Chairperson and Committee Members
AUDIT AND RISK COMMITTEE

1 NOVEMBER 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; 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;
    −   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 this 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   The profile was reviewed and updated individually by Group Managers and relevant activity 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   Similar to the September 2018, Audit and Risk meeting, 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.

12   The "deep dive" for this meeting concerns building defect claims on councils and has a relationship to the Open for Business, Financial Management and Programme Budgets risks. Discussion will include:
- trends in claims against councils;
- insurance issues; and
- [as time permits] comments on the report on owner claims in relation to the Bella Vista development in Tauranga.

This 'deep dive' will be provided by the Council's Senior Legal Counsel and Paul Robertson of Heaney Partners. Heaney Partners are on the legal panel of several insurance companies (including RiskPool and NZI). Mr Robertson has been presenting to various council clusters and individual councils on the report by Paul Heath, Queens Counsel (QC) to claims relating to the Bella Vista development in Tauranga.

13   Committee members are invited to nominate risks for "deep dive" at subsequent meetings.

Areas for Improvement

14   Engagement on the risk profile is progressively including group leadership activity managers as well as Group Managers. The overall risk management culture and practice is improving, and risk conversations are widening.

15   Risk management culture and practice has also been introduced in the project and portfolio management area and educational risk management work at activity manager level is progressing.

16   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.

17   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)

18   'Business Disruptions' is a high level risk on the corporate risk profile.

19   To address this risk, Council has commenced 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.

20   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.

21   The development programme is being staged over 2018/19 and 2019/20 years.

22   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.

23   Early work has included drafting of policy and guidance, review of existing BCPs and the preliminary development of continuity approaches for both Water Supply and Wastewater services.

Procurement Function Review

24   A procurement specialist has been contracted for 12 months, to build up the level of capability across the organisation.

25   A range of procurement improvements commenced in August 2017, and is now well underway.

26   The most significant improvement is the new procurement framework, which is now in use. The framework includes: a procurement policy: a procurement manual, with tools to assist staff to use discretion and judgement when carrying out procurement processes; a range of procurement templates and forms; and additional guidance material. The new framework is designed to reflect current best practice in the New Zealand public sector and training, advice and support for staff is being provided by the procurement specialist.

27   A category strategy has been developed for the water, wastewater, storm water and coastal activities, and a category strategy for the property activity is currently commencing.

28   Procurement systems improvement has commenced - and is in the early stages. To begin with, systems improvements are focussed on: intranet and external website content; spend and supplier data; capture, management and utilisation of contract information, and procurement controls.

29   The procurement improvement programme is beginning to deliver a range of benefits to 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.

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. 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

32   No further work has been completed in this area since the last meeting. If funding allows, the intention is to engage PwC to expand on the initial fraud training, that will include 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

33   The implementation of the recommendations following the cash handling review is progressing well and is on track, apart from the one exception listed below, with the revised deadline of December 2018.

34   As shared at the previous Audit and Risk meeting, Finance has resumed responsibility for this full work stream by seconding a finance team member onto this project since August 2018.

35   **Customer Service Centres** - Good progress has been made with the newly developed operating procedures rolled out to all three sites at the beginning of October. During the development of our operating procedure, we have identified limitations around segregation of duties at the smaller Customer Services Centre locations e.g. Waikanae and Ōtaki, which will be worked through with senior management to ensure process design reduces this risk to an acceptable level or if mitigating controls should be considered.

36   **Libraries** - During July, the Libraries upgraded their Library Management System (LMS) and at the same time made use of this opportunity to activate the cash management module within the system. Currently this newly activated module has issues with its system generated reports that may impact the 31 December project delivery deadline. Library staff and management are working closely with the software supplier to resolve the issues.

37   **Swimming pools** - The replacement of the current pool software has been significantly delayed, with the current replacement date pushed out till mid-2019. The decision was made to proceed with the development of the new standard cash handling operating procedures and processes based on the current system and finance has been working closely with pool staff in developing this. In addition, pool management has embraced the opportunity to activate the stock management module within the current software system, thereby addressing the PWC recommendations regarding stock control.

38   **Other –** Finance has developed and rolled out standardised cash-up and banking sheets to all customer services centres, libraries and the I-site. Swimming pools will follow in November. The new cash-up and banking sheets record variances, cashier information and dates that enable the Finance team to perform trend analysis.

39   Funding dependent, the Council are proposing to engage PwC to complete the unusual transactions review later this financial year.

Tax Compliance and Governance

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

CONSIDERATIONS

Policy Implications

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

Legal Considerations

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

Financial Considerations

43   No new money will be requested from Council and planned under spending across the Council will be needed in order to fund the additional work on BCPs and any further PWC business assurance engagements.

Tāngata Whenua Considerations

44   There are no tāngata whenua considerations.

Publicity Considerations

45   There are no publicity considerations at this stage.

SIGNIFICANCE AND ENGAGEMENT

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

RECOMMENDATIONS

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

Report prepared by: **Approved for submission by:**

Anelise Horn   **Janice McDougall**
Manager, Financial Accounting   **Acting Group Manager**
                                          Corporate Services

Approved for submission by:

Kevin Black
Acting Group Manager
Strategy and Planning

Appendix 1: Corporate Risk Register

RISK PROFILE EXECUTIVE SUMMARY

General

The risk profile was reviewed and updated only 2 months ago, no significant changes were anticipated at this review.

New Risks or Increases in Risk Levels

There are no new risks since last report.

No risks have increased in relative level

Risk Treatment Target Date Changes

- Iwi Relationships – More realistic treatment target date to be determined following consideration and a future collaboration between parties to understand how best to address the known capacity issues
- Emergency Response – Treatment target date extended from Dec 18 to Jun 19 reflecting the organisation review implementation
- Staff Recruitment and Retention – Target date changed from TBD to Jun 19 reflecting the organisation review implementation.
- Engagement Fatigue – Target date changed from Jun 19 to TBD pending further consideration. A high level of risk may ultimately need to be accepted.

Risk Treatment Progress Issues

Treatment progress is highlighted against 2 risks

- Iwi Relationships (Partnership capacity strategies to be considered, see above)
- Fraudulent Activity (Progress slower than anticipated against an optimistic programme)

Reductions in Risk Levels

There have been no reductions in risk levels

Risks with Severe Consequence

There are a number of risks possessing extremely high levels of potential <u>consequence</u> that, although adequately managed, inherently warrant on-going 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 establishment of a PMO relates)
- Economic development and growth (Moderate risk, inherent degrees of uncertainty, risk may be split in 2)
- Procurement process compliance (Moderate risk, human factors contribute to a potential chance for errors in tendering, evaluations etc)
- Environmental compliance (Moderate risk, CSVue 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.
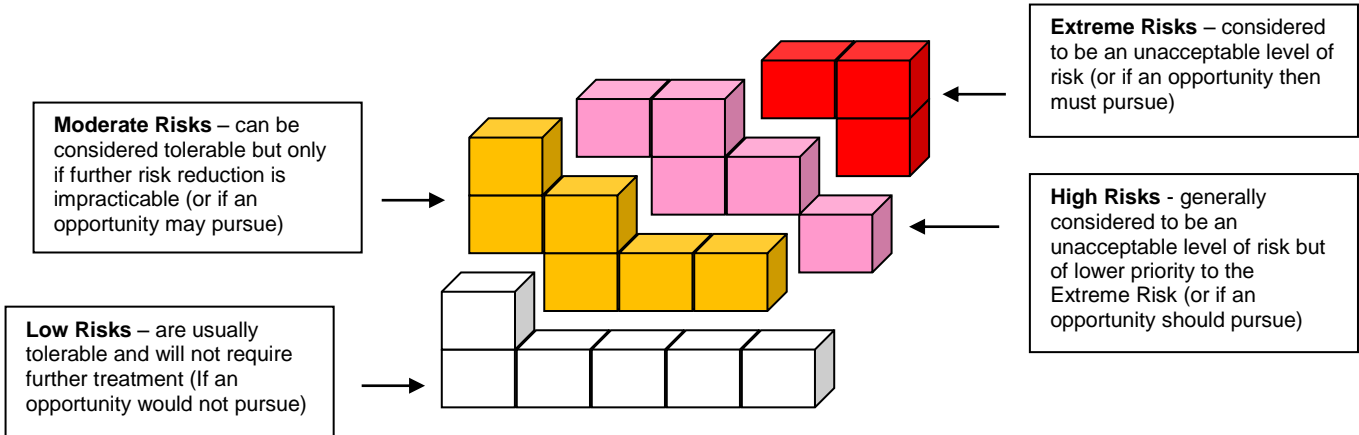
Risk Consequence

	Rating	H&S	Financial	Fraud	Operational	Reputational
Severe	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
Major	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
Moderate	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
Minor	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

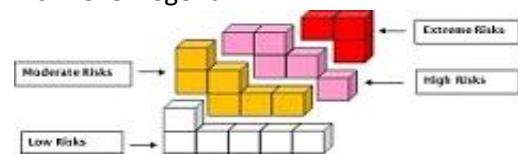|	Rating	Frequency	Probability
Rare	1	The event is only expected to occur in exceptional circumstances, perhaps once every 10 years	< 1%
Unlikely	2	Could occur only very occasionally, perhaps 2-3 times every 10 years	1% - 9%
Possible	3	Might occur from time to time, perhaps, 5 out of every 10 years	10%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

Risk Assessment Matrix

Likelihood

Consequence			Rare	Unlikely	Possible	Likely	Almost Certain
			1	2	3	4	5
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

Moderate Risks – can be considered tolerable but only if further risk reduction is impracticable (or if an opportunity may pursue)

Low Risks – are usually tolerable and will not require further treatment (If an opportunity would not pursue)

Extreme Risks – considered to be an unacceptable level of risk (or if an opportunity then must pursue)

High Risks - generally considered to be an unacceptable level of risk but of lower priority to the Extreme Risk (or if an opportunity should pursue)

Corporate-wide Profile

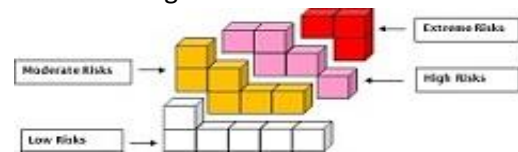| Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
Climate Change / Sea Level Rise Erosion, 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 - Wastewater overflow incidents increase	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 LTP -Stormwater upgrade programme -Emissions reduction (CEMARS targets)	Senior Leadership Team	Dec-18	TBD	On Track	On Track	Risk comprises 2 streams; Sea Level Rise and broader Climate Change. Current focus and emphasis is on probable sea level rise impacts. 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.
Infrastructure Service Disruption 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	Significant uncertainty of Central Govt 60% loss contribution in the context of a major event. Vulnerability /resilience modelling to be completed prior to Dec 18.
Iwi Relationships Lack of Iwi capacity to participate in Council processes and decision making	Iwi Relationships	-Lack of access to TWoK - Lack of Iwi experience/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	Initial steps underway to formulate an effective partnership strategy 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	TBD	On Track	Attention	Treaty claims being progressed. Capacity issues continue with Iwi and Council. Identifying more effective ways to collaboratively engage in the partnership. Target date changed from Jun 19 to TBD due challenges and uncertainties

Risk Level Legend

Treatment Update Legend

15/10/2018

URGENT ACTION NEEDED		WARNING		ON TRACK		COMPLETED	

Appendix 1 Corporate-wide Profile

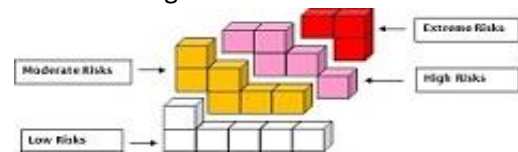| Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
Central Government Policy Uncertainty 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	Government directions now better understood however precise details and impacts on priorities and resourcing uncertain eg -post disaster recovery transition - New Water Regulatory entity and future water management -local govt act -developer contributions
Fraudulent Activity 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	-Work to improve cash handling processes is on track for implementation by Dec 18. - 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	Attention	Original programme was optimistic and unanticipated work was generated from a review. Some scheduled business assurance reviews have not been able to be carried out. Some further work pending budget
Business Disruptions 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)	- Business Continuity Management System project resourced and underway	Senior Leadership Team	Dec-18	Jun-20	On Track	On Track	Project underway for further prioritised business continuity management system development, including BCPs in non-corporate areas. Early work has included drafting of policy and guidance, review of existing BCPs and the preliminary development of continuity approaches for both Water Supply and Wastewater services.
Engagement Fatigue 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 -IAP2 training on consultation and engagement	Senior Leadership Team	Dec-18	TBD	On Track	On Track	Measured community satisfaction has dropped which will drive more effort to address. Target changed from Jun 19 to TBD due on going uncertainties

Risk Level Legend

Extreme Risks
High Risks
Moderate Risks
Low Risks

Treatment Update Legend

15/10/2018

| URGENT ACTION NEEDED | WARNING | ON TRACK | COMPLETED |

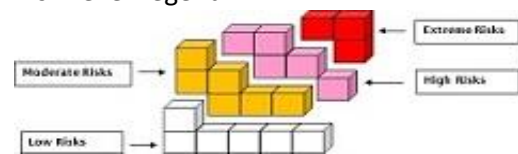| Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
Paraparaumu Wastewater Treatment Plant Consent - 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.	Paraparaumu Wastewater Treatment Plant Consent	- Restrictive provisions introduced in the proposed natural resources plan or subsequent Whaitua 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 Whaitua 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-22	On Track	On Track	Phase 2 underway - Governance and project management structure Phase 1 complete - Awarded work to STANTEC and work commenced. Consent expires 2022
Financial Management 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	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 and reporting
Emergency Response 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	- Community expectations 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	Jun-19	On Track	On Track	Temporarily assigned to Chief Executive. Target date extended from Dec 18 to Jun 19 as organisation review rolls out and clarifies
Programme Budgets 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 -Unexpected costs eg renewal and upgrade works on buildings	- 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	-PMO function - More conservative/resilient forward programme - Roll-out of project management techniques and educate new/existing staff -Council has limited the Capital programme budget for the first 6 years of 18-38 LTP	Senior Leadership Team	Jun-19		On Track	On Track	A PMO function is to be established.

Risk Level Legend

Extreme Risks
Moderate Risks
High Risks
Low Risks

Treatment Update Legend

| URGENT ACTION NEEDED | WARNING | ON TRACK | COMPLETED |

Corporate-wide Profile

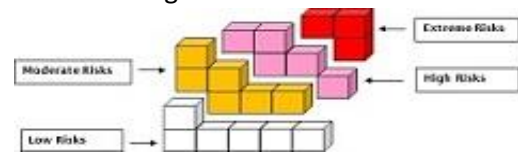| Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
Health & Safety Harm occurs due to inadequate 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 - High consequence areas include Hazardous substances, Contractor Management, Asbestos, Driving	- Injuries to people - Loss of reputation - Penalties, fines - Welfare staff exposure	100	2	200	High	Low	H&S Wellbeing role - Health and safety management systems - Asbestos management plan - Care register - Working alone policy - Resilience training, safety in the workplace	-All Council property to be encompassed by asbestos plan - 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	-Asbestos management plan found not to cover all council properties - HSWA 2 year action plan (incl Hazardous Substances) developed, phase 1 almost complete.
Staff recruitment and retention 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	-A Council-wide staff satisfaction survey has been completed. -Turnover higher than previous but no significant concerns -Monitoring staff work loads	Organisational Development Manager	Jun-19		On Track	On Track	Target date changed from TBD to Jun 19 Organisation review progressing. Outcome and recruitment will influence. Staff communications programme
New Asset Operational Deficiencies 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 SDPR process	Business Improvement Team working on subdivision processes including approval of s224 certificate in consultation with internal stakeholders	GM Infrastructure Services GM Regulatory Services	Dec-18	Jun-19	On Track	On Track	- Business Improvement Team process improvement work underway - Regulatory Group SDPR subdivision development documentation underway
Significant Contractual Disputes 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	Procurement process improvements have provided for better understanding of risks. Work yet to be undertaken to review contract documents

Risk Level Legend

Treatment Update Legend

URGENT ACTION NEEDED	WARNING	ON TRACK	COMPLETED

Corporate-wide Profile

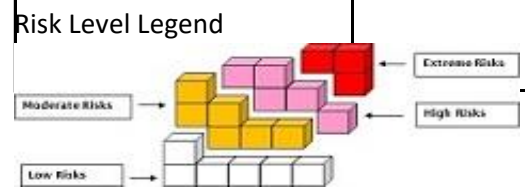| Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C'L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
Asset Investment Decisions Sub-optimal 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	-Council has limited the Capital programme budget for the first 6 years of 18-38 LTP - 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. PMO function to be established.
Open for Business 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 -Business startup meetings -Meeting with developers -Structural and cultural changes	Continue to build on "Open for Business" initiative - Enhance systems and processes - Improve customer service culture - Ensure timely delivery - Integrated services -Working with the Chamber of Commerce	Senior Leadership Team	Dec-18	Dec-19	On Track	On Track	Recent ratepayer and Chamber of Commerce surveys indicates decrease in satisfaction.
Borrowing Levels 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 borrowing 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	Standard and Poors rating now A+ with a positive outlook. 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.

Risk Level Legend

Treatment Update Legend

| | URGENT ACTION NEEDED | | WARNING | | ON TRACK | | COMPLETED |

Corporate-wide Profile

Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	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
Drinking Water Safety 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 Otaki water supply reservoir 2024-26	GM Infrastructure Services	Dec-19	Jun-22	On Track	On Track	Regional workshops carried out
Economic Development & District Growth 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 -Inherent uncertainty in growth forecasts - Divergent views on how Kapiti should develop - Expressway reshaping Kapiti	-Suboptimal district outcomes - Ad-hoc development and business growth - Higher rates due lower than predicted growth -PGF funding	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	Economic Development and District Growth uncertainties to be reviewed for splitting into 2 separate risks Level of risk accepted however subject to continuous improvement. Economic Development Leadership group disbanded. Strategy to be revisited and refreshed
Procurement Process Compliance 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.
Environmental Compliance 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 CSVue compliance management system introduced	Continuous improvement	GM Infrastructure Services			On Track	On Track	Level of risk accepted however subject to continuous improvement.

Risk Level Legend

Extreme Risks

Moderate Risks

High Risks

Low Risks

Treatment Update Legend

URGENT ACTION NEEDED	WARNING	ON TRACK	COMPLETED