

**Chairperson and Committee Members**  
AUDIT AND RISK COMMITTEE

16 FEBRUARY 2017

Meeting Status: **Public**

Purpose of Report: For Information

## **RISK MANAGEMENT FRAMEWORK UPDATE**

### **PURPOSE OF REPORT**

- 1 This report updates the Audit and Risk Committee on the on-going implementation of the Enterprise Risk Management (ERM) framework.

### **DELEGATION**

- 2 The Audit and Risk Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3.

*Ensuring that Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.*

### **BACKGROUND**

- 3 At its meeting on 12 February 2015, the Audit and Risk Subcommittee<sup>1</sup> endorsed the implementation of a proposed ERM framework, consistent with the widely accepted and adopted “ISO 31000 Risk Management Principles and Guidelines’.
- 4 However, the Subcommittee requested further investigation be carried out:
  - to more precisely determine the current level and effectiveness of risk management practices across the whole of Council;
  - to identify the highest value opportunities for improvement; and
  - to recast a more tailored, prioritised implementation plan.
- 5 Interviews were held with a number of Councillors and senior managers and a review and analysis of key documentation was undertaken. The initial findings from the interviews and analysis were grouped into ‘key themes’ and presented to the Subcommittee at its meeting of 5 May 2015.
- 6 Furthermore, a revised implementation plan, encompassing the assessed and agreed priorities, was approved by the Subcommittee. (Refer to Appendix 1).
- 7 A progress update on the revised implementation plan was provided to the Subcommittee at its meeting of 6 August 2015. This mainly included drafting the key founding documents: Risk Management Strategy; Risk Management Policy and a Training Guide that needed to be presented to the Senior Leadership Team for review and/or approval.

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<sup>1</sup>The Audit and Risk Committee was a Subcommittee of the Corporate Business Committee in the 2013-16 triennium.

- 8 Due to lack of resource and conflicting priorities, no progress has been made since August 2015.

## ISSUES AND OPTIONS

- 9 The implementation of an effective ERM is a continuously evolving process which may require iterations at each stage of implementation. Therefore a balance must be struck between making progress on agreed deliverables and on-going review and adjustment of the model.
- 10 Notwithstanding this and whilst unavoidable, this slow rate of progress needs addressing. To best protect the Council, implementation of the ERM framework needs to be accelerated.
- 11 As previously reported, the intended outcomes from achieving this implementation will include:
- stakeholders, external auditors, Council and management achieve high levels of assurance that the real risks are being identified and managed effectively;
  - better decision making throughout the business through greater awareness of the real risks (threats and opportunities);
  - clarification and socialisation of the notion of Council's risk appetite and tolerance;
  - the achievement of greater transparency and trust between Council, management and staff through the sharing of critical information.
- 12 Therefore, the independent consultant, previously engaged in an advisory capacity, to assist Council Officers with the development and implementation of ERM, will now be engaged to complete this work in a facilitative and collaborative manner, within seven months. This includes the following work streams:
- review and agree with management the areas of the business where risk management implementation will provide the greatest value;
  - develop a targeted programme of risk workshops at Council; Committee; Senior Leadership and Group levels; and encourage the right conversations;
  - work with the Council's business groups to socialise and incentivise the day-to-day management of risks in the more routine activities;
  - develop a risk communication/reporting process at, and between, the following levels;
    - a. Council/ Committees
    - b. Senior Leadership
    - c. Business Units / Groups
    - d. Projects, Asset Management

## **CONSIDERATIONS**

### **Policy Implications**

- 9 An ERM Policy has been drafted, and pending Senior Leadership Team approval, will become operative. This Policy will inform an ERM framework that provides focus, facilitation and engagement on how:
- Policies, procedures and programmes are developed to manage identified risks; and
  - Risks are managed at essential levels of activity to support the achievement of relevant objectives.

### **Legal Considerations**

- 10 There are no legal considerations at this time.

### **Financial Considerations**

- 11 The cost of the independent consultant in providing assistance to complete the implementation of Council's ERM framework will be absorbed within the 2016/17 Annual Plan budget, by way of re-prioritisation. No new budgets will be required.

### **Tāngata Whenua Considerations**

- 12 There are no tāngata whenua considerations.

### **Publicity Considerations**

- 13 There are no publicity considerations at this stage.

## **SIGNIFICANCE AND ENGAGEMENT**

- 14 This matter has a low level of significance under the Council Policy.

## **RECOMMENDATIONS**

- 15 That the Audit and Risk Committee notes the proposed approach to accelerate the implementation of Council's Enterprise Risk Management Framework.

**Report prepared by:**

**Approved for submission by:**

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**Approved for submission by:**

**Sarah Stevenson  
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**Attachment:**

Appendix 1: Implementation Priorities

**Appendix 1**

Revised Implementation Plan Priorities (2015) as detailed in report (Corp-17-092).

<b>Implementation Priority</b>	<b>Target Completion Date</b>
Develop a Risk Management (RM) Strategy	end of August 2015
Develop a RM Policy	end of August 2015
Communicate RM Strategy and Policy to whole of Council	end of August 2015
Establish annual Risk Workshop for Senior Leadership Team (SLT)	mid-November 2015
Establish quarterly Risk Workshops / Reviews at a Group level	starting in 2015/16
Develop a RM Education Programme and integrate where appropriate with 'Open for Business' and 'Caring, Dynamic, Effective' projects	Starting in next round
Provide greater incentives for implementation of RM practices in the project management manual and consider wider applications of principles	September 2015
Reinforce sound RM thinking and expectations within the Communications team to leverage better performance across critical parts of the business	end of October 2015
Review and report on the implementation of the project management manual requirements, especially RM, across a sample of projects	November 2016
Discuss opportunities for improving the line of sight between strategy and day to day activities, integrating RM considerations	November 2016
Evaluate linkages to and mutual support from the business continuity project	November 2016