

Audit and Risk Management Committee

AGENDA

Notice of Meeting:

An ordinary meeting of the Audit and Risk Management Committee will be held on:

Date: **Tuesday 18 June 2019**
Time: **1pm**
Venue: **Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch**

Membership

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Raf Manji
Members	Councillor Vicki Buck
	Councillor Phil Clearwater
	Councillor Pauline Cotter
	Mayor Lianne Dalziel
	Councillor David East
	Deputy Mayor Andrew Turner
	Mr Mark Russell
	Mr Michael Rondel

12 June 2019

Principal Advisor

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Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. If you require further information relating to any reports, please contact the person named on the report.

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Strategic Framework

The Council’s Vision – Christchurch is a city of opportunity for all.
 Open to new ideas, new people and new ways of doing things – a city where anything is possible.

<p>Whiria ngā whenu o ngā papa Honoa ki te maurua tāukiuki</p> <p>Bind together the strands of each mat And join together with the seams of respect and reciprocity.</p> <p>The partnership with Papatipu Rūnanga reflects mutual understanding and respect, and a goal of improving the economic, cultural, environmental and social wellbeing for all.</p>	<p>Overarching Principle</p> <p>Partnership – Our people are our taonga – to be treasured and encouraged. By working together we can create a city that uses their skill and talent, where we can all participate, and be valued.</p>	<p>Supporting Principles</p> <table border="0"> <tr> <td>Accountability</td> <td>Collaboration</td> </tr> <tr> <td>Affordability</td> <td>Prudent Financial Management</td> </tr> <tr> <td>Agility</td> <td>Stewardship</td> </tr> <tr> <td>Equity</td> <td>Wellbeing and resilience</td> </tr> <tr> <td>Innovation</td> <td>Trust</td> </tr> </table>	Accountability	Collaboration	Affordability	Prudent Financial Management	Agility	Stewardship	Equity	Wellbeing and resilience	Innovation	Trust
Accountability	Collaboration											
Affordability	Prudent Financial Management											
Agility	Stewardship											
Equity	Wellbeing and resilience											
Innovation	Trust											

Community Outcomes

What we want to achieve together as our city evolves

<p>Strong communities</p> <p>Strong sense of community</p> <p>Active participation in civic life</p> <p>Safe and healthy communities</p> <p>Celebration of our identity through arts, culture, heritage and sport</p> <p>Valuing the voices of children and young people</p>	<p>Liveable city</p> <p>Vibrant and thriving central city, suburban and rural centres</p> <p>A well connected and accessible city</p> <p>Sufficient supply of, and access to, a range of housing</p> <p>21st century garden city we are proud to live in</p>	<p>Healthy environment</p> <p>Healthy waterways</p> <p>High quality drinking water</p> <p>Unique landscapes and indigenous biodiversity are valued</p> <p>Sustainable use of resources</p>	<p>Prosperous economy</p> <p>Great place for people, business and investment</p> <p>An inclusive, equitable economy with broad- based prosperity for all</p> <p>A productive, adaptive and resilient economic base</p> <p>Modern and robust city infrastructure and community facilities</p>
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Strategic Priorities

Our focus for improvement over the next three years and beyond

Enabling active citizenship and connected communities	Maximising opportunities to develop a vibrant, prosperous and sustainable 21st century city		
Climate change leadership	Informed and proactive approaches to natural hazard risks	Increasing active, public and shared transport opportunities and use	Safe and sustainable water supply and improved waterways

AUDIT AND RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE

Chair	Kim Wallace (Independent)
Deputy Chair	Councillor Manji as the Chair of the Finance and Performance Committee
Membership	Mayor Dalziel and Deputy Mayor Turner The Chair of the following committees: <ul style="list-style-type: none"> • Innovation and Sustainable Development Committee • Social and Community Development Committee • Infrastructure, Transport and Environment Committee • Regulatory Performance Committee 2 External Members
Quorum	Half of the members if the number of members (including vacancies) is even, or a majority of members if the number of members (including vacancies) is odd.
Meeting Cycle	To be separately considered
Reports To	Council

Purpose

- 1.1 To assist the Council to discharge its responsibility to exercise due care, diligence and skill in relation to the oversight of:
- the robustness of the internal control framework;
 - the integrity and appropriateness of external reporting, and accountability arrangements within the organisation for these functions;
 - the robustness of risk management systems, process and practices;
 - internal and external audit;
 - accounting policy and practice;
 - compliance with applicable laws, regulations, standards and best practice guidelines for public entities; and
 - the establishment and maintenance of controls to safeguard the Council’s financial and non-financial assets.
- 1.2 The foundations on which this Committee operates, and as reflected in this Terms of Reference, includes: independence; clarity of purpose; competence; open and effective relationships and no surprises approach.

Procedure

- 2.1 In order to give effect to its advice the Committee should make recommendations to the Council and to Management.
- 2.2 The Committee should meet the internal and the external auditors without Management present as a standing agenda item at each meeting where external reporting is approved, and at other meetings if requested by any of the parties.

- 2.3 The external auditors, the internal audit manager and the co-sourced internal audit firm should meet outside of formal meetings as appropriate with the Committee Chair.
- 2.4 The Committee Chair will meet with relevant members of Management before each Committee meeting and at other times as required.

Responsibilities

3.1 Internal Control Framework

- Consider the adequacy and effectiveness of internal controls and the internal control framework including overseeing privacy and cyber security.
- Enquire as to the steps management has taken to embed a culture that is committed to probity and ethical behaviour.
- Review the processes or systems in place to capture and effectively investigate fraud or material litigation should it be required.
- Seek confirmation annually and as necessary from internal and external auditors, attending Councillors, and management, regarding the completeness, quality and appropriateness of financial and operational information that is provided to the Council.

3.2 Risk Management

- Review and consider Management's risk management framework in line with Council's risk appetite, which includes policies and procedures to effectively identify, treat and monitor significant risks, and regular reporting to the Council.
- Assist the Council to determine its appetite for risk.
- Review the principal risks that are determined by Council and Management, and consider whether appropriate action is being taken by management to treat Council's significant risks. Assess the effectiveness of, and monitor compliance with, the risk management framework.
- Consider emerging significant risks and report these to Council where appropriate.

3.3 Internal Audit

- Review and approve the annual internal audit plan, such plan to be based on the Council's risk framework. Monitor performance against the plan at each regular quarterly meeting.
- Monitor all internal audit reports and the adequacy of management's response to internal audit recommendations.
- Review six monthly fraud reporting and confirm fraud issues are disclosed to the external auditor.
- Provide a functional reporting line for internal audit and ensure objectivity of internal audit.
- Oversee and monitor the performance and independence of internal auditors, both internal and co-sourced. Review the range of services provided by the co-sourced partner and make recommendations to Council regarding the conduct of the internal audit function.

- Monitor compliance with the delegations policy.

3.4 External Reporting and Accountability

- Consider the appropriateness of the Council's existing accounting policies and practices and approve any changes as appropriate.
- Contribute to improve the quality, credibility and objectivity of the accounting processes, including financial reporting.
- Consider and review the draft annual financial statements and any other financial reports that are to be publicly released, make recommendations to Management.
- Consider the underlying quality of the external financial reporting, changes in accounting policy and practice, any significant accounting estimates and judgements, accounting implications of new and significant transactions, management practices and any significant disagreements between Management and the external auditors, the propriety of any related party transactions and compliance with applicable New Zealand and international accounting standards and legislative requirements.
- Consider whether the external reporting is consistent with Committee members' information and knowledge and whether it is adequate for stakeholder needs.
- Recommend to Council the adoption of the Financial Statements and Reports and the Statement of Service Performance and the signing of the Letter of Representation to the Auditors by the Mayor and the Chief Executive.
- Enquire of external auditors for any information that affects the quality and clarity of the Council's financial statements, and assess whether appropriate action has been taken by management.
- Request visibility of appropriate management signoff on the financial reporting and on the adequacy of the systems of internal control; including certification from the Chief Executive, the Chief Financial Officer and the General Manager Corporate Services that risk management and internal control systems are operating effectively;
- Consider and review the Long Term and Annual Plans before adoption by the Council. Apply similar levels of enquiry, consideration, review and management sign off as are required above for external financial reporting.
- Review and consider the Summary Financial Statements for consistency with the Annual Report.

3.5 External Audit

- Annually review the independence and confirm the terms of the audit engagement with the external auditor appointed by the Office of the Auditor General. Including the adequacy of the nature and scope of the audit, and the timetable and fees.
- Review all external audit reporting, discuss with the auditors and review action to be taken by management on significant issues and recommendations and report to Council as appropriate.
- The external audit reporting should describe: Council's internal control procedures relating to external financial reporting, findings from the most recent external audit and any steps taken to deal with such findings, all relationships between the Council and the external auditor, Critical accounting policies used by Council, alternative treatments of financial information within Generally Accepted Accounting Practice

that have been discussed with Management, the ramifications of these treatments and the treatment preferred by the external auditor.

- Ensure that the lead audit engagement and concurring audit directors are rotated in accordance with best practice and NZ Auditing Standards.

3.6 Compliance with Legislation, Standards and Best Practice Guidelines

- Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and Best Practice Guidelines.

3.7 Appointment of Independent Members

- Identify skills required for Independent Members of the Audit and Risk Management Committee. Appointment panels will include the Mayor or Deputy Mayor, Chair of Finance & Performance Committee and Chair of Audit & Risk Management Committee. Council approval is required for all Independent Member appointments.
- The term of the Independent members should be for three years. (It is recommended that the term for independent members begins on 1 April following the Triennial elections and ends 31 March three years later. Note the term being from April to March provides continuity for the committee over the initial months of a new Council.)
- Independent members are eligible for re-appointment to a maximum of two terms. By exception the Council may approve a third term to ensure continuity of knowledge.

Long Term Plan Activities

- 4.1 Consider and review the Long Term and Annual Plans before adoption by the Council. Apply similar levels of enquiry, consideration, review and management sign off as are required above for external financial reporting.

Part A	Matters Requiring a Council Decision
Part B	Reports for Information
Part C	Decisions Under Delegation

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1. Apologies

At the close of the agenda no apologies had been received.

2. Declarations of Interest

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

3. Confirmation of Previous Minutes

That the minutes of the Audit and Risk Management Committee meeting held on [Thursday, 30 May 2019](#) be confirmed (refer page 9).

4. Public Forum

A period of up to 30 minutes may be available for people to speak for up to five minutes on any issue that is not the subject of a separate hearings process.

5. Deputations by Appointment

There were no deputations by appointment at the time the agenda was prepared.

6. Petitions

There were no petitions received at the time the agenda was prepared.

7. Committee-Only Time with Auditors for Public Excluded Items

The Committee is reminded that under its Terms of Reference, it should meet with the internal and the external auditors without Management present at each meeting where external reporting is approved, and at other meetings if requested by any of the parties.

Any Committee-only time with the auditors within the proceedings of the meeting will be held as part of the consideration of a public excluded item. The public will be excluded from this time for the reason set out in the below resolution to exclude the public relating to the relevant item.

Audit and Risk Management Committee OPEN MINUTES

Date: Thursday 30 May 2019
Time: 9:02am
Venue: Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Present

Chairperson	Ms Kim Wallace
Deputy Chairperson	Deputy Chair Raf Manji
Members	Councillor Vicki Buck
	Councillor Phil Clearwater
	Councillor Pauline Cotter
	Mayor Lianne Dalziel
	Councillor David East
	Deputy Mayor Andrew Turner
	Mr Mark Russell
	Mr Michael Rondel

30 May 2019

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- Part A** **Matters Requiring a Council Decision**
Part B **Reports for Information**
Part C **Decisions Under Delegation**
-

The agenda was dealt with in the following order.

1. Apologies

Part C

Committee Resolved ARCM/2019/00011

That the apology for lateness from Councillor Manji, and the apologies for early departure from Councillor Cotter and Councillor Buck be accepted.

Ms Wallace/Councillor Cotter

Carried

2. Declarations of Interest

Part B

There were no declarations of interest recorded.

3. Confirmation of Previous Minutes

Part C

Committee Resolved ARCM/2019/00012

That the minutes of the Audit and Risk Management Committee meeting held on Friday, 8 March 2019 be confirmed.

Councillor Clearwater/Mr Russell

Carried

4. Public Forum

Part B

There were no public forum presentations.

5. Deputations by Appointment

Part B

There were no deputations by appointment.

6. Presentation of Petitions

Part B

There was no presentation of petitions.

Councillor Manji joined the meeting at 9:06am during the consideration of Item 7.

7. Critical Judgements, Estimates and Assumptions in the 2019 Annual Report

Committee Resolved ARCM/2019/00013 (Original Staff Recommendations Accepted without Change)

Part C

That the Audit and Risk Management Committee:

1. Notes the critical judgements, estimates and assumptions made to date for the Council's 2019 Annual Report, noting that these will be reflected in the final Annual Report to be considered by the Committee at its September meeting.

Mr Rondel/Ms Wallace

Carried

Councillor Buck declared an interest and took no part in the consideration of the section of this Item relating to the Ōtautahi Community Housing Trust.

Committee Decided ARCM/2019/00014 (Original Staff Recommendations Accepted without Change)

Part A

That the Audit and Risk Management Committee recommends that the Council:

1. Receives this report on the critical judgements, estimates and assumptions made to date for the Council's 2019 Annual Report.

Mr Rondel/Ms Wallace

Carried

8. Audit Management Letter - Interim 2018/19

Committee Comment

Andy Burns and Andrew Timlin of Audit New Zealand joined the table for the consideration of this item.

Committee Resolved ARCM/2019/00015 (Original Staff Recommendations Accepted without Change)

Part C

That the Audit and Risk Management Committee:

1. Notes that Audit New Zealand reviewed the internal controls in place for our key financial and non-financial information systems and concluded that the Council has appropriate systems of internal control over its key financial systems and that they were operating effectively;
2. Notes that Audit New Zealand reviewed the Council's information systems and processes and concluded that the Council's IT Governance is effective;

3. Notes that Audit New Zealand reviewed the Council's systems and controls for reporting its service performance information and concluded for the sample selected that the Council has appropriate systems and processes in place to capture and accurately report its achieved results against the performance measures;
4. Notes the recommendation made by Audit New Zealand in Appendix 1 of the Interim Management Report on the audit of the Council and management's response.

Deputy Mayor/Councillor East

Carried

Committee Decided ARCM/2019/00016 (Original Staff Recommendations Accepted without Change)

Part A

That the Audit and Risk Management Committee recommends that the Council:

1. Receives the Audit New Zealand Interim Management Report on the audit of the Council for the year ended 30 June 2019.

Deputy Mayor/Councillor East

Carried

9 Resolution to Exclude the Public

Committee Resolved ARCM/2019/00017

Part C

That the following persons remain after the public have been excluded for the following items of the public excluded agenda as they have knowledge that is relevant to these items and will assist the Council:

- Andy Burns and Andrew Timlin of Audit New Zealand, and David Seath of Deloitte, for:
 - Item 11, Quarterly Procurement Report – Quarter 3 – 2018/19;
 - Item 12, Internal Audit Status Report;
 - Item 13, Risk Management Status Report;
 - Item 14, Cyber Security Programme Update; and
- Steve Law of Deloitte for:
 - Item 12, Internal Audit Status Report.

AND

That at 9:27am the resolution to exclude the public set out on pages 42 to 44 of the agenda be adopted.

Ms Wallace/Councillor Cotter

Carried

The public were re-admitted to the meeting at 11:20am.

Meeting concluded at 11:21am.

CONFIRMED THIS 18th DAY OF JUNE 2019

KIM WALLACE
CHAIRPERSON

8. Updated Risk Management Policy

Reference: 19/623893

Presenter(s): Shaun Dowers, Head of Risk and Audit

1. Purpose of Report

- 1.1 Present the updated draft Risk Management Policy (**Attachment A**) for endorsement and approval.
- 1.2 Note that the Executive Leadership Team (ELT) has recently endorsed the updated draft policy and feedback from the 28 May Councillor briefing is incorporated.

2. Executive Summary

- 2.1 The Council approved its first Risk Management Policy in September 2015. Since this time, this policy has been implemented through numerous initiatives to improve risk management practice across the organisation - with a goal of improving the Council's risk maturity.
- 2.2 A recent independent Risk Maturity Assessment completed by Deloitte in January 2019 provided a risk maturity benchmark, confirmed progress, and identified opportunities and initiatives to further improve the Council's risk management maturity. The assessment applied a broad and new risk maturity assessment criteria (known as gERM – all of government Enterprise Risk Maturity assessment framework).
 - 2.2.1 This independent assessment concluded the Council was at a maturity of M3 (on a 5-rating scale).
- 2.3 As well as needing periodic review and refresh, the draft updated Risk Management Policy has factored in our improved risk maturity and incorporated recommendations from the Deloitte maturity assessment. This updated policy will also set the platform for our next phase of risk maturity improvement.

3. Staff Recommendations

That the Audit and Risk Management Committee:

1. Endorses the updated draft Risk Management Policy.
2. Recommends the Council approves the updated draft Risk Management Policy.
3. Recommends to the Council that a joint briefing with elected members and executive management is scheduled after the 2019 elections to discuss the refreshed expectations set within this policy.

4. Context/Background

Background

- 4.1 In 2015 Christchurch City Council's Audit and Risk Management Committee expressed that priority was needed to rapidly improve the Council's risk management framework.
- 4.2 In response, the Council's Risk and Audit unit developed a Risk Management Improvement Plan dated May 2015. This plan set out foundational tasks and actions that were completed in partnership with the Executive Leadership Team (ELT), including establishing policy, process and reporting, along with aligning and refreshing existing risk capture at the executive management level.

- 4.3 In 2017, the Council's Risk and Audit team prepared an updated Improvement Plan, which set out an 18-month programme to further embed and improve risk management practice across the Council. This extended actions and initiatives into: governance risk engagement; supporting/enabling business unit risk activity; aligning top/bottom risk capture; and a risk-system implementation. This improvement plan has been largely completed, with the initiatives resulting in ongoing and periodic business engagement, risk reporting and workshop sessions.

Risk Maturity Assessment

- 4.4 An independent Risk Maturity Assessment was completed by Deloitte in January 2019. The assessment provided an independent benchmark, confirmed progress, and identified opportunities and initiatives to further improve the Council's risk management maturity. The assessment applied a broad and new risk maturity assessment criteria (known as gERM – all of government enterprise risk maturity assessment framework).

4.4.1 This assessment concluded the Council was at a maturity of M3 (on a 5-rating scale).

- 4.5 The assessment provided thirteen recommendations around opportunities and initiatives to continue building the Council's risk management maturity beyond a M3 rating. These recommendations fall into the following four categories:

- Leadership / direction;
- People / development;
- Process / tools; and
- Business performance.

- 4.6 ELT has subsequently approved a Risk Improvement Plan in May 2019 with a schedule of initiatives to address these recommendations.

- 4.7 The Deloitte assessment agreed with draft policy content regarding risk appetite, and provided guidance and recommendations for two further policy improvements, including:

- definition for risk culture along with clear expectations; and
- what risk management should achieve (the benefits and outcomes of risk management).

Key Policy Changes

- 4.8 The main changes to current policy are driven from the Council's improvement in risk maturity (becoming more of a governance and principles level document), the recommendations from the Deloitte Risk Maturity Assessment, and some minor changes from the updated ISO Risk Management Guideline. In summary, these changes involve:

- Incorporation of risk culture language and concept.
- A clearer policy statement and language throughout.
- Inclusion of risk management principles (previously in Council risk guidance documentation).
- A new expression for risk appetite.

Risk Appetite

- 4.9 A key change within the draft policy includes a clearer definition and expression for risk appetite.

- 4.9.1 The ISO 31000 risk management standard defines risk appetite as the "Amount and type of risk that an organization is prepared to pursue, retain or take to achieve its objectives".
- 4.9.2 Section 3.2 within the draft policy defines the Council’s risk appetite as “the level of risk or uncertainty that the Council is willing to accept or take-on in pursuit of achieving our objectives”.
- 4.10 This draft policy recognises that for any business the taking on of risk to achieve objectives is at times necessary. Regardless, every business also recognises that in taking on any risk (with negative or positive outcomes) this risk exposure is expected to be managed.
- 4.11 The policy defines three risk appetite grades - these being “risk adverse”, “risk neutral” and “risk seeking” (refer section 3.2 of the policy for more detailed definition). As indicated in the table below, this grading scale is applied to each of the Council’s seven risk categories (illustrated below using CCC’s logo as the indicator of the risk grading). This then provides an overall risk appetite profile for the Council as provided in the updated policy.

Risk Category	Risk Appetite Grade		
	Adverse	Neutral	Seeking
Customers / citizens Risks/uncertainties that could improve/compromise our front facing interactions and services provided to customers and citizens.			
Infrastructure and Operations Risks/uncertainties that could improve/compromise or disrupt the state or operation of infrastructure and assets.			
Staff Engagement Risks/uncertainties that could improve/compromise the performance and/or the engagement of staff.			
Financial Risks/uncertainties that could improve/compromise financial stability and reporting, credit rating or lending covenants, and/or the return from our assets/investments.			
Health, Safety and Wellbeing Risks/uncertainties that could improve/compromise the health, safety and wellbeing of staff, citizens, suppliers, contractors and members of the public.			
Reputation Risks that could improve/compromise the trust, confidence and reputation Council has with our citizens, public, central government and other stakeholders.			
Environmental Risks/uncertainties that could improve/compromise eco-systems, or impact/displace native species of wildlife/plant/fauna.			
Legislative Risks/uncertainties that could improve/compromise our compliance with statutory/regulatory obligations or other applicable laws.			

- 4.12 In general, the Council’s overall risk profile is “risk adverse”, which is common for public sector organisations given the obligations around transparency and accountability. There are also some obvious individual risk categories like finance and health, safety and wellbeing that Council would be seeking to manage associated risks with negative impacts as a priority.
- 4.13 This overall risk appetite profile does not prevent the Council from taking on risk, where it may be beneficial to pursue positive outcomes. For example, opening a new swimming pool or implementing online payments for rates and dog registrations. It instead sets out expectations that risks are managed.
- 4.14 With most operational and council decisions, there are a mix of risks that span across different risk categories, and therefore these need to be balanced or prioritised.
- 4.14.1 For example, opening a swimming pool balances risks in health, safety and wellbeing (trips, slips through to drowning), financial risk (build and operating cost/revenue), and risks in meeting service level expectations (type of facility and opening hours).
- 4.14.2 The appetite expression can help to balance these risks, indicating for example that managing health, safety and wellbeing risks might be prioritised at the expense of associated financial risk.
- 4.15 The risk appetite profile for each risk category is also an ‘in- general’ expression. Sometimes the risk appetite for particular categories can shift depending on the situation. This policy provides the flexibility for potential decisions or situations that require a different risk appetite stance. Under these circumstances, the policy supports this through escalation/transparency mechanisms to ensure decisions are informed and made at appropriate levels.
- 4.16 The following examples have been included to help in understanding the application of this policy and new risk appetite approach:

Decision to allow e-scooters in Christchurch

- 4.16.1 This decision balanced Council objectives regarding improving the vibrancy of the city with risks regarding the Council and Christchurch’s reputation, health, safety and wellbeing of our city’s people, and the financial risk in taking on a new business model for e-scooter sharing.
- 4.16.2 The resulting decision by the Council to allow a trial e-scooter model in Christchurch accounted for this balance (i.e. considering supplier, equipment, financial modelling and public reaction).

Decision to chlorinate drinking water

- 4.16.3 This decision balanced risk regarding the Council and Christchurch’s reputation for having pure unchlorinated water, the Council fulfilling its regulatory obligations, financial implications to treat water and repair/upgrade infrastructure and the ability to repair/upgrade infrastructure without functional interruption of essential operations (drinking water).
- 4.16.4 The decision to chlorinate was reflective of the risk adverse grading applicable to the legislative and reputation risk categories. The decision to chlorinate avoided a regulator action or intervention.

Attachments

No.	Title	Page
A ↓	Updated draft Risk Management Policy	18

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Author	Shaun Dowers - Head of Risk and Audit
Approved By	Anne Columbus - General Manager Corporate Services



RISK MANAGEMENT POLICY

Policy owner:	Chief Executive Officer (CEO)
Approved by:	Council Elected Members
Date approved:	
Version history:	V1 approved on 15 October 2015. V2 replaces prior version.
Date or parameters for review:	Three yearly, or more frequently if circumstances require
Applies to:	All Elected Members, Council committees, Community Boards, employees, voluntary workers, Council business units and Council related activities without exception.
Contact details for further information:	Your Manager, or the Risk and Audit Unit
Location and availability:	Hub: Trim: XX/XXXX Managers and Team Leaders must ensure this policy is available to those without HUB or TRIM access.

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1. SECTION 1 – INTRODUCTION

1.1 Introduction	<p>All organisations are exposed to risk. Managing risks through culture, discipline and process, greatly enhances our ability to achieve objectives, deliver service, and create value and positive outcomes for the Council and people of Christchurch.</p> <p>The Council is a diverse organisation that delivers a broad range of services to the people of Christchurch, and as such faces a wide range of different types of risks posing up and downsides for our organisation.</p> <p>The purpose of this policy is to clearly set out and communicate the requirements and expectations for effective risk management by staff at all levels, for all types of risks, and across all activities of the Council.</p> <p>Risk management at its core, applies discipline and process that enables more informed decisions. Risk management is required to be a part of all functions and activities of the Council, including strategic planning, decision-making, operational activity, and service delivery. In this broader context, the Council also sets out decision-making limits and strategic objectives within a number of key documents. These assist with risk management and enable business operation whilst maintaining alignment and appropriate decision-making levels. These include (but not limited to):</p> <ul style="list-style-type: none"> • Strategic Framework; • Annual and Long Term Plans; and • Delegations Register.
1.2 Context	<p>The Council has based its approach and framework for risk management on the International Standard, ISO 31000:2018 Risk Management - Guidelines.</p> <p>This Policy is a formal and essential component of the Councils risk management framework covering:</p> <ul style="list-style-type: none"> • Risk Management Principles, adopted from ISO 31000; • The Councils appetite for risk; • Risk management culture, and leadership; and • Risk management responsibilities for all Council staff.

2 SECTION 2 – POLICY STATEMENT

Policy	
2.1	The Council is committed to integrating effective risk management into all aspects of Council's' activities. This includes integrating risk management into Council culture, planning and strategies, business operations, projects and decision-making processes.
2.9	All staff are required to follow this policy, through undertaking their risk management responsibilities outlined in section 3.3. This includes promoting our culture of managing risk, and applying the risk management principles, appetite and process/guidance provided in this policy to their everyday business functional planning, decisions and operational activity.

3 SECTION 3 – APPLICATION

Application	
3.1	<p>Risk Management Principles</p> <p>The Council has adopted and reinforces the application of the risk management principles established within ISO 31000.</p> <p>These risk management principles are the foundation for good organisational risk management and underpin the Council's risk management framework. They create and protect the Council's values and support the achievement of objectives.</p> <p>The risk management principles are outlined below.</p> <p>Risk management is:</p> <p>An integral part of all Council processes and decision making; Risk Management is not a stand-alone activity, separate from the main activities and processes within Council. Risk management is integral to all organisational activities. This means considering and managing uncertainty through daily and strategic planning, decision making and operational activity.</p> <p>Risk management helps decision makers at all levels of the Council understand and deal with the uncertainties they face in pursuit of their objectives. Risk management allows decision makers to make informed choices, prioritise actions and distinguish among alternative courses of action.</p> <p>Systematic, structured and comprehensive; A structured and comprehensive risk management approach contributes to consistent and comparable results.</p> <p>Customised; The Councils risk management framework and process are customised and proportionate to the organization's external and internal context related to its objectives.</p>

	<p>Transparent and inclusive; Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.</p> <p>Dynamic, iterative and responsive to change; Risks can emerge, change or disappear as the Council’s external and internal context changes. Managing risk needs to anticipate, detect, acknowledge and respond to these changes and events in an appropriate and timely manner.</p> <p>Based on the best available information; The inputs to risk management are based on information sources such as historical data, experience, observations, forecasts and judgment. Managers should take into account any limitations and uncertainties with the data and information used.</p> <p>Inclusive of human and cultural influence; and is Human behaviour and culture significantly influence all aspects of risk management at each level and stage.</p> <p>Continually improving. Risk management is continually improved through learning and experience.</p>								
3.2	<p>Risk Appetite and Tolerance</p> <p>We define risk appetite as representing the level of risk or uncertainty that the Council is willing to accept or take-on in pursuit of achieving our objectives.</p> <p>Taking on risk (uncertainties) in order to achieve Council objectives is recognised as necessary, and some of these risks will be significant. Risk appetite has been graded across three levels of appetite, being: risk adverse, risk neutral, and risk seeking, which are defined below.</p> <table border="1" data-bbox="354 1144 1311 1538"> <thead> <tr> <th colspan="2" data-bbox="354 1144 1311 1182">Risk Appetite Grade Definitions</th> </tr> </thead> <tbody> <tr> <td data-bbox="354 1182 486 1323">Risk adverse</td> <td data-bbox="486 1182 1311 1323">Avoidance of risk (uncertainty) must be a first priority, with minimal risk exposure and maximum treatment effort required. Any uncertainty or risk that remains after treatment efforts should only be allowable where absolutely necessary to achieve objectives.</td> </tr> <tr> <td data-bbox="354 1323 486 1429">Risk neutral</td> <td data-bbox="486 1323 1311 1429">Risk (uncertainty) exposure is not preferred but is recognised as part of achieving objectives. Treatments to minimise risks/uncertainties are expected to be in place through a cost/benefit assessment and approach.</td> </tr> <tr> <td data-bbox="354 1429 486 1538">Risk seeking</td> <td data-bbox="486 1429 1311 1538">The Council is actively seeking to take on more of this risk/uncertainty as it relates to, and enhances the achievement of objectives. Practical treatments are expected to be implemented through a cost/benefit approach.</td> </tr> </tbody> </table> <p>When applied to the various categories of risk in our business, shown in the table below, we build our profile for acceptable risk appetite and tolerance across the Council. This shapes our risk management culture, planning, operations, decision making, process and guidance.</p> <p>Council expects that identified risks across the various categories are assessed, treated and managed within these appetite levels.</p> <p>The Council has extended these risk appetite grading’s into a risk assessment framework (attached at Appendix A). This facilitates a practical and consistent</p>	Risk Appetite Grade Definitions		Risk adverse	Avoidance of risk (uncertainty) must be a first priority, with minimal risk exposure and maximum treatment effort required. Any uncertainty or risk that remains after treatment efforts should only be allowable where absolutely necessary to achieve objectives.	Risk neutral	Risk (uncertainty) exposure is not preferred but is recognised as part of achieving objectives. Treatments to minimise risks/uncertainties are expected to be in place through a cost/benefit assessment and approach.	Risk seeking	The Council is actively seeking to take on more of this risk/uncertainty as it relates to, and enhances the achievement of objectives. Practical treatments are expected to be implemented through a cost/benefit approach.
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application to derive risk ratings, and prescribe minimum risk escalation, ownership and reporting requirements.	
Risk Category	Risk Appetite Grade
	Adverse Neutral Seeking
Customers / citizens Risks/uncertainties that could improve/compromise our front facing interactions and services provided to customers and citizens.	
Infrastructure and Operations Risks/uncertainties that could improve/compromise or disrupt the state or operation of infrastructure and assets.	
Staff Engagement Risks/uncertainties that could improve/compromise the performance and/or the engagement of staff.	
Financial Risks/uncertainties that could improve/compromise financial stability and reporting, credit rating or lending covenants, and/or the return from our assets/investments.	
Health, Safety and Wellbeing Risks/uncertainties that could improve/compromise the health, safety and wellbeing of staff, citizens, suppliers, contractors and members of the public.	
Reputation Risks that could improve/compromise the trust, confidence and reputation Council has with our citizens, public, central government and other stakeholders.	
Environmental Risks/uncertainties that could improve/compromise ecosystems, or impact/displace native species of wildlife/plant/fauna.	
Legislative Risks/uncertainties that could improve/compromise our compliance with statutory/regulatory obligations or other applicable laws.	
3.3	<p>This Policy is a formal and essential component of the Council’s risk management framework. Other key components are summarised below.</p> <p>3.3.1 Risk Management Culture</p> <p>The Council desires a risk management culture, where all staff instinctively manage risk through daily and strategic planning, decision making and operational activity. Our culture extends an expectation that risk management principles, appetite and process are intrinsically applied throughout the Council to enhance the achievement of positive objectives and outcomes.</p>

	<p>3.3.2 Risk Management Leadership</p> <p>The Council has established strong risk management leadership within governance and management structures. This includes:</p> <ul style="list-style-type: none">• A Council Audit and Risk Management Committee;• An Executive Leadership Team Risk Management Group; and• A Risk and Audit Unit. <p>These groups each have formal Terms of References' or Charters' that detail their roles in leading, supporting and assessing/challenging the Councils risk management culture and process. This aligns with ISO 31000, and helps the Council:</p> <ul style="list-style-type: none">• Align risk management with objectives, strategy and culture;• Ensure necessary resources are allocated to managing risk;• Establish the amount and type of risk that may or may not be taken;• Communicate the value of risk management to the organisation and its stakeholders;• Ensure the risk management framework remains appropriate to the context of the organisation. <p>3.3.3 Risk Management Guidance, Tools and Templates</p> <p>The Council has established guidance, tools and templates to assist in risk management application and consistency.</p> <p>These guidance, tools and templates can be found on the Risk and Audit team webpage, and are linked in Section 5 of this policy: References and Related Documents.</p>
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3.4	<p>Risk Management Roles and Responsibilities.</p> <p>Everyone has a role to play in knowing, understanding and managing risk at Christchurch City Council, set out in the table below.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #d3d3d3;">Person(s)</th> <th style="background-color: #d3d3d3;">Risk Management Roles and Responsibilities</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Council Elected Members</td> <td> <ul style="list-style-type: none"> • Approve the Council’s Risk Management Policy setting the tone for risk culture, appetite, tolerance and management across the organisation. • Understand and assist identifying the most significant risks to the Council, and gain comfort from management over the management of these risks. • Apply the risk management principles and appetite to decision making. </td> </tr> <tr> <td style="vertical-align: top;">Audit and Risk Management Committee (ARMC)</td> <td> <ul style="list-style-type: none"> • Assist the Council to discharge its responsibilities by making recommendations to the Council and/or management on the robustness of risk management systems, process and practice. This includes assisting with the determination of risk appetite, review of managements’ risk management framework and consideration of whether appropriate action is being taken by management to mitigate Council's significant risks. (Extracted from the Committee’s Terms of Reference). </td> </tr> <tr> <td style="vertical-align: top;">Committee and Community Board Members</td> <td> <ul style="list-style-type: none"> • Apply the risk management principles and appetite. Understand and gain comfort over key planning and decision-related risks and the treatments proposed/in-place. </td> </tr> <tr> <td style="vertical-align: top;">Chief Executive Officer</td> <td> <ul style="list-style-type: none"> • Apply the risk management principles and appetite. • Understand and assist identifying the most significant risks to the Council, and gain comfort over the treatments proposed/in-place. • Maintain an effective Risk Management culture, by providing leadership in risk management, and ensuring key decisions take risk into account. • Accountable to Council Elected Members and the ARMC for the effective and efficient management of strategic, operational and project risks. </td> </tr> <tr> <td style="vertical-align: top;">Executive Leadership Team (ELT)</td> <td> <ul style="list-style-type: none"> • Apply the risk management principles and appetite. • Understand and assist identifying the most significant risks to the Council, and seek/gain/provide comfort over the treatments proposed/in-place. • Assist the Chief Executive Officer to maintain an effective risk management culture, by providing leadership in risk management, and ensuring key decisions take risk into account. • Endorse, lead and deliver risk management improvement initiatives scheduled within a risk management improvement programme. • Utilise the Risk Management Team to identify, regularly review, manage, report and escalate the most significant Council risks to the ELT, ARMC and Council. </td> </tr> </tbody> </table>	Person(s)	Risk Management Roles and Responsibilities	Council Elected Members	<ul style="list-style-type: none"> • Approve the Council’s Risk Management Policy setting the tone for risk culture, appetite, tolerance and management across the organisation. • Understand and assist identifying the most significant risks to the Council, and gain comfort from management over the management of these risks. • Apply the risk management principles and appetite to decision making. 	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Chief Executive Officer	<ul style="list-style-type: none"> • Apply the risk management principles and appetite. • Understand and assist identifying the most significant risks to the Council, and gain comfort over the treatments proposed/in-place. • Maintain an effective Risk Management culture, by providing leadership in risk management, and ensuring key decisions take risk into account. • Accountable to Council Elected Members and the ARMC for the effective and efficient management of strategic, operational and project risks. 	Executive Leadership Team (ELT)	<ul style="list-style-type: none"> • Apply the risk management principles and appetite. • Understand and assist identifying the most significant risks to the Council, and seek/gain/provide comfort over the treatments proposed/in-place. • Assist the Chief Executive Officer to maintain an effective risk management culture, by providing leadership in risk management, and ensuring key decisions take risk into account. • Endorse, lead and deliver risk management improvement initiatives scheduled within a risk management improvement programme. • Utilise the Risk Management Team to identify, regularly review, manage, report and escalate the most significant Council risks to the ELT, ARMC and Council.
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Person(s)	Risk Management Roles and Responsibilities
Risk Management Team	<ul style="list-style-type: none"> • Facilitate, cultivate and support application of Councils risk management principles, appetite and process through: <ul style="list-style-type: none"> ○ Reporting on and escalating risks and risk management activity to the ELT and, on their behalf, to the ARMC and Council Elected Members. ○ Develop/maintain guidance, tools and templates, and provide support, coaching, and advice to Unit Heads, Managers and their staff regarding risk management. ○ Propose and support ELT's delivery of a risk management improvement programme, containing scheduled initiatives for improving risk management maturity across the Council.
Heads, Managers and Leaders of teams	<ul style="list-style-type: none"> • Apply Council's risk management principles and appetite and provide leadership in risk management by ensuring <ul style="list-style-type: none"> ○ key decisions take risk into account, and ○ systems, procedures and controls are in place, so that risks affecting their functional objectives, planning and operations are managed to an acceptable level as defined by the Council's risk appetite. • Apply risk management discipline, process, and assessment ratings set out in the Council's guidance, tools, and templates. • Embed Risk Management Culture, by ensuring their teams and staff understand and are aware of this policy, their role and the systems, procedures and controls in place to manage Council risk.
Employees / Staff	<ul style="list-style-type: none"> • Understand Councils' risk management principles and appetite and use the risk management guidance, tools and templates in everyday planning and decision-making.
3.5	<p>Evaluation and improvement.</p> <p>For the policy to remain relevant and effective, it is fundamental that changes in the organisation, its personnel and its objectives are identified, monitored and reviewed, and action taken to update this Policy and risk management practice as necessary.</p> <p>Formal review of this Risk Management Policy will occur every three years (in line with the Council's Long Term Plan), but certain conditions should initiate an ad-hoc revision. These include (but are not limited to), a change in Council strategic objectives or a significant change in regulatory environment.</p>

4 SECTION 4 – DEFINITIONS

Term	Definition
Risk	The effect of uncertainty on objectives. A potential event or occurrence that helps or hinders one or more Council objectives.
Risk appetite	Risk appetite represents the amount of risk an organisation will tolerate as it seeks to achieve its objectives.
Risk Management	The combination of specialist and general activities undertaken to methodically address risks (identify, assess, treat, monitor and report risk). Risk Management encompasses the full Risk Process (refer to Appendix 1), and is further defined within the guidance and templates developed/maintained by the Risk Team
Treatment	Activities to mitigate and/or control risks.
Inherent risk	The expression to describe un-managed risk.
Residual risk	The expression to describe managed risks (after factoring in existing treatments).
Hazard	A hazard is an object or situation that could cause a risk. Applying risk management methodology/process (where relevant) would consider the impact/risk that could occur, and the likelihood of occurrence.
Issue	An issue is a risk that has or is occurring. There may be risk or uncertainty associated with the extent of damage/impact that the issue causes, and the actions/costs/timeframes to resolve. Risk Management discipline can and should be applied to these avenues of uncertainty.

5 SECTION 5 – REFERENCES AND RELATED DOCUMENTS

This policy should be read in conjunction with the:

Document
AS NZS ISO 31000 – 2018 Risk Management - Guidelines
Council Strategic Framework
Current Council Annual and Long Term Plans
Council Delegations Register
Council Risk Management Guide

6 SECTION 6 – DEVIATION FROM POLICY

Once this policy has been implemented, any deviations from this policy can only be made with the approval of the Policy Owner.

Failure to comply with the requirements of this policy may be considered a breach of your contract or employment agreement.

Contact the owner of this policy, your Manager or Risk and Audit Unit for advice regarding potential breaches of a policy.

APPENDIX 1 – RISK ASSESSMENT FRAMEWORK

This risk assessment framework extends the Council’s risk appetite (expressed in section 3.2) into a practical model for application. This consists of a Risk Response table, Risk Rating Matrix and definitions for Risk Likelihood and Risk Impact.

The risk rating matrix and definitions are used to assess and determine a risk rating, and helps to drive a level of consistency across the Council. While the risk response table sets out minimum risk escalation, ownership and reporting requirements.

The Risk Assessment Framework is a guide and should be applied in conjunction with the Council’s risk appetite.

Risk Response table

Residual Risk Rating	Risk Ownership and Response	Minimum Escalation
Very High	<ul style="list-style-type: none"> - Risk ownership: ELT - Risk treatment strategies to be developed and implemented immediately. - A full risk analysis to be undertaken. - Assigned GM responsibility and with ELT oversight. - Risk is outside of Council Appetite, acceptance without further treatment requires Council approval. 	<ul style="list-style-type: none"> - Escalate immediately to GM and ELT, and arrange appropriate escalation to ARMC and Council. - Include within risk reporting to ELT and ARMC.
High	<ul style="list-style-type: none"> - Risk ownership: Relevant GM - Risk treatment strategies to be developed and implemented as soon as possible. - A full risk analysis to be undertaken. - Assigned Unit Head responsibility, managed and reviewed with GM on a regular basis. - Risk is likely to be outside of Council Appetite, acceptance without further treatment requires ELT approval. 	<ul style="list-style-type: none"> - Escalate immediately to relevant GM. - Include within risk reporting to ELT and ARMC.
Medium	<ul style="list-style-type: none"> - Risk ownership: Unit Head - Implement strategy to monitor and review risk and effectiveness of existing treatments. - Consider additional treatment if the cost is justified. - Assigned relevant manager responsibilities, with Unit Head oversight. 	<ul style="list-style-type: none"> - Escalate to Unit Head through risk reporting. - Unit Heads to monitor through unit/team reporting.
Low	<ul style="list-style-type: none"> - Risk ownership: Relevant Manager - Managed by routine business procedures - In most cases requires no specific actions or treatment strategies - Requires periodic monitoring of existing controls by process owner 	<ul style="list-style-type: none"> - Escalate to process owner and appropriate business manager.

Risk Rating Matrix

Impact v Likelihood	Insignificant	Minor	Moderate	Major	Extreme
Almost Certain	Medium	High	High	Very High	Very High
Likely	Medium	Medium	High	Very High	Very High
Possible	Low	Medium	High	High	Very High
Unlikely	Low	Low	Medium	High	High
Very Unlikely	Low	Low	Medium	Medium	High

Likelihood Definitions

Rating	Probability	Description
Almost Certain	> 90%	Virtually guaranteed to occur
Likely	> 70%	Will probably occur in most circumstances. Common occurrence
Possible	> 40%	Could occur at some stage. Some history of occurrence
Unlikely	> 10%	Could occur. Little history but a chance of occurring
Very unlikely	< 10%	May occur only in exceptional circumstances. No history but a remote chance of occurring

Risk Impact Definitions

Impact assessment must consider short, medium, and long term effects. Where a risk impact is across multiple factors such as financial and reputation, the highest impact must be used in rating the risk. However, all impacts / factors will require appropriate management action and mitigation.

The impact definitions provided are not extensive and will not cover every scenario. Management's best judgement through the use of these definitions will likely be required. Assistance from the Risk Management team can also be sought.

Factor	Insignificant	Minor	Moderate	Major	Extreme
Management response effort	Managed as a day-to-day event, not requiring management attention / involvement	Managed by line manager with Head of Unit (or equivalent) oversight, under normal operating conditions.	Managed by Head of Unit, with General Manager (or equivalent) oversight.	Active management by General Manager (or equivalent), with CEO oversight.	Significant Executive Management involvement, and/or managed by CEO and with Council oversight/involvement.

Factor	Insignificant	Minor	Moderate	Major	Extreme
Customers / Front-facing service delivery Unplanned disruption	Negligible/isolated and/or brief impact to customer(s). (E.g. waste bin non-collection at a small number of properties).	Small groups of customers are affected, with disruption lasting up to 1 day. (E.g. unplanned pool closure).	Wider customer group impact such as suburb or a large facility. Disruption extends past 1-day. (E.g. Central Library has sprinkler malfunction causing minor flooding). Or, the impact affects a network of customer groups but with disruption lasting less than 1-day. (E.g. closure of a number of parks due to strong winds. Or library IT network is temporarily down).	A network of customer groups affected (multi-suburb or network of service delivery centres). Disruption extends past 1-day. (E.g. power or key IT system outage lasting for more than 1 day). Or, the impact is on a very broad city scale but with disruption lasting less than 1-day. (E.g. all Council facilities are locked down, lasting a number of hours).	Service delivery disruption impacts on broad Council customers and the city population (e.g. total network failure). Disruption to this broader customer group extends past 1-day. Some form of coordinated response will be required.
Infrastructure / Operations Unplanned disruption	No measurable disruption to delivery. Negligible performance impact. (E.g. a set of traffic lights defaulting to orange flash for an hour).	Brief (<4hr) impact/outage to core/critical service delivery.	Isolated, or suburb-wide impact to core/critical service delivery/facility, lasting less than 12 hours. .	Suburb, multi-suburb or critical facility impact to core service delivery that is extended over 12 hours. (E.g. Hospital loses waste water connection for >12hours).	Suburb, multi-suburb or critical facility impact to core service delivery extending (beyond 36 hours) .
Staff engagement	Minor staffing issues dealt with through normal HR processes	Disengagement across small groups of staff or external stakeholders, resulting in some impact on business operations.	Disengagement across groups of staff disrupting business operations and having some impact on service delivery performance.	Staff disengagement with disruption to business operations impacting on ability to deliver service.	Significant disengagement with ongoing widespread operational disruption having significant impact on ability to delivery service.
		Loss of key person, or a number of team-members in short succession with some resulting (efficiency) impact on business operations.	Loss of a number of key persons, impacting on re-training with short to medium term impact on businesses operations. Negligible impact to service delivery.	Loss of multiple key persons or a critical staff member with unique and valuable experience / knowledge having extended impact on business operations affecting service delivery.	Loss of 2 or more critical staff with unique and valuable experience / knowledge or large groups/teams of key persons. Extended adverse impact to operations and service delivery.
				Short term impact on our CDEM response capability	Extended impact to our CDEM response capability.

Factor	Insignificant	Minor	Moderate	Major	Extreme
Financial	Operational funding loss or cost overrun up to \$50K. Unit level net impact is below \$50K.	Operational funding loss or cost overrun, with unit level net impact between \$50K and \$100K.	Operational funding loss or cost overrun, with unit level net impact between \$100K and \$1M.	Operational funding loss or cost overrun, with unit level net impact exceeding \$1M, and with net group level impact below \$1M.	Group net operational funding loss or cost overrun greater than \$1M.
	Annual and unforeseen (based on cash forecast 1-July): A capital project/programme with a net budget under/overspend of <\$0.5M; Or, a project/programme of smaller value capital works/projects (inc delivery packages) with a net over/underspend of up to 10%.	Annual and unforeseen (based on cash forecast 1-July): A capital project/programme with a net budget under/overspend of \$0.5M to \$1M; Or, a project/programme of smaller value capital works/projects (inc delivery packages) with a net over/underspend of between 10-25%.	Annual and unforeseen (based on cash forecast 1-July): A capital project/programme with a net budget under/overspend of \$1M to \$5M; Or, a project/programme of smaller value capital works/projects (inc delivery packages) with a net over/underspend of between 25-50%.	Annual and unforeseen (based on cash forecast 1-July): A capital project/programme with a net budget under/overspend of \$5M to \$10M; Or, a project/programme of smaller value capital works/projects (inc delivery packages) with a net over/underspend of >50%.	Annual and unforeseen (based on cash forecast 1-July): A capital project/programme with a net budget under/overspend of >\$10M
		Isolated fraud of very low value (under \$100) cash or non-cash items.	“Except-for” audit opinion, relating to uncontrollable events (earthquake)	“Qualified” audit opinion, relating to uncontrollable events (earthquake)	“Qualified” audit opinion, relating to system or management control failure.
			Employee fraud of low value cash or non-cash items, up to \$1000. Could involve more than one person.	Fraud with a value of up to \$1M. Fraud could be isolated or involve others (with some collusion).	Significant fraud exceeding \$1M. Fraud could be isolated or involve others (with some collusion).
			Forecast breach of lending covenants that is unplanned or without an approval/exception.	Actual breach of lending covenants without approval/exception.	

Factor	Insignificant	Minor	Moderate	Major	Extreme
Health, safety and wellbeing	Injury/illness requiring first-aid treatment. E.g. minor cut requiring plaster, or burn treated with cold water.	Medical treatment not requiring hospital admission. E.g. sprain requiring physiotherapy or a simple fracture. Health/wellbeing condition treated with early intervention prescribed by certified medical practitioner or occupational therapist. E.g. Occupational dermatitis. Restricted work case < 28 days.	Injury or illness (health/wellbeing) which results in person being admitted to hospital for <48 hours. E.g. complicated fracture or crushing injury. Lost time injury < 2 weeks. Restricted work case > 28 days.	Seriousness illness or injury resulting in permanent effects to person's quality of life. Hospital admission >48 hours. E.g. Paralysis or amputated limb. Lost time injury > 2 weeks.	One or more fatalities.
Reputational	No or negligible (one-off) media coverage or comment.	Minor short term media coverage with negative correlation and small/local audience	Negative media coverage with broader audience (regional and/or some national coverage) and involving more than one media agent. Short term focus (<5days).	Negative national media coverage with extended coverage (>5days) involving multiple news and media agents.	Sustained negative national and/or international media coverage, with focus investigative segments, re-occurring coverage and involving multiple news and media agents.
	No impact or negligible impact on stakeholder confidence	Minor short term impact on stakeholder confidence.	Negative short term impact on stakeholder confidence	Adverse impact on stakeholder confidence with some long-term effect.	Sustained adverse impact on stakeholder confidence with extended effect.
Legislative		Minor non-compliance with legal / regulatory requirements.	Non-compliance with legal / regulatory requirements, resulting in possible investigation, Judicial Review or comment/censure by legal or government authority.	Crown advisory intervention, or other direct intervention or supervision by a regulator. Internal non-compliance (i.e where Council is regulator)	Crown managerial intervention, or loss of license to operate service Criminal prosecution of an officer punishable by imprisonment.
			Civil action or attempt at civil prosecution with potential damages/fine of <\$100,000	Civil or criminal prosecution with damages/fine of <\$500,000	Class-action, Criminal or civil prosecution with damages/fine > \$500,000

Factor	Insignificant	Minor	Moderate	Major	Extreme
Environmental		Moderate effects on biological or physical environment but little or quickly remedied impact to ecosystem. Short term (<3 months) reversible damage to biological or physical environment.	Serious environmental effects, such as displacement of species and partial impairment of ecosystem. Reversible but widespread medium term (<12 months) impact/damage to biological or physical environment.	Significant impact on highly valued species or habitats. Reversible, but long term (<5 years) damage to biological or physical environment.	Destruction of significant ecosystem, or significant effects on endangered species or habitat. Irreversible or long term (>5 years) damage to biological or physical environment.

DRAFT

9. Report Back on Weather Tightness

Reference: 19/625893

Presenter(s): Len van Hout, Manager External Reporting and Governance

1. Purpose of Report

- 1.1 The purpose of this report is to report back on a question raised on future weather tightness claims under the Weathertight Home Resolution Service Act.

2. Staff Recommendations

That the Audit and Risk Management Committee:

1. Receive this report on future claims under the Weathertight Home Resolution Service Act.

3. Background

- 3.1 At the Audit and Risk Management Committee on 30 May 2019, Council staff reported on Critical Judgements, Assumptions and Decisions for the Council's 2019 Annual Report.
- 3.2 Committee members were advised that the financial statements for 2019 would include judgements arising from a review of the weather tightness provision created as a result of the Weathertight Homes Resolution Services Act (WHRS).
- 3.3 Committee members requested an update on the likelihood of future claims under the Weathertight Homes Resolution Services Act.
- 3.4 Claims under the Weathertight Homes Resolution Services Act, had a limit of 10 years. All claims were to be delivered to the relevant authority by 1 January 2012. No new claims can be brought under the Act post that date.
- 3.5 There are still some old claims filed under the WHRS legislation that are dormant and have not progressed but which may eventuate. Staff are still responding to these old live claims but they are unlikely to have any significant cost. No new claims can be filed under the WHRS Act. However, claims asserting building defects can still be brought in the High Court alleging contractual breach by the builder (who will join the Council) arising from work before 2012.

Weather Tightness Claims	Number of Claims Settled	Value of Claims Settled
2017	5	\$0.27 million
2018	6	\$0.43 million
2019	1	\$0.05 million
Total	12	\$0.75 million

- 3.6 There is an ongoing exposure to new claims because there is no restriction on homeowners bringing claims that include a weathertight element. This exposure will be reviewed as part of the normal business risk to ensure that the provision is adequate.

Attachments

There are no attachments to this report.

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Author	Len Van Hout - Manager External Reporting & Governance
Approved By	Diane Brandish - Head of Financial Management Carol Bellette - General Manager Finance and Commercial (CFO)

10. Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987.

I move that the public be excluded from the following parts of the proceedings of this meeting, namely items listed overleaf.

Reason for passing this resolution: good reason to withhold exists under section 7.

Specific grounds under section 48(1) for the passing of this resolution: Section 48(1)(a)

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

“(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):

- (a) Shall be available to any member of the public who is present; and
- (b) Shall form part of the minutes of the local authority.”

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON UNDER THE ACT	PLAIN ENGLISH REASON	WHEN REPORTS CAN BE RELEASED
11	PUBLIC EXCLUDED AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES - 30 MAY 2019			REFER TO THE PREVIOUS PUBLIC EXCLUDED REASON IN THE AGENDAS FOR THESE MEETINGS.	
12	ANNUAL PLAN 2019/20 TO BE SUBMITTED TO THE COUNCIL ON 25 JUNE 2019	S7(2)(B)(II), S7(2)(G)	PREJUDICE COMMERCIAL POSITION, MAINTAIN LEGAL PROFESSIONAL PRIVILEGE	<p>THE INFORMATION TO BE USED AS THE BASIS FOR PREPARATION OF THE COUNCIL'S ANNUAL PLAN REMAINS SUBJECT TO CHANGE. PREMATURE RELEASE OF THIS INFORMATION, BEFORE IT IS ADOPTED BY THE COUNCIL, COULD PREJUDICE THOSE PEOPLE AND ENTITIES THAT MAY BE AFFECTED BY ANY CHANGES MADE.</p> <p>THE COMMITTEE MAY SEEK AT THE MEETING LEGAL ADVICE ON MATTERS RELATING TO THE PREPARATION AND ADOPTION OF THE ANNUAL PLAN</p>	UPON THE CHIEF EXECUTIVE BEING SATISFIED, IN THEIR DISCRETION, THAT THERE ARE NO LONGER GROUNDS FOR WITHHOLDING THE INFORMATION.