

**Audit, Finance & Risk Committee
22 February 2018**

Report for Agenda Item 3

Department: Corporate Services

Risk Management Update

Purpose

The purpose of this report is to provide the Audit, Finance & Risk Committee with an update in relation to QLDC's risk management process, ethos and approach on-going.

Recommendation

That the Audit, Finance & Risk Committee:

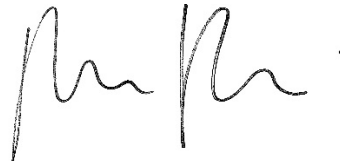
1. **Note** the contents of this report

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8 February 2018

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8 February 2018

Background

- 1 In December 2014, the Council adopted a risk management framework and a risk register that details seven strategic risks:
 - a. SR1 Current and future development needs of the community (including environmental protection).
 - b. SR2 Business capability planning – delegation ownership and business continuity.
 - c. SR3 Management practise – working within legislation.
 - d. SR4 – Comprehension/disclosure of conflict in decision making processes (staff and elected members).
 - e. SR5 Staff capacity (internally and contractually) to meet organisational needs.
 - f. SR6a Assets critical to service delivery (infrastructure assets).
 - g. SR6b Asset critical to service delivery (property).
 - h. SR7 Planning, training and capacity for emergency response.
- 2 For each of the strategic risks a mitigation plan was also adopted to monitor the controls in place.
- 3 In the March 2017 Audit, Finance and Risk Committee meeting, the following principles were noted:
 - a. In order to continue to mature the risk management culture across the organisation in partnership with the Audit, Finance and Risk Committee, it is timely to re-affirm key principles, review structures and tools and launch development initiatives.
 - b. QLDC is an organisation where discussion of risk is inherent to every decision, project and operational activity. Risk management should not focus purely on compliance, but should be central to strategy, governance, performance management, project management, quality management and continuous improvement. Risk management is an effective lever to drive change, as well as to apply the brakes.
 - c. It is essential to align risk management with the strategic framework of values, outputs and outcomes outlined within the Ten Year Plan.
 - d. This approach will be most effectively driven from the top down, with the Audit, Finance and Risk Committee providing an important public forum for the discussion of significant, strategic risks and overview of the processes that will support effective mitigation and management. It will be an invaluable forum to monitor risk management performance, test key concepts and collaborate on new ideas.
- 4 It was also outlined that the following actions would be undertaken to refresh and update the model:
 - a. Re-establish the context for the risk framework, establishing the impact of rapid growth on the tools and parameters offered

- b. Explore opportunities to define risk appetite at a governance and Executive Leadership Team level.
- c. Review all of the tools provided and make recommendations for adjustment as appropriate (i.e. likelihood and consequence structures).
- d. Create a process for the removal and addition of risks from the Strategic Risk Register, the Strategic Risk Mitigation Plans and Operational Risk Registers.
- e. Convene a Risk Management Working Group (RMWG). This group will meet monthly to review strategic and operational risk mitigation plans, reporting to the Executive Leadership Team. It will lead the development of risk management culture throughout the organisation, through effective process, technology, training, communications and engagement activities

Progress and Developments

- 5 The RMWG has met twice since the last Audit, Finance and Risk Committee and will continue to meet monthly, chaired by the Corporate Manager and reporting to the Executive Leadership Team.
- 6 The RMWG has continued with its programme of work, scheduled to provide quarterly updates to the Audit, Finance and Risk Committee and to align with the ICT project road map.
- 7 The RMWG has identified the following objectives:
 - a. Establish risk appetite across each function
 - b. Develop a clear, streamlined reporting process
 - c. Simplify the process of risk management with clear guidelines and documentation
 - d. Build a healthy risk management culture across all management and governance tiers
- 8 Since the meeting of the last committee, the following tasks have been undertaken:
 - a. The RMWG has expanded to include a representative from Community Services (on behalf of Sport & Recreation, Libraries, Parks and Reserves and Parks Service Delivery).
 - b. The RMWG created a facilitated workshop format, to introduce tier 3 managers to the core concepts of the new risk management framework. The workshop addressed:
 - i. Project objectives
 - ii. Project Background
 - iii. Key concepts in the new risk management framework
 - iv. Categories for the new risk register

Sessions have been held with Property & Infrastructure, Planning & Development and Corporate Services. Finance, Legal & Regulatory and Community Services have scheduled the workshop to occur this month.

Following the facilitated workshops, each division has provided a preliminary list of potential risks for inclusion in the simplified risk register based upon the categories outlined.

- c. Initiated detailed scoping exercise for the TechOne Risk Management Module, to enable procurement of suitable contract support.

Next Steps

- 9 In advance of the May committee meeting, the following activities will be undertaken:
 - a. Continue to update, populate and refine the Risk Register
 - b. Create the Risk Appetite Model in preparation for review by the Council
 - c. Develop a change management programme to address:
 - i. Training, communications and engagement
 - ii. Implementation of new software
 - iii. Management understanding of responsibilities and methodologies
 - iv. All staff understanding of risk management principles

Note: development of the change management plan has been delayed pending completion of the detailed scoping of the TechOne Risk Management Module.

- 10 It is intended that the organisation will have transitioned to the new approach by 1 July 2018, in alignment with the Ten Year Plan.

Options

- 11 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:
- 12 Option 1 The report is for noting only.

Significance and Engagement

- 13 This matter is not significant as it is not considered to adversely affect the level of service or the manner or extent to which the Council delivers its services.

Risk

- 14 This matter relates to the strategic risk SR3 Management practice – meeting legislation, as documented in the Council’s risk register. The risk is classed as moderate. This matter relates to this risk because it is important that risks are effectively mitigated to enable the Council to deliver levels of service and key projects stated in the Long Term Plan.

Financial Implications

- 15 The report is for noting. There are no unbudgeted cost implications arising from this report.

Council Policies, Strategies and Bylaws

16 The report relates to the Council's Risk Management Framework, which includes the Risk Management Policy.

17 This matter is included in the Ten Year Plan 2015-2025 (to be adopted) by means of risk disclosures.

Local Government Act 2002 Purpose Provisions

18 The content of this paper:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by ensuring that the risk events that could prevent the Council delivering these services/functions are mitigated;
- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

Consultation: Community Views and Preferences

19 No persons or parties are affected by the recommendation of this report.

Attachments

A Strategic Risk Register

Strategic Risk Register

STAGE 1 - RISK IDENTIFICATION							STAGE 2 - ANALYSIS OF UNCONTROLLED RISK						STAGE 3 - RISK CONTROLS AND ANALYSIS OF CONTROLLED RISK						STAGE 4 - RISK CLASS								
RISKS							Risk Owner						Current Controls						Controlled Risk								
Risk ID	Case ID	Description	Causal Factor	Nature of Risk	Justification/Context	Assigned to..	Consequence Score					Uncontrolled Risk Score	Consequence Score					Level of risk 1(low) to 25 (high)	Control		Consequence Score		Likelihood	Level of risk 1(low) to 25 (high)	Risk Class 1 (insignificant) to 5 (very high)		
							Political	Economic	Social	Technical	Legal	Environmental		Political	Economic	Social	Technical	Legal	Environmental								
SR1		Current and future development needs of the community (including environmental protection)	10 Year Plan, District Plan and Asset Management Plans	Strategic	Economic, social, environmental, reputational risk	GM Planning GM Infrastructure GM Finance	4	4	4	5	3	4	4	5	5	20	See risk mitigation plan SR001 for risk components for current development needs and future development needs	4	3	4	5	4	4	3	3	12	High
SR2		Business capability planning - delegation ownership and business continuity	HR planning, systems planning and continuity planning to meet organisational needs	Strategic	Central Government Intervention (appointment of commissioners) and liability	Director CEO Office/HR Manager GM Planning Infrastructure	GM	4	3	4	5	3	1	4	5	20	See risk mitigation plan SR002	3	2	1	3	2	1	2	3	6	moderate
SR3		Management Practise - working within legislation	Local Government Act, Resource Management Act, Building Act or Health and Safety Act e.g. failure to issue code of compliance certificates, work within statutory obligations, resource consent conditions (omissions)	Strategic	Death or Injury, Central Government Intervention (appointment of commissioners)	Director of CEO office/HR Manager Legal and Regulatory Planning	GM GM	5	4	4	5	4	3	4	4	16	See risk mitigation plan SR003, which contains risk components related to legislative requirements	3	2	1	3	2	1	2	3	6	moderate
SR4		Comprehension/disclosure of conflict in decision making processes (elected members/staff)	Fraud, poor disclosure practices, information breach	Strategic	Judicial review, erosion of public confidence, liability, disciplinary proceedings, reputational issues	Director of CEO office/HR Manager Legal and Regulatory GM Planning GM Finance	GM	3	1	3	4	4	1	3	5	15	See risk mitigation plan SR004	2	1	2	2	2	1	2	3	6	moderate
SR5		Business capacity (internally and contractually) to meet organisational needs	Performance data to support organisational needs, employment market and contractors within the market	Strategic	contractual liability, service failure, lack of business continuity	Director of CEO office/HR Manager Infrastructure GM Planning GM Finance	GM	3	2	3	4	2	1	3	5	15	See risk mitigation plan SR005	2	1	2	2	1	1	2	3	6	moderate
SR6a		Assets critical to service delivery (infrastructure assets)	Third party damage, performance management, project and financial management capability, security and safety measures, data	Strategic	illness/death, reputational, financial, legal	GM Infrastructure	4	5	4	5	4	4	4	3	12	See risk mitigation plan SR006a for list of critical assets and associated management plans	3	3	2	3	2	2	3	2	6	moderate	
SR6b		Assets critical to service delivery (property)	Third party damage, performance management, project and financial management capability, security and safety measures, data	Strategic	illness/death, reputational, financial, legal	GM Operations	3	3	4	4	4	1	3	4	12	See risk mitigation plan SR006b	3	3	4	4	4	1	3	4	12	High	
SR7		Planning, training and capacity for emergency response	Response to earthquake, flood, fire, snow event, wind damage, pandemic	Strategic	social, recovery impact, liability, reputational, loss public confidence	CEO, Director of CEO office	5	1	5	4	5	5	4	1	4	See risk mitigation plan SR007	3	1	3	3	1	4	3	1	3	low	