

**Audit, Finance & Risk Committee**  
**14 October 2021**

**Report for Agenda Item | Rīpoata moto e Rāraki take : 3**

**Department: Corporate Services**

**Title | Taitara Risk Management Update**

**PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

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The purpose of this report is to provide a governance update regarding the progress of the deployment of the new QLDC Risk Management Framework.

**RECOMMENDATION | NGĀ TŪTOHUNGA**

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That the Audit, Finance & Risk Committee:

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

Prepared by:



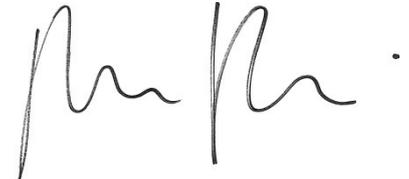
Name: Bill Nicoll  
Title: Risk and Resilience  
Manager  
30/09/2021

Prepared by:



Name: Michelle Morss  
Title: Strategy and  
Development Manager  
30/09/2021

Reviewed and Authorised by:



Name: Meaghan Miller  
Title: General Manager –  
Corporate Services  
30/09/2021

## CONTEXT | HORPOAKI

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- 1 In early 2019 a new Risk Management Framework was developed and deployed for QLDC. This framework consisted of a new [QLDC Risk Management Policy](#), new TechOne Risk Module system and a new [QLDC Risk Register](#).
- 2 The following objectives were associated with the deployment of the Risk Management framework:
  - Establish a risk appetite model that allows the Risk Management framework to be tailored to the QLDC context;
  - Develop a clear, streamlined governance reporting process;
  - Simplify the process of risk management with clear objectives, roles and responsibilities, principles and process guidelines; and
  - Build a healthy risk and resilience culture across all management and governance tiers.
- 3 The Risk Management Policy requires regular reporting to both the Executive Leadership Team and the Audit, Finance and Risk Committee to ensure that good risk governance practices are maintained and that progress towards the above objectives remains on track.
- 4 This report seeks to support the governance role of the Audit, Finance and Risk Committee by providing updates on the following topics:
  - a. Changes to Organisation Risk Register
  - b. Significant Changes to Council Risk Context
  - c. Development of our Risk and Resilience Culture
  - d. Treatment progress for key organisation risks

## ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

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### A. Changes to Organisation Risk Register:

- 5 No new risks have been added to the [QLDC Risk Register](#) since the last update to Audit & Risk Committee on 17th June 2020.

### B. Significant Changes to Council Risk Context:

- 6 The Local Government sector continues to face a highly volatile and uncertain risk context which is placing significant stress on all Councils across the country. QLDC operates at a heightened level of exposure to these stressors due to the nature of the district's environment, economy and the needs of the community it serves.

- 7 Although no new risks have been added to the QLDC Risk Register within the last reporting cycle, the following risks are noted of being of significance to Council at the present time as they are the subject of a considerable level of treatment activity by staff across council:
  - RISK00061- Ineffective Response to Legislative Reforms and Changes
  - RISK00005- Ineffective cyber security provisions
  - RISK00002- Major Disruption to Council facilities and services
  - RISK00019- Ineffective mitigation response to the declared climate and ecological emergency
  - RISK00059- Ineffective planning to support Climate Change Adaptation
  - RISK00013- Core infrastructure is Insufficient- Delays in capital delivery programme
- 8 An overview of the treatment activity that is in progress to mitigate the risks associated with Climate Change and Capital Works program delivery is summarised in separate reports which are standing items for the Audit, Finance and Risk committee.
- 9 A high-level overview of treatment progress for RISK00061, RISK00005 and RISK00002 is included in section D of this report.

### C. Development of our Risk and Resilience Culture

#### **Office of Auditor General (OAG) Report: Observations on Local Government Risk Management Practices**

- 10 As previously reported, QLDC has been the subject of an OAG case study into local government risk management practices along with three other Councils (Auckland, Waipa and Environment Canterbury). A [briefing paper](#) that detailed the QLDC specific findings from this investigation was circulated to ELT and Audit, Finance & Risk Committee in the [quarterly update on 11<sup>th</sup> March 2021](#). The Office has now finalised their broader report into the sector, which includes survey findings from 63 councils in addition to the detailed observations from the four case-study councils. The report is due to be presented to Parliament in October and it currently under parliamentary privilege so unfortunately cannot be shared during this reporting cycle, however once it is released it will be circulated to all governance stakeholders.
- 11 Although the full report is embargoed we have had the opportunity to review the draft and can confirm that it provides a comprehensive overview of risk management maturity across the sector. The report includes findings and recommendations relating to risk management best practice that will be of interest to risk governance stakeholders and to Council management and officers.

- 12 Based on the reviewed draft recommendations, QLDC is well placed in terms of its risk management maturity, particularly with regards to Climate Change for which QLDC received special mention. Despite this positive feedback there is still considerable development work required to embed a best practice culture. To progress this maturity development the following initiatives will be deployed.

**All-of-Government Enterprise Risk Maturity Self- Assessment**

- 13 The NZ Government has development a self-assessment diagnostic tool that allows public sector agencies to assess their current level of risk maturity and identify areas for improvement. The tool can be used to help identify the 'right size' of risk management practices to ensure they are fit for purpose and appropriate to the size and scale of the agency. This tool is referred to as the [All-of-Government Enterprise Risk Maturity Self- Assessment](#) and it is managed by DIA under digital.govt.nz.
- 14 The self-assessment will involve stakeholders from across Governance, Executive and Senior Leadership roles being sent an invite to complete an online survey assessment. This assessment is based on the 16 risk management elements shown in the model below (Figure 1).



- 15 Participants will be asked to rate our current maturity across the 16 along with a target condition. The feedback from this assessment will be aggregated into a gap assessment of our current areas of strength and areas for improvement which can feed into a development work programme.
- 16 The data that is collected is aggregated and anonymised and is included in a data set that supports ongoing monitoring of Risk Management maturity within the public

sector. By participating within this data set, QLDC can access it to run benchmarking reports that compare our results to the averages across the public sector, including within the local government category. This information will be useful for charting our current status and developing an improvement programme to progress our maturity development.

- 17 The self-assessment tool has been certified and accredited by the DIA Security and Risk team so any data that is entered is secure and cannot be accessed by any other agency.
- 18 The Executive Leadership Team (ELT) has approved QLDC participation.

### **Resilience Culture Development**

- 19 In addition to Risk maturity, a key focus of the organisation is on Resilience culture development. This can also be referred to as our Adaptive Capacity.
- 20 Resilience is a counterweight to uncertainty. It is built upon an acceptance that disruptions will occur and it focusses attention on the need to be ready to absorb and adapt to whatever shocks and stresses arise. Risk Management supports this through promoting a future focussed, [anticipatory mindset](#) that focusses attention on what could go wrong, and then on the treatment steps that can reduce the likelihood of it occurring. Through promoting a Risk and Resilience culture the organisation can help prepare the organisation for the volatile, dynamic future it is facing.
- 21 This commitment to resilience is aptly captured in the Vision 2050 outcome of Disaster-Defying Resilience. It is also embedded in our Spatial Plan, 30 Year Infrastructure Strategy and our Climate Action Plan. It also underpins our Business Continuity and Emergency Management response structures.
- 22 The development of a Resilience culture for QLDC is a holistic, integrated undertaking that involves a focus on factors at both an organisation and individual staff level:
  - **Organisation Resilience** relates to the factors that support the organisation to be open, transparent, adaptive and agile to change. It involves a focus on effective organisational processes, access to high quality information, supportive collaboration and resource sharing, the encouragement of improvement and innovation, as well as high levels of trust and transparency to ensure that problems are spotted earlier and not hidden.
  - **Individual Resilience** relates to the factors that support individuals to manage shock and stress, learn from experience, self-manage their own physical and mental health and be open to empathising with and supporting their colleagues through difficult circumstances.
- 23 As detailed in the [17<sup>th</sup> June 2021 risk update](#) a number of programmes and projects across Council are in progress which collectively support our resilience culture development. These include the following:

- Workforce Strategy deployment
- Cyber Security Programme (for further details see section D)
- Information Management Strategy development
- Engagement Survey work programme
- Security Improvement programme
- Staff Wellbeing programme
- Goodyarn mental health literacy programme

#### D. Key Risk Treatment Progress:

24 The following section provides a high-level overview of the treatment progress that is associated with key risks on the QLDC risk register.

##### **“RISK00061- Ineffective Response to Legislative Reforms and Changes”**

25 This risk reflects the uncertainty that Council faces with the significant programme of legislative reforms that is being driven from central government. Within the next three years several major transformation reforms will be enacted which will place a substantial level of stress on Council. These key reforms include:

- [Three Waters Reform programme](#)
- [Future for Local Government Review](#)
- [Replacement of the Resource Management Act \(RMA\)](#) with the new Natural and Built Environments Act (NBA), Strategic Planning Act (SPA) and Climate Change Adaptation Act (CCAA)

26 A significant level of focus and resourcing is being applied to the review and evaluation of each of these reform programmes as they will each have a significant impact on Council activities and structures. When viewed collectively, they potentially represent a transformational shift for the entire local government sector.

27 In order to monitor the progress of these reforms and the substantial amount of correspondence and data associated with them, a reform working group of relevant senior managers has been established. This group provides updates to the Executive Leadership Team and the elected members on a regular basis.

28 Three Waters reform is the most time critical of the three programmes and considerable focus is being applied at an Elected members, Executive management, staff officer and community level to understand the risks and potential consequences of the Central Government proposal.

29 An extraordinary Council meeting was conducted on 28<sup>th</sup> September to consider Council’s proposed feedback on the Government’s Proposal for Three Waters. The [covering report](#) for this meeting details the risk considerations, evaluation of the

data and modelling evidence base to help Council navigate its way through the challenging reform process. During this meeting the Council approved a position paper to be shared with the Department of Internal Affairs (DIA) and Local Government New Zealand (LGNZ). A copy of this correspondence can be [found here](#).

- 30 A key recommendation that Council is proposing is for central Government to re-design the overall reform programme so that Three Waters, RMA replacement and the Future for Local Government review occur in a staged and integrated manner. If accepted this would be a significant risk mitigation to help the sector better manage the uncertainty and interconnected consequences associated with the legislative changes. It would also reduce the considerable risks associated with allowing for genuine community engagement over these highly consequential reform programmes.
- 31 Council is fully committed to the engagement and ensuing consultation programme for the other reform programmes, and is awaiting, like all other Local Government stakeholders, further details of the proposed changes.

#### **RISK00005- Ineffective cyber security provisions**

- 32 The risk of cyber-attack remains as one of our most significant risks. This activity is typically perpetrated by sophisticated international networks who have the capability and resourcing to probe for system vulnerabilities and launch complex attacks. Increasingly these attacks are being directed at public sector entities due to their perception of being a “soft target”.
- 33 In 2020 QLDC partnered with Spark/CCL to collaboratively deliver an Information Security Services Programme work programme to further increase resilience and digital health and safety. This work programme has been led a Security Consultant and QLDC’s ICT Manager and will help the ICT team to comply with the organisation’s legislative obligations.
- 34 This cybersecurity programme involves the development of policy, assessment of vulnerabilities, establishment of enhanced security protocols and penetration testing to ensure that all systems can withstand and mitigate the risks associated with a cyber-attack. Key deliverables from this programme include:
- **Governance, Organisation & Assurance:**
    - Governance charter development, having oversight of cyber security risk and security performance metrics.
  - **Security Operations:**
    - Review of current patching and vulnerability management practices.
    - Migrating Trend Micro web proxy and endpoint protection products to the Trend Micro Platform as a Service offering (PaaS).
    - Adoption of Public Cloud Security Risk Assessment advice. Cloud-based systems will allow our devices to connect to these services from anywhere and support a more flexible workforce allowing for better control and administration by ICT Staff.

- **Policies, Plans & Procedures:**
  - Validation of list of critical data-sets and transition into a risk-led prioritised data classification asset register.
  - Development of QLDC cyber security incident response plan and associated 'play-books'.
  - Development of QLDC data-centre security policy.
  - Development of QLDC cloud security risks and mitigations guidance.
  
- **People:**
  - Development and delivery of regular staff cybersecurity training.
  - Simulated email phishing attacks to gain insights into staff behaviour and analyse the findings.
  - Implementing multi-factor authentication for all staff. This process has begun with around 50 staff, and the rollout will continue over the coming months.
  - Implement Mobile Device Management (MDM) to manage and protect, non-corporate domain joined devices (e.g. mobile phones, tablet devices, and even some IoT devices).

35 Regular progress updates of the ongoing cybersecurity work programme are provided to the ICT Steering Group (ELT).

#### **RISK00002- Major Disruption to Council facilities and services**

- 36 Disruption to Council facilities and services is a significant risk that relates to any event that significantly upsets the "business as usual" routine of the organisation to a point where a coordinated leadership response is required. Because disruption events are uncertain and unpredictable in scale and timing, our best defence is developing agile and adaptable Business Continuity response structures and the ongoing fostering of a resilience culture across the organisation.
- 37 The maturity of QLDC Business Continuity response capability has again been tested in recent weeks with the Covid-19 delta variant outbreak. At 11:59pm on 17 August 2021, all of New Zealand moved to Alert Level 4 with a minimal notice period. The QLDC Business Continuity Response Team were on standby as soon as news of this alert level change was received, and were well positioned to respond quickly and effectively.
- 38 This team met regularly throughout the Alert Level 4/3 restriction period and is continuing to monitor the situation in readiness for any escalation. The learnings, team structures and processes that were developed during the 2020 lockdown period greatly supported the timeliness of the response and allowed clear and timely information to be shared with staff to help manage and coordinate what was a very dynamic situation.
- 39 The following timeline of events from the response period is noted:

- On 17 August 2021 4:30pm all staff were advised that a new community case of Covid-19 had been detected and that an announcement from Cabinet was expected around 6pm. All staff were advised to take their mobile devices and laptops with them in anticipation of an alert level change
  - At 8:20pm communications were sent to all staff advising them of the Alert level 4 lockdown and that all QLDC offices and public facilities will be closing. All staff were advised that they should work from home where possible, although it was acknowledged that some roles could not do this due to the nature of their work.
  - A limited number of Alert Level 4 workers were identified and granted formal approved, signed by the Chief Executive. This included a small number of staff who were called up to the national contact tracing effort.
  - As the Alert Level 4 restrictions were instigated with only several hours warning, the setup of working from home arrangements (i.e. transporting monitors, chairs, and desks to temporary home office arrangements) was more restrictive than for the 2020 lockdown, when more lead-time notice was provided. Staff were very accommodating of these constraints and were well supported by a responsive IT support team. Some limited access was granted to enable collection of equipment from offices.
  - At Alert Level 3, most staff continued to work from home. Offices and public facilities continued to remain closed. Site visits (for example building inspections) recommenced. All endeavours were made to redeploy staff who were otherwise unable to work e.g. maintenance activities carried out in recreation centres ahead of re-opening.
  - At Alert Level 2, offices and public facilities re-opened with restrictions. Wearing of masks is far more prevalent, and mandatory in public spaces. QR scanning or signing in procedures are also now mandatory.
  - At the outset, a limit of up to 50% capacity was set for office buildings. When Alert Level 2 restrictions eased slightly on 20 September, this cap was lifted.
  - 1m distancing remains a requirement in office spaces, and where that can't be achieved, masks are required. Meeting room capacities remain capped at 50% to a maximum of 10 people.
- 40 Staff have responded very well through the recent changes to Alert Levels and with the exception of closed facilities and other services being unable to continue through Alert Levels 3 and 4, business as usual has able to continue. The health and wellbeing of staff and our communities through the uncertainty of these changes also remains a priority.
- 41 As noted in this quarter's Health, Safety & Wellbeing report, QLDC has also worked in conjunction with the SDHB to make vaccinations available for staff and their families. This programme commenced with drive-through clinics during Alert Levels 3 and 4.
- 42 The effective organisational response to this latest Covid-19 disruption is a positive indicator of the adaptive capacity and resilience culture of the organisation to respond to any major form of disruption.

**RISK00059- Ineffective planning to support Climate Change Adaptation**

- 43 Climate change adaptation relates to how well we are prepared and how resilient we are to the effects of climate change. This can relate to sudden onset events such as a severe wind or snow systems, or chronic stressors over an extended period of time such as drought or wildfire conditions. Adaptation to these shocks and stresses requires collaborative planning across risk management, natural hazard management, land-use planning, infrastructure planning, insurance management, community development and emergency management.
- 44 The Ministry for the Environment (MfE) has responsibility for providing national legislation and guidance to support the significant level of adaptation planning that is required across the country. MfE is required by the Climate Change Response Act 2002 to publish a National Adaptation Plan by August 2022 (this being 2 years after the publication of the first National Climate Change Risk Assessment). It expects to consult on a draft National Adaptation Plan in early 2022. MfE's intention is that consultation on the National Adaptation Plan will inform thinking on the Climate Adaptation Act which will provide legislative structure to support local government planning.
- 45 In the interim, several important Climate Adaptation projects are currently underway within the district. Council is committed to partnering or leading these in support of the effected communities who are impacted by the risks from these climate impacted hazards. These projects include:
- 46 **Glenorchy Natural hazards project** – This project is being led by the [Otago Regional Council](#) in collaboration with consultants from NIWA, University of Canterbury and Tonkin & Taylor. The project is focussed on multiple natural hazard threats that surround the Glenorchy township, with future climate, river morphology and landscape changes being modelled. An [Adaptation Pathways](#) approach is being used to assess the risk to the township and the analysis for future planning options and community decision-making.
- 47 **Mt Iron Wildfire Risk Reduction Project**- This multi-agency project has been launched in help drive risk reduction mitigations and community preparedness for the threat of a wildfire outbreak on Mt Iron. The project recognises that Mt Iron has been designated by FENZ as a Red Zone area, due to the critical risk factors (topography, vegetation coverage, high number of rural/urban properties, high level of recreation usage). The project is being coordinated through a multi-agency partnership between FENZ, Emergency Management Otago, QLDC, DOC, [SCION](#) and the recently formed Mt Iron Community Response Group. The Mt Iron Wildfire project has recently been nominated for a regional FENZ award and is the subject of a case study and national conference presentation at the upcoming National Rural Fire Research conference run by SCION. A newsletter update on the project can [be found here](#).
- 48 **Gorge Road Natural Hazards**- this [Natural Hazard project](#) is focused on determining an appropriate means of managing the risk from two alluvial fans located on the western side of Gorge Road. These fans are vulnerable to heavy rainfall events so the have a climate change risk associated with them. A Steering Group have been

established to support the project which is led by the QLDC Policy Planning team with technical stakeholders from across QLDC and ORC Natural Hazards team, BECA and GNS. The project has recently progressed to pre-notification of public consultation. The details of this were provided to Full Council on 16<sup>th</sup> September. The covering report can be [found here](#).

## CONSULTATION PROCESS | HĀTEPE MATAPAKI:

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### > SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

49 This matter is of **low** significance, as determined by reference to the **Council's Significance and Engagement Policy** because it will:

- Not significantly impact on the environment, culture and people of the District
- Not significantly effect individuals, organisations, groups and sectors in the community
- Not be inconsistent with existing policy and strategy
- Will not significantly impact the objectives set out in the Financial Strategy, Ten Year Plan and Annual Plan

50 As the significance of this matter is low and only for noting, no consultation with the community or local iwi is required.

## RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

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51 This matters relates to the management of all Strategic and Operational risks that are documented within the [QLDC Risk Register](#). The QLDC Risk Management Framework and risk management maturity work programme helps to support the development of a more engaged and capable resilience culture across the Council, leading to more effective risk identification, evaluation and mitigation outcomes.

## FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

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52 There are no financial implications associated with this matter.

## COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

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53 The following Council policies, strategies and bylaws were considered:

- QLDC Risk Management Policy
- Climate Action Plan
- Vision 2050
- QLDC Ten Year Plan
- QLDC Spatial Plan
- 30 Year Infrastructure Strategy

54 The recommended option is consistent with the principles set out in the above policy.

55 This matter supports the Ten Year Plan/Annual Plan through ensuring that effective mitigations are in place that support risks that could impact plan objectives.

#### **LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA**

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56 The recommended option:

- 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 mitigating the risk of disruption and reducing the likelihood of negative consequences;
- Can be implemented through current funding under the Ten 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.