Audit and Risk Committee
5 October 2017

Report for Agenda Item 3

Department: Corporate Services

Risk Management Update

Purpose

1   To provide the Committee with an update in relation to QLDC's risk management
    process, ethos and approach on-going.

Recommendation

That the Audit and Risk Committee:
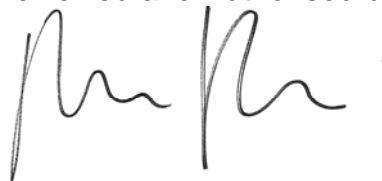
   1. **Note** the contents of this report.

Prepared by: Reviewed and Authorised by:

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21/09/2017   21/09/2017

Background

2   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.

3   For each of the strategic risks a mitigation plan was also adopted to monitor the controls in place.

4.   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 three times 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 identified a potential 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, a workshop was held with the Executive Leadership Team to address the following:

    a. Risk Appetite model, based on the Operational Risk Register

    b. Validation and review of the Strategic Risks

c. Validation and review of the PESTLE consequence tool

d. A simplified Risk Register, which incorporates the Mitigation Plans

e. Change control guidelines for updating the Risk Register

f. Project risk management

g. Standing agenda for the RMWG

h. High level approach to change management during implementation

i. Recommended reporting structure and triggers

9   The workshop reviewed all activity undertaken to date and agreed the following principles:

a. That the **Risk Management Framework** would be updated to include:

   i. clear definitions of relevant risk terminology

   ii. environmental context and background (the assumptions from the Ten Year Plan)

   iii. a simplified consequence tool

   iv. updated consequence and likelihood thresholds

   v. an updated reporting model, change control process and review log

   vi. a process for adding, amending and retiring risks from the register

b. That the **Risk Register** would be adjusted to enable:

   i. inclusion of all existing strategic and operational risks within one register, categorised accordingly as one (or more) of the following:

      • Strategic / Political
      • Staff
      • Regulatory / Compliance
      • Community
      • Finance
      • Business Continuity
      • Reputation / Image
      • Technical / Engineering
      • Environmental
      • Health and Safety

   ii. inclusion of all mitigation plans within the risk register, thereby transferring and retiring existing mitigation plans

      iii. a structure that enables visibility of uncontrolled risk, fully controlled risk and current status (i.e. partially mitigated risk)

      iv. clear ownership of each risk by a General Manager

      v. clear ownership of each mitigation action

  c. That a **Risk Appetite** model would extract data from the Risk Register to demonstrate current risk positioning across each category (as listed above). Levels of risk appetite would be agreed with the Council and this model would be used to identify trigger points and reporting by exception to the Audit, Finance and Risk Committee.

Next Steps

10 In advance of the December committee meeting, the following activities will be undertaken:

  a. Finalisation of the Risk Management Framework

  b. Update and populate the Risk Register

  c. Create the Risk Appetite Model in preparation for review by the Council

  d. Establish a software solution to enable effective and efficient risk management across the organisation

  e. 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

11 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 <u>Option 1</u> 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 10-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 10-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

Risk ID	Cause ID	Description	Causal Factor	Nature of Risk	Justification/Context	Assigned to..	Political	Economic	Social	Technical	Legal	Environmental	Consequence	Likelihood	Level of risk 1(low) to 25 (high)	Control	Political	Economic	Social	Technical	Legal	Environmental	Consequence Score	Likelihood	Level of risk 1(low) to 25 (high)	Risk Class 1 (insignificant) to 5 (very high)
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	20	See risk mitigation plan SR001 for risk components for current development needs and future development needs	4	3	4	5	4	4	4	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 GM Infrastructure	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 GM Legal and Regulatory GM Planning	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 GM Legal and Regulatory GM Planning GM Finance	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 GM Planning GM Finance	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