

# Illawarra Shoalhaven Joint Organisation Policy Manual

## Risk Management Framework

An abstract graphic design featuring several thick, overlapping lines in various colors (orange, blue, green, purple, black) that intersect and overlap in the lower right quadrant of the page. The lines are set against a white background.

## 1. PURPOSE

To ensure that Illawarra Shoalhaven Joint Organisation (ISJO) risks are effectively managed it is essential that sound risk management practices are implemented. This document outlines a high-level approach to ensuring that our decisions are made with an understanding of ISJO's risk environment and to facilitate – within ISJO's risk appetite – the taking of risks and capitalising on opportunities as a means of assisting ISJO meet its strategic objectives.

## 2. POLICY INTENT

ISJO maintains a strong commitment to embedding effective risk management into all activities and as such views it as 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. Management must also communicate our risk management framework, plan and procedures throughout ISJO.

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

1. Ensuring Enterprise-Wide Risk Management is integrated into ISJO'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 ISJO's Strategic Priorities
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 ISJO to environment, economic, social and governance objectives.

## 3. Our Strategic Priorities

Risk management is a fundamental component of decision making in all ISJO activities, and all decisions made by ISJO and its Officers will consider the risks involved in taking those decisions and the impact of those decisions on the achievement of ISJO's objectives.

Successful implementation of the risk management framework will enhance the delivery of all four of our endorsed Strategic Priorities:

1. Connectivity
2. Jobs Growth
3. Liveability
4. Environment

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#### 4. POLICY

#### 5. ISJO's Risk Management Framework

ISJO 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. Our Risk Management Framework aims to achieve the proper identification and oversight of all the risks ISJO faces.

ISJO'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 ISJO
- *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 ISJO'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 ISJO (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 ISJO of having a robust risk management framework:

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Source: NSW Treasury's Risk Management Toolkit

**4.2 Risk Management Culture**

Risk Management Culture refers to the set of shared values and behaviours that characterise how ISJO 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.

ISJO 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**

ISJO 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 ISJO's reputation.

In support of this, ISJO will develop a risk appetite for ISJO's most significant risks. This will define the amount of risk ISJO is willing to accept in pursuit of its strategic goals and will form the basis of ISJO's approach to managing risk and taking opportunities in day to day operational activities as well as strategic decision making.

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#### 4.4 Risk Management Plan

A risk management plan will be developed to provide structure for how ISJO will implement its Risk Management Policy and conduct its risk management activities. The primary purpose of the plan is to ensure that the ISJO'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 ISJO 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 ISJO 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 ISJO's Risk Management Framework, and
- how and when the ISJO'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 ISJO. 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 ISJO'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 ISJO's decision-making processes, governance structures, operational procedures and planning and reporting processes.

#### 4.7 Risk Management Framework – Continuous Review

Management 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 ISJO's risk management framework.

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The ongoing monitoring and review of the information gathered from ISJO's risk management processes will be undertaken by our Risk Management Committee (to be introduced formally in 2022) to ensure our Risk Management Framework is up to date.

The Risk Management Committee will undertake an annual assessment that identifies that ISJO's risk register and risk profile are current and appropriate. The results of this review will also be reviewed by our Audit, Risk and Improvement Committee (ARIC) – also to be introduced in 2022.

## 5. REVIEW

This Policy / Framework will be reviewed every two years from the date of each adoption of the policy, or more frequently as required. The Policy / Framework will also be reviewed within one year of any significant restructure or change to ISJO's operating environment.

The reviewed Policy / Framework is to be endorsed by the ARIC before consideration by ISJO.

## 6. REPORTING

The CEO will publish an attestation statement in the ISJO's Annual Report indicating, for the prior financial year, whether ISJO has complied with its risk management requirements.

## 7. ROLES AND RESPONSIBILITIES

### 7.1 ISJO

The ISJO Board is responsible for determining ISJO's Risk Appetite.

The ISJO Board is also responsible, as part of the approval of the annual budget, for the provision of 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 CEO

The CEO has ultimate responsibility and accountability for risk management in the ISJO. This includes:

- approving the ISJO's risk management plan, risk treatment plans, risk register and risk profile
- overseeing the ISJO's risk management framework and ensuring it is effectively communicated, implemented and reviewed regularly
- ensuring ISJO operates within its risk appetite
- promoting and championing a positive risk culture
- ensuring that all ISJO managers and staff (permanent, temporary or contract) understand their risk management responsibilities and that these are included in all job

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descriptions, staff induction programs, performance agreements and performance appraisals

- annually attesting that ISJO's risk management framework complies with statutory requirements and remains contemporary and in line with best practice; and
- approving the ISJO's implementation of corrective actions recommended by the ISJO's internal audit function, external audit and ARIC.

### 7.3 Divisional Managers

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

- promoting awareness of risks and risk treatments that must be implemented
- ensuring ISJO staff are implementing the ISJO's risk management framework as developed and intended and performing their risk management responsibilities
- identifying risks that will affect the achievement of the ISJO 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 Staff

All ISJO 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.

### 7.5 Risk Management Committee (RMC)

The Risk Management Committee oversees ISJO's overall risk management practices and is responsible for ensuring that ISJO's risks are identified, assessed and effectively managed in accordance with this Policy. The RMC also reviews and monitors existing and emerging corporate risks, possible improvements and business continuity arrangements. The RMC will undertake an annual review of ISJO's corporate risk register which will be reported to the ARIC.

### 7.6 Audit, Risk and Improvement Committee (ARIC)

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

- ISJO's risk management framework operates effectively and supports the achievement of the ISJO's strategic goals and objectives

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- ISJO's risk appetite is appropriately reflected in the ISJO's internal control framework
- ISJO is operating within the risk appetite determined by ISJO
- risk management covers all relevant risk categories including strategic, operational, compliance, reputational and reporting risks
- ISJO takes an enterprise risk management approach that is fully integrated into all aspects of the ISJO, including decision-making processes and operations
- risks are formally considered when developing and implementing all ISJO policies, programs, projects and other activities, including procurement

## 8 Related Policies

Related policies include, but are not limited to our Fraud and Corruption Prevention Plan and our Cyber Security Policy.

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