

Chairperson and Committee Members
AUDIT AND RISK COMMITTEE

30 MAY 2019

Meeting Status: **Public**

Purpose of Report: For Information

RISK MANAGEMENT - BUSINESS ASSURANCE UPDATE

PURPOSE OF REPORT

1. This report primarily 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. The key elements of the Enterprise Risk Management Framework include:
 - Risk Management;
 - Business Continuity Management;
 - Business Assurance; and
 - Procurement Improvement Programme.
4. Independent consultants have been engaged to complete the work streams with Council officers to:
 - review and agree with management the areas of the business where risk management implementation will provide the greatest value and work with the Council's business groups to embed the day-to-day management of risks in the more routine activities;
 - develop a risk communication/reporting process at and between, the following levels:
 - Council/Committees;
 - Senior Leadership Team (SLT);
 - Business Units/Groups; and
 - Projects, Asset Management.
 - develop a Business Continuity Management System for effective response to a range of potential business disruptions;
 - provide Fraud Awareness training. PwC provided initial training to the Leadership Forum in August 2017;
 - provide Business Assurance oversight and complete business assurance work; and
 - improve the understanding and tools to support good procurement practices.

5. 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); and
 - clarification and socialisation of the notion of Council's risk appetite and tolerance.

ENTERPRISE RISK MANAGEMENT PROGRESS UPDATE

6. Guidance for the risk management, procurement and assurance work has been established through a collaborative process with Council staff.
7. Since July 2017, the work has focussed primarily on tangible outputs, as discussed separately below.

Corporate Risk Profile

Current Status

8. As part of the implementation of the Enterprise Risk Management (ERM) a risk profile, comprising a risk register and risk treatment plan, was established, which is subject to an approximate quarterly update by management that is then reported to Audit and Risk. The focus is on identifying, managing and communicating the very highest strategic and operational risks that the organisation faces.
9. Engagement on the risk profile now routinely includes conversation with activity managers as well as Group Managers. The overall risk management culture and practice is improving and risk conversations are widening.
10. The concept of risk acceptance is being further explored and embedded, i.e. certain moderate level risks may be overtly tolerated by the business in the context of the costs or impracticalities to further mitigate the risk.
11. The profile was reviewed and updated by the Group Manager and the relevant activity managers of each group during the quarter. A consolidated conversation on the profile was then held with SLT.
12. The profile including an Executive Summary and risk ranking tables is attached as Appendix 1.
13. Similar to previous Audit and Risk Committee meetings, a risk "deep dive" conversation agenda item has been included in this report. The "deep dive" provides an opportunity for committee members to engage and gain a deeper insight on a specific risk with the relevant Group Manager risk owner and any particular subject matter expert. Two "deep dive" topics have been chosen:
 - Procurement Overview; and
 - Weathertight Claims.
14. Committee members are invited to nominate risks for "deep dive" for future meetings.

Areas for Improvement

15. Risk management culture and practice will move to be ensuring consistency in the project and portfolio management area and educational risk management work at activity manager level has occurred.
16. All critical decision-making functions within the business will be further supported, if not already done so, with appropriate risk management incentive and practice.

Corporate Business Continuity Management System (BCMS)

17. 'Business Disruptions' is a high level risk on the corporate risk profile.
18. To address this risk, Council is underway with a BCMS development programme. The objective of the programme is to ensure that, following a disruptive incident, Council has the systems and capability to continue the delivery of its critical activities and services within acceptable, predefined levels.
19. This programme builds on some work carried out in early 2017 to develop Business Continuity Plans (BCPs) for critical corporate activities:
 - payroll (HR and Finance);
 - loss of office buildings;
 - supplier payments; and
 - customer call centre.
20. The development programme is being staged over 2018/19 and 2019/20 years.
21. The programme development is interactive and includes:
 - establishment of BCMS policy and guidance material (draft complete);
 - Business Impact Analysis to identify all critical activities (complete);
 - development of BCPs for identified critical activities;
 - review of existing BCPs;
 - identification of critical dependencies and resource needs including ICT;
 - leadership requirements during an event; and
 - test and exercise programme development and implementation.
22. BCPs have recently been developed for:
 - Drinking Water Supply.
 - Laboratory Water Testing.
 - Wastewater Services.
 - Electoral Services.
23. Business continuity has recently been strengthened with the formation of a Continuity Leadership Team (CLT) comprising the GM Corporate Services and the Business Improvement Manager. The CLT provides guidance and support for further BCMS development, exercises and real responses.
24. The development and implementation of a BCP test and exercise programme is a priority.

Procurement Function Review

25. The procurement specialist has been contracted until the end of May 2019, to build up the level of capability across the organisation.

26. A refresh has been completed of key council template contracts since the last meeting and they are in the final stages of review.
27. System improvements continue to be focussed on: intranet and external website content; spend and supplier data; capture, management and utilisation of contract information and procurement controls.
28. The procurement improvement programme is beginning to deliver a range of benefits to the Council, with evidence showing an increased focus on good procurement practice. Staff are better supported with the procurement aspects of their jobs and are developing improved procurement capability.
29. Focused training on procurement was provided to new senior staff in February to ensure good practice continues through the effective use of the procurement policy and manuals. Staff across the organisation have also been actively seeking clarification and advice from the specialist.
30. More strategic and collaborative procurement approaches are being explored. These changes will help to lower the risks associated with poor procurement practice and will help to improve the value for money being achieved.

Internal Audit Programme

31. The Council does not currently have dedicated internal audit resources. The focus for the quarter has been on procurement.

CONSIDERATIONS

Policy Implications

32. There are no further policy implications arising from this report.

Legal Considerations

33. There are no further legal considerations arising from this report.

Financial Considerations

34. The cost of the independent consultants will be funded from within the 2018-38 LTP budget.

Tāngata Whenua Considerations

35. There has been no engagement with tāngata whenua regarding this paper.

Publicity Considerations

36. There are no publicity considerations at this stage.

SIGNIFICANCE AND ENGAGEMENT

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

RECOMMENDATIONS

38. That the Audit and Risk Committee notes the progress on the Council's Enterprise Risk Management Framework.

Report prepared by:

**Approved for
submission by:**

**Approved for
submission by:**

**Jacinta Straker
Chief Financial Officer**

**Ewen Church
Acting Group Manager
Corporate Services**

**Janice McDougall
Group Manager
People and Partnerships**

Appendix 1: Corporate Risk Register