

**Audit, Finance & Risk Committee
14 February 2019**

Report for Agenda Item: 3

Department: CEO Office

Risk Management Update

Purpose

The purpose of this report is to provide the committee with an update in relation to QLDC's risk management process, ethos and approach on-going.

Recommendation

That the Audit and Risk Committee:

1. **Note** the contents of this report.

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7 February 2019

Reviewed and Authorised by:



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7 February 2019

Background

- 1 In December 2014, the Council adopted a framework and a risk register that details seven strategic risks:
 - a. SR1 Current and future development needs of the community (including environmental protection).
 - b. SR2 Business capability planning – delegation ownership and business continuity.
 - c. SR3 Management practise – working within legislation.
 - d. SR4 – Comprehension/disclosure of conflict in decision making processes (staff and elected members).
 - e. SR5 Staff capacity (internally and contractually) to meet organisational needs.

- f. SR6a Assets critical to service delivery (infrastructure assets).
 - g. SR6b Asset critical to service delivery (property).
 - h. SR7 Planning, training and capacity for emergency response.
- 2 For each of the strategic risks a mitigation plan was also adopted to monitor the controls in place.
- 3 In the March 2017 Audit, Finance and Risk Committee meeting, the following principles were noted:
- a. In order to continue to mature the risk management culture across the organisation in partnership with the Audit, Finance and Risk Committee, it is timely to re-affirm key principles, review structures and tools and launch development initiatives.
 - b. QLDC is an organisation where discussion of risk is inherent to every decision, project and operational activity. Risk management should not focus purely on compliance, but should be central to strategy, governance, performance management, project management, quality management and continuous improvement. Risk management is an effective lever to drive change, as well as to apply the brakes.
 - c. It is essential to align risk management with the strategic framework of values, outputs and outcomes outlined within the Ten Year Plan.
 - d. This approach will be most effectively driven from the top down, with the Audit, Finance and Risk Committee providing an important public forum for the discussion of significant, strategic risks and overview of the processes that will support effective mitigation and management. It will be an invaluable forum to monitor risk management performance, test key concepts and collaborate on new ideas.
- 4 It was also outlined that the following actions would be undertaken to refresh and update the model:
- a. Re-establish the context for the risk framework, establishing the impact of rapid growth on the tools and parameters offered
 - b. Explore opportunities to define risk appetite at a governance and Executive Leadership Team level.
 - c. Review all of the tools provided and make recommendations for adjustment as appropriate (i.e. likelihood and consequence structures).
 - d. Create a process for the removal and addition of risks from the Strategic Risk Register, the Strategic Risk Mitigation Plans and Operational Risk Registers.
 - e. Convene a Risk Management Working Group (**RMWG**). This group will meet monthly to review strategic and operational risk mitigation plans, reporting to the Executive Leadership Team. It will lead the development of risk

management culture throughout the organisation, through effective process, technology, training, communications and engagement activities

Progress and Development

- 5 The RMWG has continued with its programme of work, scheduled to provide quarterly updates to the Audit, Finance and Risk Committee and to align with the ICT project road map.
- 6 The RMWG has been established for the purpose of leading the development of a risk management culture throughout the QLDC organisation. The following objectives have been adopted to guide the work programme of this group:
 - a. Establish a risk appetite model that allows the Risk framework to be tailored to the QLDC context;
 - b. Develop a clear, streamlined reporting process;
 - c. Simplify the process of risk management with clear objectives, roles and responsibilities, principles and process guidelines; and
 - d. Build a healthy risk management culture across all management and governance tiers.
- 7 The following actions have been completed since the 14 December 2018 Committee meeting:
 - a. The TechOne Risk Module has been launched into the live production environment. The release has been managed as a “soft-launch” with only a select group of QLDC staff having administration access to the full risk register.
 - b. The full risk register currently contains 55 risks. These risk have been reviewed with administration access rights to verify that an appropriate Risk Owner, Risk Category, Directorate, Main Responsible Officer and Inherent Risk score has been assigned to each risk. Meetings are taking place with each of the Main Responsible Officers to include all the existing controls and treatment plans.
 - c. The assignment of Risk Owner has been restricted to the Executive level roles. This assignment entails accountability for the risk, but the treatment responsibilities and system edit access will be managed at the Main Responsible Officer role level.
 - d. A change management plan is under development which focuses on the objectives associated with embedding a culture shift in the organisation.

Risk Management Framework

- 8 The final draft of the Risk Management Policy has been reviewed by the AFR Chairperson on the 31 January 2019, as minor amendments had been made to the

Roles & Responsibilities, Risk Context and Risk Appetite. The consequence table has been updated for Finance Major \$2-5M loss, Moderate \$0.5-2M loss and Minor <\$0.5M) and Community (death, injury or health impact to community is now more clearly detailed).

Next Steps

- 9 In advance of the next committee meeting, the following activities will have been undertaken:
- a. The Risk Management Policy is due to be ratified by Full Council on the 7 March 2019.
 - b. The TechOne Risk Module will be made live across the organisation on the 7 March 2019.
 - c. The mechanism for registering risk level on Council and Committee reports will be updated.
 - d. A change management programme will have been completed to address:
 - i. Training, communications and engagement
 - ii. Implementation of new software
 - iii. Management understanding of responsibilities and methodologies
 - iv. All staff understanding of risk management principles

Options

- 10 Option 2 – The report is for noting only.

Significance and Engagement

- 11 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because:
- **Importance:** the matter is of high importance to the District
 - **Community interest:** the matter is of considerable interest to the community
 - **Existing policy and strategy:** there is better opportunity for the Risk Management Framework to better align with existing policies and strategy;
 - **The impact on the Council's capability and capacity:** This will assist compliance with the objectives of the Financial Strategy, Ten Year Plan and Annual Plan.

Risk

- 12 This matter relates to the strategic risk SR3 Management practice – meeting legislation, as documented in the Council's risk register. The risk is classed as moderate. This matter relates to this risk because it is important that risks are effectively mitigated to enable the Council to deliver levels of service and key projects stated in the Long Term Plan.

Financial Implications

13 There are no financial implications outside of the agreed budget.

Council Policies, Strategies and Bylaws

14 The report relates to the Council's Risk Management Framework, which includes the Risk Management Policy.

15 This matter is included in the 10-Year Plan 2018-2028 (to be adopted) by means of risk disclosures.

Local Government Act 2002 Purpose Provisions

16 The content of this paper:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by ensuring that the risk events that could prevent the Council delivering these services/functions are mitigated;
- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

Consultation: Community Views and Preferences

17 No persons or parties are affected by the recommendation of this report.