

# Assurance and Risk Policy

## 1. Policy statement

This Policy provides the planned, systematic and transparent process by which the Board and Executive Management are provided with reasonable assurance that strategic risks and material operational risks are effectively managed and improvement opportunities are identified and monitored.

### 1.1 Purpose

To outline a framework for assurance within Western Power that:

1. provides the Board and Executive Management with assurance that Western Power's strategic risks and material operational risks are effectively managed
2. establishes a common understanding of planned and systematic assurance processes
3. defines accountabilities and responsibilities
4. facilitates the transparent and timely reporting of assurance activities
5. provides a structure to identify and monitor improvement opportunities.

### 1.2 Scope

This Policy applies to all Western Power Personnel.

In this Policy, Personnel means:

1. every employee, officer and director of Western Power
2. every contractor of Western Power when performing activities on behalf of Western Power.

### 1.3 Outcomes

Consistent and effective assurance is provided to the Board and Executive Management that Controls are designed and operating effectively to manage strategic risks and material operational risks, enabling Western Power to achieve its strategic objectives.

### 1.4 Principles

1. Western Power will undertake assurance activities in accordance with the assurance framework in this Policy to address strategic risks and material operational risks.
2. Risks will be identified as a part of developing Western Power's enterprise strategy, through understanding the key processes in the value chain and with consideration of our regulatory and compliance obligations that could impact the achievement of strategic objectives. The Board, with Executive Management, determine the strategic risks for Western Power. These risks are reviewed at least once per annum to ensure they are still apposite to Western Power's internal and external environment.





3. Assurance and risk activities will be coordinated under the oversight of Board via the Finance and Risk Committee to ensure good governance outcomes and the meeting of the expectations of stakeholders.
4. Generally, greater assurance coverage and independence of assurance should be provided over the processes and Controls that will have the greatest business impact if they fail, as outlined in the Process Control Assurance Standard.
5. The assurance framework employs four lines of defence to ensure risks are effectively managed and improvement opportunities are identified and monitored.
6. The four lines of defence are summarised as follows:
  - (a) The First Line of Defence (**line 1**) is formed by all managers and staff who are responsible for identifying and managing risks in their respective areas of accountability. Management will do this through the design and operation of processes and Controls that provide reasonable assurance that strategic risks and material operational risks are appropriately mitigated or being actively managed.

Management is responsible for confirming that their processes and Controls are designed effectively and operating as intended, and for implementing corrective actions to address process and Control deficiencies.

The First Line of Defence is not necessarily independent (or has low independence) but is exercised frequently and extensively to supervise operational Control activities.

- (b) The Second Line of Defence (**line 2**) are assurance activities designed by management to perform a compliance or improvement review of line 1 processes and Controls to monitor their effectiveness. Due to the specialist nature of many operational risks, subject matter experts may be used from different parts of the business or sourced externally.

Each function will provide transparency on the review scope, activities and reporting, so that the review can be taken into account when planning other lines of defence so as to minimise disruption and duplication. This line of defence generally performs more frequent assessments than the third line.

- (c) The Third Line of Defence (**line 3**) sits outside the risk management processes of line 1 and line 2 and is delivered by Internal Audit with oversight by the Finance & Risk Committee.

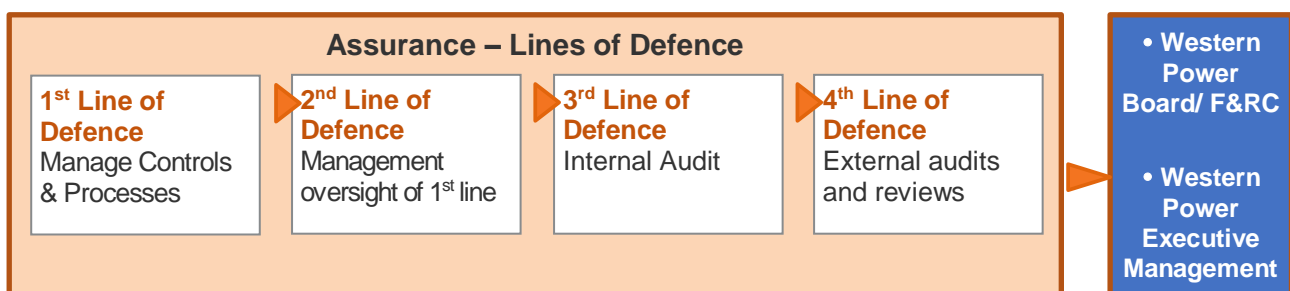
This line 3 provides independent assurance that line 1 and line 2 are operating adequately and effectively, and advises on how those lines could be improved. It provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management and internal control, and reports on its findings to the Board and Executive Management to help provide assurance that strategic risks and material operating risks are being managed effectively.

This Third Line of Defence has a high level of independence from management.

- (d) The Fourth Line of Defence (**line 4**) includes external governance activities that are conducted by auditors appointed by, and reporting directly to, external stakeholders and regulators. Findings are typically shared with Western Power’s Executive Management and Board to provide opportunity for governance improvements.

The scope and frequency of the Fourth Line of Defence is generally not under the control of Western Power. However, results from the Third Line of Defence activities can be used to reduce any duplication of effort where possible and appropriate.

7. The Board sets the Risk Appetite for the corporation. Assurance activities developed by Management under the framework in this Policy for managing strategic and operational risks must ensure that the risks are managed in accordance with the Risk Appetite Statement approved by the Board.
8. The results of the assurance activities (under the four lines of defence) will be reported to the Board, Executive Management and relevant regulators, as appropriate, to provide reasonable assurance that strategic risks and material operational risks are managed appropriately. The diagram below illustrates how the four lines of defence are used to monitor the existence, adequacy and effectiveness of process Controls and management of associated strategic and operational risks.



## 1.5 Supporting document structure

This Policy is supported by the following standards and frameworks.

Title	EDM reference
Organisational resilience framework	EDM 42240305
Enterprise risk management standard	EDM 41495635
Process control assurance standard	EDM 41488206
Internal Audit charter	EDM 31064221
Business continuity management standard	EDM 41492536
Compliance framework	EDM 41810462
Corporate compliance standard	EDM 41816353

## 2. Dictionary

Words in the first column of the following table are defined terms and have the corresponding meaning shown in the second column of the table. Defined terms appear in this document as capitalised.

Defined term	Meaning
Personnel	Has the meaning in section 1.2 of this document.
Control	A process, policy, practice or other action that modifies risk through the elimination or minimisation of negative risk or enhancement of positive opportunities.

## 3. Further information

If you have any questions in relation to this Policy, please contact either the Head of Governance Risk and Compliance or General Counsel – Executive Manager Governance and Assurance

## 4. Content owner

General Counsel - Executive Manager Governance and Assurance

## 5. Accountabilities

<b>General Counsel - Executive Manager Governance &amp; Assurance is accountable for:</b>	<ol style="list-style-type: none"><li>1. Implementing this Policy</li><li>2. Publishing in Western Power's corporate policies register the approved version of this Policy, and any standards and frameworks issued under it</li><li>3. When requested reviewing related frameworks and standards for consistency</li><li>4. Ensuring that Personnel affected by this Policy and its related standards and frameworks are aware of their responsibilities</li><li>5. Ongoing education (as necessary)</li><li>6. Monitoring compliance with the requirements of this Policy and its related standards and frameworks where practicable</li></ol>
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7. Ensuring that appropriate remedial actions are implemented if there are compliance breaches, and
8. Monitoring the continuing relevance of this Policy and the currency of its contents.

## 6. Responsibility

The responsibility for each line of defence is defined below:

Line of defence	Responsibility
First Line of Defence	Senior, middle and front-line management
Second Line of Defence	Individual Heads of Functions with consultation and coordination with Head of Governance Risk & Compliance
Third Line of Defence	Internal Audit Team under oversight from the Finance and Risk Board Committee
Fourth Line of Defence	External third party/Regulator

## 7. Review

This Policy will be reviewed and evaluated by the Board at least once in every three-year period.

## 8. Approval history

Version	Approved by	Date of approval	Resolution no.	Notes
1.	Board	01/04/2014	076/2014/BD	
2.	General Counsel	29/12/2015	04/2015/BD	Minor changes approved under delegated authority of the Board.
3.	General Counsel	25/01/2017	04/2015/BD	Minor changes approved under delegated authority of the Board.
4.	General Counsel	02/05/2017	82/2017/BD	Minor changes approved under delegated authority of the Board.
5.	Board	04/12/2018	039/2019/BD	



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