

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

13 SEPTEMBER 2018

Meeting Status: **Public**

Purpose of Report: For Information

**RISK MANAGEMENT UPDATE - 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
  - Procurement Improvement Programme
- 4 Independent consultants have been engaged to complete the work streams in a facilitative and collaborative manner with Council officers:
  - 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 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;
    - Council/ Committees
    - Senior Leadership
    - Business Units / Groups
    - Projects, Asset Management
  - provide Fraud Awareness training. PwC provided this training to the Leadership Forum in August 2017; and
  - provide Business Assurance oversight and complete business assurance work
  - 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);
  - 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 provided by independent consultants 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 Enterprise Risk Management (ERM) a risk profile, comprising a risk register and risk treatment plan is subject to quarterly update by management and 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 The profile was reviewed and updated individually by Group Managers and then a consolidated conversation was held with SLT.
- 10 The profile including an Executive Summary and risk ranking tables is attached as Appendix 1.
- 11 A risk "deep dive" conversation agenda item is introduced for this and future Audit and Risk meetings. 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.
- 12 The "deep dive" selected for this meeting is the Wastewater Consent Paraparaumu risk owned by the GM Infrastructure Services.
- 13 Audit and Risk are invited to nominate a risk for "deep dive" at the next meeting.

#### Areas for Improvement

- 14 Engagement on the risk profile is being progressively extended from Group Managers to also include group leadership activity managers and other subject matter experts in order to improve risk management culture and to better inform the corporate risk profile.
- 15 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.

- 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)**

#### Current Status

- 17 The corporate Business Continuity Management System (BCMS) also falls under the broad umbrella of ERM.
- 18 A limited number of Business Continuity Plans (BCPs) were developed in 2016/17 to cover some immediate natural hazard risks, these were:
- Corporate – Loss of Buildings
  - Customer Services - Customer Call Management
  - Finance (Payroll & Supplier Payments)
  - HR (Payroll)
- 19 'Business Disruptions' remains a high current risk on the corporate risk profile.
- 20 In order to mitigate the risk a business impact analysis identifying remaining critical activities has been recently undertaken. Further to this, a prioritised BCMS development plan for 2018/19 and 2019/20 has since been approved and resourced.

#### Areas for Improvement

- 21 Outputs from the planned BCMS development work will be;
- a) BCMS Policy established;
  - b) Existing Business Continuity Plans reviewed and updated;
  - c) Approximately 20 new BCPs, will be developed encompassing remaining critical activities developed in order of priority;
  - d) BCPs well integrated with ICT Disaster Recovery;
  - e) Crisis Management Team re-established and functional;
  - f) BCPs socialised with all staff;
  - g) BCP test and exercise programme developed and implemented;
  - h) Staff emergency communications resources established; and
  - i) Alternate working locations and arrangements confirmed.

### **Procurement Function Review**

- 22 A procurement specialist has been contracted for 12 months, to build up the level of capability across the organisation.
- 23 Since the last meeting the procurement policy and staff manual have been finalised and training workshops have been provided to staff. In addition, a category strategy has been completed for the three waters and regular clinics have been set up for staff to seek advice from the procurement specialist.

- 24 In addition we are actively recording all procurement queries and advice to gain insight into further training requirements.
- 25 The focus for the next quarter will be on continuing to support and train staff and build up the reporting capability for procurement spending. Work will also be completed on the development of the Procurement Strategy.

### **Internal Audit Programme**

- 26 The Council does not currently have dedicated internal audit resources. At present, this is resourced externally through PricewaterhouseCoopers (PwC), similar to the model employed by Greater Wellington Regional Council. The following is an update on the key work in the area:

#### *Review and assess the Council's Fraud Control Framework*

- 27 PwC provided training to the Leadership Forum in August 2017. The intention is to engage PwC to expand on this initial workshop during the year. This will involve undertaking workshops with each operational group to review initial fraud risks identified and expand upon these to clarify controls in place or that should be in place.

#### *Business Assurance Charter and Strategy*

- 28 The implementation of the recommendations following the cash handling review is progressing well and is on track with the revised deadline of December 2018. Finance seconded a staff member onto the project to ensure that the recommendations raised by PwC in relation to fraud and error have been adequately addressed.
- 29 The Council are proposing to engage PwC to complete the unusual transactions review as well during the second half of the year.

### **Tax Compliance and Governance**

- 30 There has been no specific work completed in this area since the last meeting.

## **CONSIDERATIONS**

### **Policy Implications**

- 31 There are no further policy implications arising from this report.

### **Legal Considerations**

- 32 There are no further legal considerations arising from this report.

### **Financial Considerations**

- 33 The current proposed programme is budgeted within the approved 2018-38 LTP budget.

### **Tāngata Whenua Considerations**

- 34 There are no tāngata whenua considerations.

## Publicity Considerations

35 There are no publicity considerations at this stage.

## **SIGNIFICANCE AND ENGAGEMENT**

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

## **RECOMMENDATIONS**

37 That the Audit and Risk Committee notes the progress update regards the Council's Enterprise Risk Management Framework.

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Appendix 1: Corporate Risk Register

# RISK PROFILE EXECUTIVE SUMMARY

## New Risks or Increases in Risk Levels

There are no new risks since last report. 3 risks have however increased in perceived level;

- Staff Recruitment and Retention (Recruitment challenges and organisational change factors generate further degrees of uncertainty). This risk is now high and not accepted
- Engagement Fatigue – (An optimistic and ambitious programme contribute to this risk. Recent community satisfaction survey results indicate engagement efforts may need to increase further). Note that the target level of risk has also been increased acknowledging impracticalities in mitigating further.
- Central Government Policy Uncertainty (3 waters regulation and potential regional management arrangements generate particular uncertainty)

## Risk Treatment Target Date Changes

A number of risks have had their treatment target dates changed. This is due to a number of factors including;

- Increased risk maturity leading to a better understanding of the nature of some risks,
- Over optimism and/or ambition with respect to forecast treatment progress, and
- Unanticipated changes in senior leadership roles

Target completion dates are now considered more realistic, or in 2 cases yet to be accurately determined. Risks so affected are;

- Climate Change / Sea Level Rise (ownership now extended to SLT, planning underway to better understand and establish a target date)
- Infrastructure service disruption (original target date over ambitious)
- Iwi relationships (original target date over ambitious)
- Central government policy uncertainty (original target date over ambitious, on-going uncertainty on specifics)
- Staff Recruitment and Retention (target date to be determined, risk had been accepted)
- Engagement Fatigue (on-going challenges, realistic target level of risk established, original target date over ambitious)
- New Asset Operational Deficiencies (original target date over ambitious)
- Business disruptions (progress slower than anticipated)
- Open for business (risk widened and changes in leadership roles)
- Wastewater consent Paraparaumu (risk better understood)
- Financial management (original target date over ambitious)
- Significant contractual disputes (original target date over ambitious)
- Drinking water safety (risk and mitigations better understood)

## Reductions in Risk Levels

Some risks have reduced in perceived level due treatment success, changes in external factors and/or or better scoping and understanding of the risks;

- Debt levels (Due successful LTP strategy and higher development growth)
- Open for business (Risk widened across the organisation, overall consequence reduced)
- Drinking water safety (Reconsidered; severe consequence may result from failure however current controls and barriers are considered robust, nevertheless significant inherent risk exists)

## Risks with Severe Consequence

There are a number of risks possessing extremely high levels of potential consequence that, although adequately managed, inherently warrant ongoing cognisance;

- Climate Change / Sea Level Rise
- Infrastructure Service Disruption
- Wastewater Consent Paraparaumu
- Emergency Response
- Health and Safety
- Drinking Water Safety

## Risks Accepted

A number of risks have been accepted. This means that Council considers the current level of risk to be tolerable in consideration of the significant costs or impracticalities to aggressively mitigate further. All these risks are nevertheless subject to continuous improvement processes.

- Asset investment decisions (Moderate risk, continuous improvement and possible establishment of a PMO relates)
- Economic development and growth (Moderate risk, inherent degree of uncertainty)
- Procurement process compliance (Moderate risk, human factors contribute to a potential chance for errors in tendering, evaluations etc)
- Environmental compliance (Moderate risk, CSVu tool now in place, human factors contribute to a potential chance for failures or errors)

# RISK RANKING TABLES

Risks have been ranked using the mechanism below. This assessment tool is subjective and should only be used to a risk comparison and ranking mechanism. It should not be regarded or used as an absolute measure of risk. Risk must be considered as the effect of uncertainties on the achievement of objectives.

## Risk Consequence

	Rating	H&S	Financial	Fraud	Operational	Reputational
<b>Severe</b>	100	Loss of life	Direct loss or increased cost of over \$1M	\$20k+	Serious loss of critical operational capability for over 4 weeks and serious disruptions to service levels.	Major loss in community confidence. Negative multi-media nation-wide coverage for 2+ weeks. Negative international coverage Significant national political criticism
<b>Major</b>	70	Injury with 3+ months' time off	Direct loss or increased cost of \$100k - \$1M	\$5k - \$20k	Serious loss of critical operational capability for over 2 weeks and major disruption to service levels.	Some loss in community confidence that will take significant time to remedy. Negative multi-media nation-wide coverage for up to 2 weeks Some national political criticism
<b>Moderate</b>	40	Injury with 2 weeks to 3 months' time off	Direct loss or increased cost of \$10k - \$100k	\$1k - \$5k	Serious loss of critical operational capability for up to 2 weeks and disruption to service levels.	Manageable loss in community confidence. Negative multi-media nation-wide coverage for several days. Local adverse media coverage for a week
<b>Minor</b>	10	Injury with less than 2 weeks' time off	Direct loss or increased cost of \$2k - \$10k	\$1k - \$5k	Loss of critical operational capability in some areas and limited disruption to service levels.	Loss of confidence amongst sections of the community. Negative multi-media nation-wide coverage for up to 1 day. Local adverse media coverage for several days

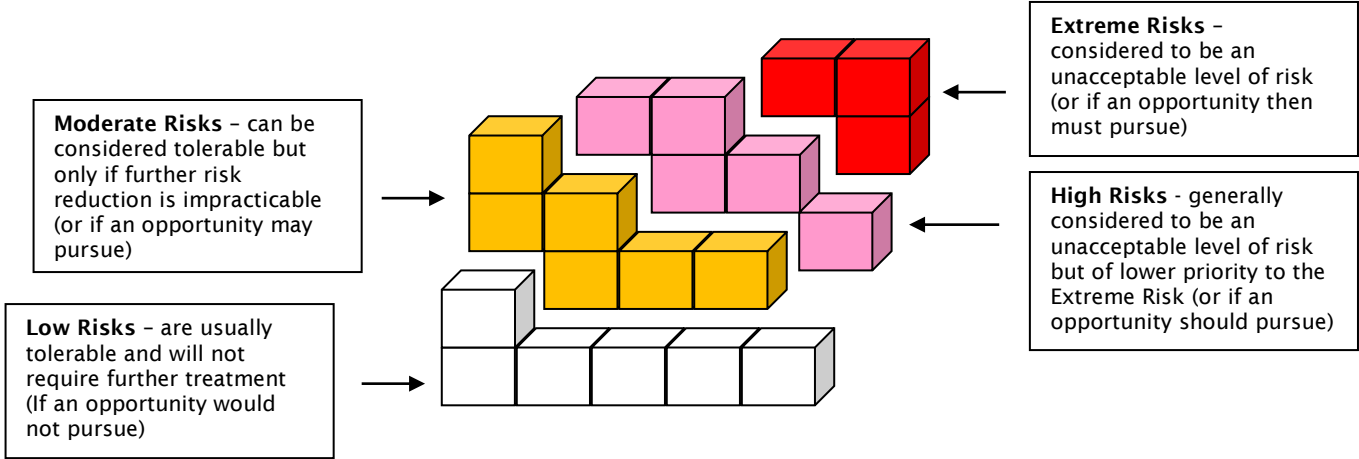
## Risk Likelihood

	Rating	Frequency	Probability
<b>Rare</b>	1	The event is only expected to occur in exceptional circumstances, perhaps once every 10 years	< 1%
<b>Unlikely</b>	2	Could occur only very occasionally, perhaps 2-3 times every 10 years	1% - 9%
<b>Possible</b>	3	Might occur from time to time, perhaps, 5 out of every 10 years	10% - 19%
<b>Likely</b>	4	Will probably occur often, perhaps 7 times in every 10 years	20% - 50%
<b>Almost Certain</b>	5	Expected to occur almost every year, perhaps 9 out of 10 years	>50%

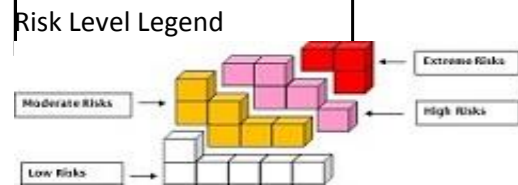


# Risk Assessment Matrix

		Likelihood					
		Rare	Unlikely	Possible	Likely	Almost Certain	
		1	2	3	4	5	
Consequence	Severe	100	Moderate 100	High 200	High 300	Extreme 400	Extreme 500
	Major	70	Moderate 70	Moderate 140	High 210	High 280	Extreme 350
	Moderate	40	Low 40	Moderate 80	Moderate 120	Moderate 160	High 200
	Minor	10	Low 10	Low 20	Low 30	Low 40	Low 50



Risk Statement	Short Description	Cause	Impacts	Consequence		Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
				(C)	(L)											
<b>Climate Change / Sea Level Rise</b> Erosion, property floods, property abandonment, early asset replacements, higher costs for more resilient assets is likely to result due to climate change and the inability to budget for its effects	Climate Change	- Climate change, - Inability to budget for effects	- Erosion, property abandonment - Property floods - Greater costs - Early stormwater asset replacements - Higher capital costs for more resilient assets - Environmental non-compliances due discharges during more frequent extreme weather events	100	4	400	Extreme	High	- Asset management plans - Risk and event targeted asset upgrades - Seawall and other protective measures - Proactive coastal hazards and climate change planning - LGNZ liaison - Council Climate Change Working Group - Self insurance strategy - Stormwater Plan	- Continually revise and enhance forecasts - Prioritise interventions to preclude house flooding - Mean high water surveys - Self Insurance contingency strategy - Updating sea level rise model. - Establishment of a community led coastal adaptation programme	Senior Leadership Team	Dec-18	TBD	On Track	On Track	Risk now owned by SLT. Work to commence to address coastal hazards is planned for early 2019. Improved wider project plan and target dates to address key risks to be developed by Dec 18
<b>Infrastructure Service Disruption</b> Loss of critical infrastructure and services for extended periods are likely to occur in an extreme natural event due to lack of resilience and inadequate insurance arrangements	Infrastructure service disruption	- Extreme natural event e.g earthquake, tsunami, flood - Lack of resilience - Uncertainty with Central Govt assurance of 60% loss funding	- Loss of core infrastructure and services - Injuries, fatalities	100	4	400	Extreme	Moderate	- Self insurance \$250k p.a. - Asset replacement programme & condition assessments - Resilience programme - Insurance programme \$130M underground assets - Redundant network - Embedded water storage	- AON / Tonkin Taylor / GNSR vulnerability / resilience modelling - Waikanae WTP clarifier project	GM Infrastructure Services	Dec-18	Jul-20	On Track	On Track	Target revised based on better understanding of risk. Risk remains extreme due uncertainty of Central Govt 60% loss contribution in the context of a major event. Vulnerability /resilience modelling to be completed prior to Dec 18. Waikanae Water Treatment Plant / Clarifier programmed but won't be completed until July 2020
<b>Iwi Relationships</b> Lack of Iwi capacity to participate in Council processes and decision making	Iwi Relationships	- Lack of capacity - External factors e.g. 3 Waters - Treaty claim progression	Delays, misalignment on key initiatives	70	4	280	High	Low	- Proactively monitor and communicate with ART - Consultation and participation policies/contract - Maori Economic Development work programme - Iwi Relationship Manager	Identify further initiatives that can influence positively e.g. GM level interaction with community leaders  Collaborate with iwi through to Te Whakaminenga o Kāpiti to ensure the iwi perspective of risk is incorporated	GM Strategy & Planning	Dec-18	Jun-19	On Track	On Track	Target revised based on better understanding of risk. Treaty claims being progressed. Identifying more effective ways to collaboratively engage
<b>Central Government Policy Uncertainty</b> Unforeseen district impacts/opportunities bought about by the change in Government eg the potential allocation of GST generated from tourism into local govt	Central Government Policy Uncertainty	Development and introduction of new policies potentially affecting infrastructure development, housing, transport priorities, environmental and community initiatives	Government intervention Delays in projects programmes Redesign Priority change Community dissatisfaction	70	4	280	High	Low	Monitor policy announcements	- Increase capacity and capability to enable better policy response to a changing external environment - Assess threats and opportunities. - Develop mitigations and business cases / advocacy / submissions on a case by case basis as issues arise.	GM Strategy & Planning	Jun-18	Mar-19	On Track	On Track	<b>Risk level increased, was Moderate now High.</b> Target date revised to allow for establishment of appropriate internal capability to better analyse and respond. Government directions now better understood however precise details and impacts on priorities and resourcing uncertain. New Water Regulatory entity and future water management generating particular uncertainty.

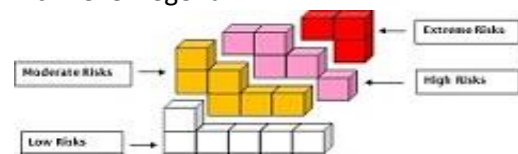


Treatment Update Legend



Risk Statement	Short Description	Cause	Impacts	Risk Level			Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
				(C)onsequence	(L)ikelihood	Current C*L										
<b>Fraudulent Activity</b> Fraudulent activity could occur undetected due to inadequate monitoring, lack of strong physical and process controls resulting in financial loss, business interruption and reputational damage	Fraudulent activity	- Inadequate monitoring of processes and transactions - Lack of strong physical and process controls - Unauthorised misappropriation of council assets	- Financial loss - Business interruption - Reputational damage	70	3	210	High	Low	- Maintain awareness - Protected disclosures - Employee screening - Statutory year end audits - Internal controls	- Fraud awareness training - Enterprise risk management - Internal audit programme in place (to be agreed)	GM Corporate Services	Feb-21		On Track	On Track	Improved cash handling guidance provided and some fraud awareness training undertaken. "Unusual transaction" audit to be undertaken prior to Dec 18
<b>Business Disruptions</b> Following a disruptive incident extended non delivery of core services, financial losses, reputational damage could result due to lack of BCPs in some areas, loss of key systems, lack of resilience to ICT cyber-attack, insufficient staff, resources and lack of staff awareness	Business disruptions	- Lack of BCP's in some areas - Insufficient resources - Lack of staff awareness - Lack of staff - Loss of key system - ICT Cyber attack - Reliance on key staff	- Financial losses - Reputational damage - Non-delivery of core services - H&S compromised	70	3	210	High	Low	- Current business continuity processes (Corporate BCPs)	- Identify critical activities, ensure appropriate BCP's and critical resources in place - CMT training - BCP tests - ICT alignment with BCPs - Assess cyber risks and mitigate - Governance/SLT succession planning - Enterprise risk management	Senior Leadership Team	Dec-18	Jun-20	On Track	Attention	Target revised based on better understanding of risk. Plan developed and implemented for further business continuity management system development, including BCPs in non-corporate areas
<b>Engagement Fatigue</b> Delays to critical works and reputational damage is likely due to over promising on programmes, legislative requirements, the need to extensively consult, community desire for transparency and participation	Engagement fatigue	- Need to extensively consult - Legislative requirements - Community desire transparency and participation - Business planning deficiencies - Community perception of council - Silo'd activities	- Delays to critical works - Raising community expectations but disconnect with current resources - Reputational damage through lack of progress - Lack of progress - People opt out	70	3	210	High	Moderate	- Consultation processes: "Objective" tool - Significance and engagement policies - Communication & engagement strategy - LG Act requirements	- Review the programme to ease the burden - More effective communication strategies - Continue connecting the dots blend / extend consultation topics - Adhere communication & engagement policies - Work programming - Improve business planning practices - Organisation change proposal	Senior Leadership Team	Dec-18	Jun-19	On Track	On Track	<b>Current risk level was Moderate now High. Target level of risk raised from Low to a more realistic Moderate.</b> Target date extended due challenging programme.. Measured community satisfaction has dropped which will drive more effort to address. The LTP completion and recent airport / air carrier work are recent stressors.
<b>Paraparamu Wastewater Treatment Plant Consent</b> - Legislative change could result in reduced number of viable options and higher discharge standards at substantial cost to further treat/dispose. - Poor investigations, assessments and/or iwi engagement result in unsuccessful application.	Paraparamu Wastewater Treatment Plant Consent	- Restrictive provisions introduced in the proposed natural resources plan or subsequent Waitua process. - Submissions to application upheld and new consent not issued	- Costly additional works required to consent WWTP - More onerous discharge conditions require substantial upgrade to WWTP - Failure to secure consent limits growth and development	100	2	200	High	Moderate	- Comprehensive consenting strategy include risk assessment and mitigations - Professional services contract aligned to risk mitigation actions including engagement and consultation strategies	- Track PNRP and Waitua Processes - Close working relations with GWRC through the development of the AEE and options assessments - Maintain and strengthen iwi/community relationships - New consenting strategy	GM Infrastructure Services	Jun-18	Jun-23	On Track	On Track	Risk and target date revised based on scoping and risk work undertaken to date. Phase 1 complete - Awarded work to STANTEC and work commenced. Consent expires 2023

Risk Level Legend

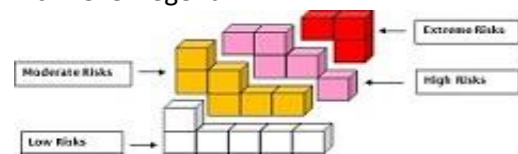


Treatment Update Legend



Risk Statement	Short Description	Cause	Impacts	Consequence (L) Likelihood		Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
				40	5											
<b>Financial Management</b> Unnecessary and/or poorly planned expenditure may occur, value not achieved and legal challenges could result due to poor project management, procurement, contract management, a 'use it or lose it' attitude of some project managers and operational inconsistencies across groups	Financial Management	- Lack of controls in project management, procurement, contract management - "Use it or lose it" attitude of some budget managers - Operational inconsistencies across groups - Spending culture	- Actual costs exceed budget - Unnecessary and/or poorly planned expenditure (hockey stick expenditure profile) - Lack of VfM expenditure - Legal challenges and costs	40	5	200	High	Low	- Monthly management reports provided to budget managers - SLT provided with monthly management report identifying financial risks - Quarterly financial and non-financial performance reporting to council	- Extensive review of Council's procurement function and budget management system - implement change where needed - Simplified council-wide contract registers (part of procurement review) - Further work on project reporting and education of managers	GM Corporate Services	Dec-18	Jun-19	On Track	On Track	Target revised based on better understanding of risk. Decentralised procurement model developed. New procurement policy and guidance rolled out on HubKap. One year of further improvement work procured. Further work required in project management
<b>Emergency Response</b> Financial loss and reputational damage may result during a significant natural event due to a lack of preparedness, lack of unified response approach and loss of key staff	Emergency response	- WREMO expectations evolving - Lack of preparedness and unified response approach - Loss of limited key staff	- Reputational damage - Financial loss - Injuries, fatalities	100	2	200	High	Moderate	- CD and emergency management systems - CD training and exercises	- Work with WREMO - Review emergency management plans and staff capability/resources - Enterprise risk management - New infrastructure resilience	Chief Executive	Dec-18		On Track	On Track	Temporarily assigned to Chief Executive. Working with WREMO to ensure EOC response is fit for purpose. Risk reduction on track
<b>Programme Budgets</b> Programme budgets could be exceeded due external influences resulting in the slow down or postponing of projects/programmes	Programme budgets exceeded	- Global economic situation deteriorates GFC2 - Poor project management, procurement etc - Govt withdraw subsidies eg 60/40 insurance programme	- Projects slowed or halted - Rates not paid - Debt can't be serviced	40	5	200	High	Moderate	- Economic situation monitoring - Risk management - Project management systems	- More conservative/resilient forward programme - Roll-out of project management techniques and educate new/existing staff	Senior Leadership Team	Jun-19		On Track	On Track	Establishment of a more robust PMO function is being considered. Council has limited the Capital programme budget for the first 6 years of 18-38 LTP
<b>Health &amp; Safety</b> Harm occurs due to inadequate safeguards against extreme events and/or hazardous environments	Health and safety (Permanent item on register)	- Extreme events (eg natural hazard) - Hazardous environments - Poor hazard identification	- Injuries to people - Loss of reputation - Penalties, fines - Welfare staff exposure	100	2	200	High	Low	- Health and safety management systems - Asbestos management plan - Care register - Working alone policy - Resilience training, safety in the workplace	- Adopt a risk rather than compliance based approach - H&S Plan - Management Systems - Leadership - Contractor management - Contractor training workshops - Procedures & forms update - HSNO consolidation	Senior Leadership Team	Feb-22		On Track	On Track	- Simpson Grierson audit done - H&S Wellbeing Coordinator role filled - HSWA 2 year action plan (incl Hazardous Substances) developed, phase 1 almost complete. - Biggest risk areas include Hazardous substances, Contractor Management, Asbestos, Driving

Risk Level Legend

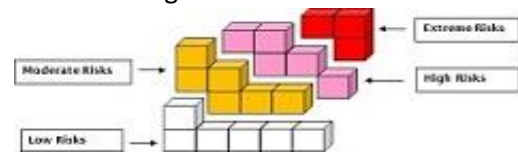


Treatment Update Legend



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<b>Staff recruitment and retention</b> Additional costs, high staff stress, poor morale, loss of staff, loss of IANZ accreditation, poor decision making may result from difficulties in recruiting and retaining staff due more attractive work/salaries elsewhere and industry staffing fluctuations Also refer to "Engagement Fatigue" risk	Staff recruitment & retention	- Competing, more interesting work elsewhere - Fluctuations in some industries (consenting, building inspection) - Less desirable working location for some people - Better salaries elsewhere - FTE cap policy	- Additional costs eg consultants - Delays in critical work programmes, eg economic development strategy - Loss of IANZ accreditation- Shortage of building control staff - Poor staff morale - Less than optimal decision making - Corporate loss of institutional knowledge - Few staff=High workload=High stress	70	4	280	High	Moderate	- Employ contractors/consultants - Succession planning - Workforce planning - Talent management - Short term workload management - Job grade and pay structure reviews - Adjust forward work programmes to align with capability	TBD	Organisational Development Manager	TBD		On Track	On Track	<b>Risk was previously Moderate, now High and no longer accepted</b> -Current risk level increased due recruitment and retention challenges, organisation change - A Council-wide staff satisfaction survey has been completed. - Turnover higher than previous but no significant concerns - Monitoring staff stress levels
<b>New Asset Operational Deficiencies</b> Assets transferred to KCDC are not fit for purpose due to lack of quality in design/construction	New Asset Operational Deficiencies	District Plan and consenting processes do not guarantee good design and/or sustainable assets Lack of proper design consideration up front Planning processes do not always meet engineering requirements	High costs to maintain or replace	40	4	160	Moderate	Low	District Plan Consent processes Hand over processes	Business Improvement Team working on subdivision processes including approval of s224 certificate in consultation with internal stakeholders	GM Infrastructure Services	Dec-18	Jun-19	On Track	On Track	Target revised based on better understanding of risk. - Business Improvement Team process improvement work underway - Regulatory Group subdivision development documentation underway
<b>Significant Contractual Disputes</b> Contractual obligations not met or breached by the principal and/or contractor leading to disputes	Significant Contractual Disputes	Required contract management processes not followed, lack of consistency	Costs, fines Dispute Arbitration Judicial review	70	2	140	Moderate	Low	Contract Management Processes	Review current practices to ensure process consistency	GM Infrastructure Services	Dec-18	Jun-19	On Track	On Track	Target revised based on better understanding of risk. Procurement process improvements have provided for better understanding of risks. Work yet to be undertaken to review contract documents
<b>Asset Investment Decisions</b> Sub-optimal asset investment decisions, due various constraints, could potentially result in poor district outcomes, possible financial losses and/or failure to achieve KPIs	Asset investment decisions	- Weak strategic vision/plan - Funding limitations, poor prioritization - Expert advice not accepted - Poor or no business case justification	- Financial losses - Strategy not achieved - Reputational damage - Higher priority issues unresolved - Deliverables / KPIs not met	70	2	140	Moderate	Moderate	- Underpinned by Infrastructure and Financial Strategy- Activity management plans - Asset renewal programme - SLT and Council reviews and approvals - Business cases required	- Refreshed Business Cases and methodology - Activity Management Plans (refreshed for 2018 - 38) - Monthly / quarterly reporting	GM Infrastructure Services and GM Community Services			On Track	On Track	Moderate level of risk accepted but subject to continuous improvement. Establishment of a more robust PMO function is being considered. Council has limited the Capital programme budget for the first 6 years of 18-38 LTP

Risk Level Legend



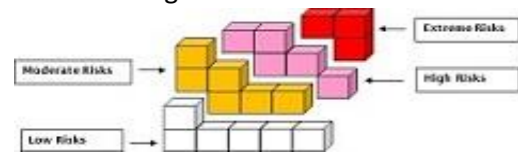
Treatment Update Legend





Risk Statement	Short Description	Cause	Impacts	Risk Level			Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
				(C)onsequence	(L)ikelihood	Current C*L										
<b>Open for Business</b> Poor customer perceptions of council, financial losses, legal challenges, developer dissuasion and reputational damage could likely result if the Open for Business initiative is not implemented or successful. Also refer "Engagement Fatigue" and "Staff Recruitment and Retention" risks.	Not "Open for Business"	- Systems and processes not fully fit for purpose - Expert advice ignored - Poor customer service culture - Staff capacity / capability	- Reputational damage – council perceived as not helpful - Dissuades new developers - Sued - Loss claims - H&S compromised - Legal challenges - Financial losses	40	3	120	Moderate	Low	- "Open for Business" initiative - Case/project management - Pre-application meetings	Continue to build on "Open for Business" initiative - Enhance systems and processes - Improve customer service culture - Ensure timely delivery - Integrated services	Senior Leadership Team GM Regulatory Services	Dec-18	Dec-19	On Track	On Track	Revised target date. Recent ratepayer survey indicates decrease in satisfaction. Programme is wider than just regulatory activities so now extended to SLT. Note that risk remains high for regulatory but over the organisation reduced to moderate.
<b>Debt Levels</b> Poor customer perceptions, financial losses, legal challenges, developer dissuasion, and reputational damage could result if the Open for Business initiative is not successfully implemented.	Rising debt levels	- Trying to meet community expectations but lack of willingness to pay - Historical asset decisions	- Reputational damage - Inability to increase debt - Debt cap breached faster - High debt levels and interest rate risk	40	3	120	Moderate	Low	- Manage community expectations via elected members - Review rates - Long term planning - Financial strategy (closing depreciation / funding gap)	- Treasury management controls - Developer contributions and other funds - Central government funding, provisional growth fund	Chief Executive	Feb-21		On Track	On Track	Risk reduced The LTP has successfully locked in strategy for managing debt. 2017/18 actions plus higher development growth mean we are ahead of targets by 3-5 years. Awaiting new Standards & Pools rating
<b>Drinking Water Safety</b> Threat to sufficient water supply and delivery of safe drinking water. Also refer "Central Government Policy Uncertainty" risk.	Drinking Water Safety	Insufficient source capacity due climate change, drought Contamination Natural disaster Lifeline Infrastructure failures (part of criticality framework for our assets)	Noncompliance with critical NZDWS element (Note we don't fully comply with all non-critical NZDWS on all schemes currently) Water shortages Community dissatisfaction	100	1	100	Moderate	Low	All water supplies treated with multi-barrier approach Water conservation and use management procedures Network water quality sampling programme in place to meet NZDWS Water safety plans 3 of 4 being updated currently and incorporate critical control points as per Havelock N Joint working group with Councils in the Wellington region working collaboratively on water safety Routine infrastructure inspections and condition inspections SOPs and hygiene protocols Water Supply Bylaw	Water safety and resilience works programme \$15m 2018-22 Bulk mains condition assessment \$90k 2018-20 Backflow risk management \$40k 2018/19 Water safety plan updates \$15k 2018/19 Drinking water emergency response plan 2018/19	GM Infrastructure Services	Dec-19	Jun-22	On Track	On Track	Risk consequence and likelihood reviewed, risk level reduced and target revised based on better understanding of risk. Regional workshops carried out

Risk Level Legend

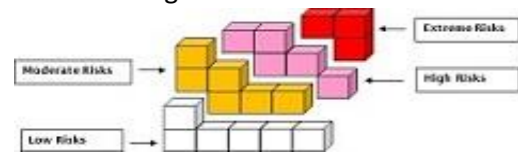


Treatment Update Legend



Risk Statement	Short Description	Cause	Impacts	Consequence (L)		Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
				(C)	(L)											
<b>Economic Development &amp; District Growth</b> Less actual economic development and growth than planned may occur and result in higher rates increases being required	Uncertainty in economic development and district growth	- Lack of capability to accurately predict / forecast - Expressway reshaping Kapiti	- Ad-hoc development and business growth unpredictable - Higher rates due lower than predicted growth	40	2	80	Moderate	Moderate	- Current forecasts - Constant review - Monitoring and quarterly reporting on resources and business land demand and supply underway (NPS-UDC) - Economic Development Leadership Group established - Economic Development Strategy implemented - Monthly / quarterly reporting	- Review Economic Development Strategy. - More targeted business and visitor attraction policies - PGF / WIP development and applications	GM Strategy & Planning			On Track	On Track	Level of risk accepted however subject to continuous improvement. 40% increase in growth above projections observed Economic Development Leadership group disbanded. Strategy to be revisited and refreshed
<b>Procurement Process Compliance</b> Successful tenderer objection to procurement process Failure to follow procurement processes	Procurement Process Failure	Tender process not followed	Costs, fines, reputation damage	40	2	80	Moderate	Moderate	Procurement processes Audits	Continuous improvement	GM Infrastructure Services			On Track	On Track	Level of risk accepted however subject to continuous improvement.
<b>Environmental Compliance</b> Harm to the environment, costs, fines due not following processes are failure to identify risks	Environmental Non-compliance	Process not followed or risks not anticipated	Costs, fine Environmental harm Reputation damage	40	2	80	Moderate	Moderate	Consent processes Operational procedures Risk management	Continuous improvement	GM Infrastructure Services			On Track	On Track	Level of risk accepted however subject to continuous improvement. CSVu compliance management system introduced

Risk Level Legend



Treatment Update Legend

