring relevance through quality, modern design that is creative, flexible and diverse. Design of its urban landscapes promotes connectivity useability and accessibility; contributing to the highest standards of liveability.
Economic Prosperity, Vibrancy and Growth	The City is lively and thriving across its commercial centres. It is a global City, home to diversified industries that generate a wide-range of local job opportunities, achieving employment self-sufficiency.
The Natural Environment	The City is a global leader in adaptive environmental management. It works closely with the community to protect and enhance the natural environment, while celebrating and showcasing its natural assets to the world.
Community Wellbeing	The City has world-class facilities and a thriving cultural scene. It encourages and supports local organisations and community groups. Community spirit is felt by all residents and visitors, who live in safe and friendly neighbourhoods.

5. Roles and Responsibilities

The management of risk is the responsibility of everyone and should be an integral part of organisational culture with processes on how to manage risk being defined in the Guidelines. Responsibilities for each group are outlined below and the City welcomes contributions from any other party in relation to the raising of risk issues and information.

Council

- Adopt the Risk Management Policy.
- Endorse the Risk Management Framework.
- Review the appropriateness of risk attitude (or appetite).
- Provide input into the management of risk reported in line with risk tolerance.
- Receive reports from the Audit and Risk Committee including the Chief Executive Officer's Report in relation to risk management, internal control and legislative compliance as required by the *Local Government (Audit) Regulations 1996*.

Audit and Risk Committee

- Consists of seven Elected Members and an external independent member.
- Guide and assist the City in carrying out its functions under Part 6 Financial Management and Part 7 Audit of the *Local Government Act 1995*, and relating to other audits and other matters related to financial management.
- Review the Chief Executive Officer's Report on (1) the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance as required by Regulation 17 the *Local Government (Audit) Regulations 1996* and; (2) the appropriateness and effectiveness of the financial management systems and procedures of the City under regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.
- Support the auditor of the City to:
    - conduct audits and other duties under the *Local Government Act 1995* in respect of the City.
    - oversee the implementation of any actions in accordance with Regulation 16(f) of the *Local Government (Audit) Regulations 1996*.
- Review and monitor progress of the internal audit program including the scope of internal audits.

Chief Executive Officer

- Leads and promotes a risk aware culture taking appropriate action as required.
- Ensures the identification and management of strategic risks.
- Ensures establishment of a risk management process that is implemented and maintained in accordance with the Risk Management Policy.
- Ensures reviews are undertaken at least once every three years on the:
    - appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance and the appropriateness (as required by Regulation 17 the *Local Government (Audit) Regulations 1996*.
    - effectiveness of the financial management systems and procedures of the City (as required by regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996)*.
- Ensures results of reviews are reported to Council via the Audit and Risk Committee.

Executive Leadership Team

- Consists of the Chief Executive Officer and Directors.
- Promotes a positive risk culture.
- Ensures inclusion of appropriate risk management in all planning activities.
- Manages the strategic risk portfolio including raising new risks as they arise and ensuring mitigation strategies are appropriate and effective.
- Provides appropriate direction for reported risk and associated control activities.
- Provides feedback on the appropriateness and effectiveness of risk management plans, frameworks and procedures.

Risk Management Taskforce

- Consists of the Chief Executive Officer, all Directors, Manager Audit and Risk Services, Internal Auditor, Risk and Business Continuity Advisor and selected employees.
- Focuses on best practice risk management and long term sustainability of the City.
- Reviews policy issues and matters of a high level of impact.
- Ensures that the City's risk management documentation (such as the Policy and Framework) are adhered to.
- Ensures systems and procedures in place support the identification and management of risk.
- Considers training programs to enhance awareness of risk management and promotion of a positive risk culture that embeds risk management across systems and processes.

Audit and Risk Services

Manager

- Reviews the City's risk management documentation (such as the Policy and Framework) alongside feedback received from both internal and external sources.
- Empowers Risk Managers in the management of risk through provision of guidance, tools and appropriate training.
- Ensures periodical risk maturity assessments to highlight areas of improvement.
- Monitors escalation of high and extreme risks for reporting to the Chief Executive Officer (via the Executive Leadership Team) and Council.

Internal Auditor

- Develops a risk-based internal audit program in conjunction with the Chief Executive Officer and Manager Audit and Risk Services.
- Completes internal audit reports detailing observations and making recommendations where appropriate, for risk mitigation and system improvements.
- Provides audit reports to the relevant audience.

Risk and Business Continuity Advisor

- Provides guidance on application of risk management processes.
- Administers the City's electronic risk management system for documenting risk.
- Provides advice on the quality of risk items documented.
- Develops and delivers risk training programs as part of the City's Induction Program and Corporate Training Calendar.
- Facilitates risk discussions where required.
- Provides input to the review of the City's risk management documentation (such as the Policy and Framework) and associated systems and processes.

Directors and Managers

- Provide leadership through a solid understanding of the City's risk management documentation (such as the Policy and Framework).
- Ensure all planning activities use the City's risk management documentation consistently and effectively.
- Monitor use and effectiveness of risk management within their areas of responsibility including appropriateness of documentation and outcomes.
- Support attendance to risk based training.
- Identify and support development of risk champions to allow further integration of risk management into day to day operations.
- Review, update and report risk for the Directorate/Business unit specific plans alongside projects as required.
- Ensure risks are reported appropriately with regard to tolerances and targets.

Employees / Volunteers / Contractors / Suppliers

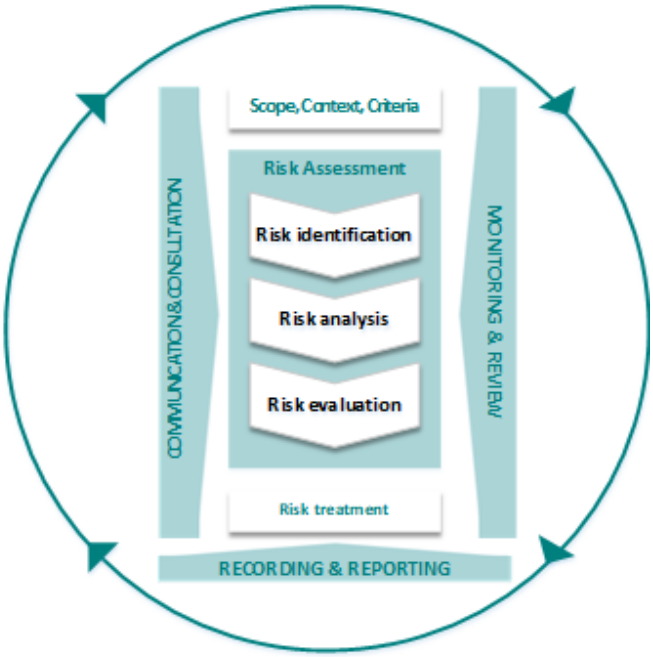
- Identify and raise potential risks within their area of control.
- Apply effective management of risk.
- Escalate all risk information to Business Unit Managers.
- Be aware of the City's risk management documentation (such as the Policy and Framework) and how to apply them as applies to their role.

6. Risk Management Process

Risk management needs an understanding of risk tolerance, the willingness to take risk and the circumstances in which that willingness occurs. Identifying and assessing what events can prevent delivery of objectives, what opportunities for improvement or refinements exist, whether current approaches manage the risk and if further risk treatments are required. Targets set the goal that the City agrees to (based on the business impact), tolerances provide a guide to managing risk outside of those targets and what needs to happen for this to be accepted.

The risk management process is the series of steps that enable risks to be identified, analysed and treated in the context of the environment in which the City operates. The main elements of the risk management process are shown below and are to be incorporated into the City's business planning process. Risk portfolios are to be managed by risk category – strategic, operational and individually identified project risks. Documented accounts of how the process is applied should be maintained alongside plans or as stand-alone documents.

Diagram 3 – The Risk Management Process



Communication and Consultation: Effective internal and external communication and consultation throughout the risk management process allows all stakeholders to understand the basis on which decisions are made.

Scope, Context and Criteria: The risk management process is to be incorporated into the City's business planning process at all levels. An understanding of the impact to objectives from external influences, alongside internal inputs, provides context to the planned activity environment in which the risk criteria defined in this framework can be applied.

Risk Identification: Sources of risk, areas of impact, causes and potential consequences are identified to establish a list of risks based on events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives. Comprehensive identification is crucial; a risk not identified is not included in any analysis.

Risk Analysis: Considers causes and sources of risk, their consequences and likelihood of occurrence in an uncontrolled environment. Existing controls and their effectiveness are then taken into account. Risk analysis provides an input to risk evaluation and decisions on the most appropriate risk treatment strategies.

Risk Evaluation: Risk evaluation assists in making decisions, based on the outcomes of the risk analysis, about risk treatment and priorities. Risk evaluation involves comparing the level of risk found during the analysis process with pre-established target risk. The risk target status and the City's risk attitude will help influence the decisions on risk treatment.

Risk Treatment: Selecting the most appropriate risk treatment option involves balancing the cost and efforts of implementation against the benefits derived. A number of treatment options may be considered and can be applied individually or in combination. Risk treatment plans should be prepared which document how the chosen treatment options will be implemented, either individually or within the planning document.

Monitor and Review: The risk management process should be continually monitored and reviewed to ensure that controls are effective, new information is gathered, latest changes and trends are identified, successes and failures are recorded, lessons are learned, changes in internal and external context are detected and emerging risks are captured.

Refer to the Guidelines for details on the approach and the resources that are used. This includes procedures, practices, roles, responsibilities and activities (including their sequence and timing).