

At the Finance, Audit and Risk Committee meeting there was a consensus agreement that the report in Tab 3, and Appendices 1 & 2 of the report should be considered in open meeting.

The report and appendices are attached here for information.

The Appendix 3 was considered with the public excluded.

RISK MANAGEMENT UPDATE APRIL 2020

PURPOSE

1. This report provides an update of risk management activities for monitoring and review purposes.

RECOMMENDATION

That, having considered all matters raised in the report the report be noted:

- a) **The draft strategic risks (appendix 2) be approved, noting that there is likely now to include a specific entry relating to recovery from the COVID-19 event.**
- b) **The report not be released as publicly available information.**
- c) **The minute relating to this item not be released publicly.**

SIGNIFICANCE AND ENGAGEMENT

2. This report is provided for information purposes only, and has been assessed as being of some importance.

DISCUSSION

3. Following the Council's resolution to adopt the revised Risk Management Framework for monitoring, review and action on 2 July 2019, this report updates the developments since the last risk management update report (December 2019).

COVID-19 response

4. At the time of writing New Zealand is under a state of National Emergency in response to the COVID-19 virus. Council has implemented business continuity plans in response and partially activated its Incident Management Team, while the Taranaki Emergency Management Office Emergency Coordination Centre (ECC) is running seven days a week. Council's focus is ensuring essential services - water, waste water, rubbish collection, and public information – are maintained. Where possible NPDC is working with other Taranaki Councils and is supporting the ECC with Council staff and status reports from the Incident Management Team. An update will be provided at the Committee's meeting.

5. The potential for this event and its impacts are covered by Council’s Risk Management Framework. The risk registers for Emergency Management, Infrastructure, and Health and Safety teams include risks that address the potential impacts of COVID-19 from pandemic planning, business continuity, and public health perspectives. The existing mitigations for each risk continue, with increased effort directed towards responding to the national alert level 4 lockdown. In parallel, some attention is turning to recovery activities so once the lockdown is over the Council can ramp up activity as quickly as possible. This includes having a pipeline of projects ready to initiate to assist the recovery of our community, particularly suppliers and contractors that rely heavily on Council work.

Update of risk registers

6. The focus of this update is on new risks for Council and how its most significant ones are managed. A new risk is noted in the table below while Appendix 1 details the ‘high’ residual risks and how they are being managed (please note that because it was written before alert level 4 was implemented the timing of some of the projects indicated in Appendix 1 will slip given work has stopped). As with the December update, no risks are currently residually rated as ‘extreme’.

| Risk description | Business unit | Residual risk rating | Treatment |
|---|---------------|----------------------|--|
| Council is prosecuted because Three Waters activities do not comply with the Health and Safety at Work (Hazardous Substances) Regulations 2017, resulting in financial and reputational damage. | Three Waters | Low | In July 2019 Three Waters completed an internal audit of how the team manages hazardous substances, asbestos, and the transport of dangerous goods in accordance with the regulations. While the audit identified no high risk or urgent issues - i.e. there is no risk to anyone's health or safety - non-compliances were identified relating to tracking of substances, requirements for hazardous areas (flammable substances), compliance certification, labelling, and signage (chemicals and asbestos containing materials). An action plan is in place to ensure compliance within the next 12 months. |

Managing and reporting on Council's strategic risks

7. Before the onset of COVID-19 Council management completed a process to identify our strategic risks and how they are being managed. These risks have been defined as those with all-of-organisation application or organisational-level (and community) impact if they are realised. The draft strategic risks are noted in Appendix 2 for members' consideration and approval, noting that there is likely now a need to include a specific entry relating to recovery from the COVID-19 event. Nevertheless, through this process it will be important to end up with a collective risk appetite for each strategic risk, which will inform management decisions going forward.
8. The intention is that the agreed strategic risks will be reviewed monthly by the Council's Executive Leadership Team, and changes made as appropriate. This includes any changes to the tasks and timeframes noted for reducing the risks to as low as reasonably practicable. After each review the Risk Management Lead will update the list and report progress to the Finance, Audit and Risk Committee in the next risk management update report.
9. As another means by which the Committee can get assurance around the management of these strategic risks, the Committee's 2020 work programme includes 'deep dives'. The agreed strategic risks will be used as a basis for the deep dive schedule, which before the disruption caused by COVID-19 was as below:
 - April: IS systems vulnerabilities – Unauthorised access, bespoke procurement, external attacks, and loss of data. This deep dive has been completed by the Chief Information Officer and is attached as Appendix 3.
 - May: Emergency management - We are unable to appropriately respond to, and recover from, an emergency because of inadequate emergency response and business continuity planning arrangements. This deep dive will likely be replaced by an update of Council's ongoing COVID-19 response and recovery activities.
 - August: Inability to respond to climate change because of inadequate mitigation planning. This deep dive may be delayed depending on how long business as usual is disrupted.
 - December: Poor asset investment decision-making as a result of reliance on poor asset data. If the August deep dive is pushed out then this one likely will be as well.

10. While best efforts will be made to deliver the Committee’s work programme it is likely changes will be needed to accommodate the availability of those who would normally contribute to papers but are involved in Council’s COVID-19 response and recovery activities. The potential for disruption extends to our external partners such as Audit New Zealand, Deloitte, and Marsh. The Committee will be kept informed of any work programme changes.

FINANCIAL AND RESOURCING IMPLICATIONS

11. Any financial and resourcing implications resulting from risk mitigation measures that are outside staff delegations will be reported and require approval from the Council before being incurred. No such implications have been identified to date.

IMPLICATIONS ASSESSMENT

12. This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:
- Council staff have delegated authority for any decisions made;
 - Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
 - Any decisions made are consistent with the Council's plans and policies; and
 - No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDICES

Appendix 1: Current high residual risks and how they are being managed (ECM 8265385)

Appendix 2: Draft strategic risks (ECM 8265386)

Appendix 3: Deep dive of IS systems vulnerabilities (ECM 8265392)

REPORT DETAILS

| | |
|-----------------|--|
| Prepared By: | Rowan Betts (Risk Management Lead) |
| Team: | Business Performance Group |
| Approved By: | Joy Buckingham (Chief Financial Officer) |
| Ward/Community: | District Wide |
| Date: | 27 March 2020 |
| File Reference: | ECM 8265384 |

-----End of Report -----

APPENDIX 1 - CURRENT HIGH RESIDUAL RISKS AND HOW THEY ARE BEING MANAGED

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|----------------------------------|---|---|--------------------------|------------|--|
| | | | Consequence | Likelihood | |
| Business Services | | | | | |
| Financial | Planned revenue and expenditure are disrupted because of a natural disaster, resulting in a substantial deficit and unplanned rates increases in subsequent years as we recover. | The Council has a range of insurance policies to help reduce the financial consequence of natural catastrophes, supported by a strong balance sheet and significant borrowing capacity. Council can access funds from the Perpetual Investment Fund in an emergency, subject to Council approval. | Catastrophic | Unlikely | No change. |
| Business Technology Group | | | | | |
| Information Management | There is an unplanned system outage because of the loss of all data centre capability (flood, fire, sabotage etc), resulting in widespread disruption to Council activities for an extended period. | Current response based around a local event (flood, fire, sabotage etc) impacting a single datacentre using a combination of Cloud Services, high availability and back-ups to recover. No current treatment for a major/regional event. | Catastrophic | Possible | The risk will be addressed as part of the 'Greenfields' project. |
| Information Management | There is an unplanned system outage of the production environment because of equipment failure, resulting in disruption to some Council activities. | The risk will be addressed as part of the 'Greenfields' project. | Major | Moderate | The risk will be addressed as part of the 'Greenfields' project. |

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|------------------------|---|--|--------------------------|------------|--|
| | | | Consequence | Likelihood | |
| Information Management | ICT systems are potentially exposed to greater security threats because of the move towards online and cloud services, resulting in the potential for hacking and subsequent outages and/or privacy breaches. | An independent internal security review recommended improvements that have been implemented. Budget includes periodic security reviews of external facing solutions. Cyber insurance has been obtained. | Moderate | Likely | The risk will be addressed as part of the 'Greenfields' project. |
| People and Knowledge | Knowledge of core systems, processes, and equipment is lost because reliance is placed on the skills and experience of key individuals, resulting in disruptions when those individuals leave the organisation. | The importance of good documentation is enforced, cross-skilling within teams, sharing of key learnings from any training attended, and partnering with vendors and contractors so they have a good understanding of our environment and processes. Succession planning. | Major | Moderate | A knowledge sharing solution is to be developed to address this risk. |
| Information Management | The Council suffers the following because of inadequate physical security arrangements, resulting in financial, reputational, and potentially legal consequences: 1) Theft/Loss/Destruction of equipment (e.g. laptops) and records; and 2) Theft of records due to physical break-in, or a member of the public following staff through security doors and into a secure area. | Physical entry restrictions, security systems, procedures, and staff training, barriers between work areas and client service areas, restricted client access to physical files/documents/records, and secure records storage outside service area. | Major | Moderate | Encryption of data will be implemented as part of the 'Greenfields' project. |

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|--|--|--|--------------------------|------------|---|
| | | | Consequence | Likelihood | |
| Information Management | <p>The Council suffers the following because of a lack of consistent IT procurement policies, standards, and a security framework, resulting in financial, reputational, and potentially legal consequences:</p> <ul style="list-style-type: none"> • unauthorised access to NPDC data, systems and IS resources; • bespoke procurement of IS systems and services; • exposure to external attacks on public facing services; and • loss of data or disruption to Council services due to malware. | <p>All solution decisions sit with the Chief Information Officer, and all Council websites have moved to HTTPS (Secure Web Services).</p> <p>Using security consultants to audit new websites and carry out penetration testing.</p> <p>Reviewing existing IS standards and policies and aligning with changes in technology, and developing a more mature security framework.</p> <p>A project is in flight to redesign and deploy networks to provide operational separation and security zones.</p> | Major | Moderate | The Chief Information Officer has identified the need for improved security, standards, policies and guidelines for Council. A security programme of work will be instigated to ensure Council is aligned to industry best practice (including virtual networks to negate malware and phishing attacks). Full back-up capability will be designed as part of the 'Greenfields' project. |
| Chief Executive's Office | | | | | |
| Governance, reputation, legislative compliance and control | A significant activity of Council - the delivery of three waters services - is removed from Council activities because of legislative and/or structural changes implemented by Central Government, resulting in a need to reorganise the way the Council operates to match the revised range of services delivered. | The Council (along with its neighbouring Local Authorities) is proactively looking at options for an aggregated three waters model for Taranaki. While undertaking this exercise the Council will continue to actively monitor and engage on this issue with LGNZ and Central Government. | Major | Likely | Any future treatments will depend on Central Government's final decisions and the associated timeframes. No change. |

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|--|---|--|--------------------------|------------|---|
| | | | Consequence | Likelihood | |
| Customer and Regulatory Solutions | | | | | |
| Operations and service delivery | Customers are provided with unreliable or inaccurate information because of the Council's poor performance, resulting in successful challenges to decisions. | Documented processes and procedures, information management strategy, escalation protocol, internal and external audit, effective communication between teams and with other agencies (e.g. Ministry of Business, Innovation and Employment). | Major | Moderate | No change. |
| Governance | | | | | |
| Governance, reputation, legislative compliance and control | There is a dysfunctional relationship between elected members and management/key staff (and within the organisation itself) because of a number of factors resulting in reputational damage, undermining of management decisions, or the appointment of a Crown Manager to replace the Council. | Induction programme for elected members. Relationship management between the Chief Executive/Mayor and Councillors, Executive/key staff, and Mayor and elected members. | Catastrophic | Unlikely | No change. |
| Health and Safety | | | | | |
| Health and Safety | A member of the public, a Council employee, or contractor working on Council's behalf is exposed to a critical risk because of the action or inaction of Council, resulting in serious harm or death. Council's critical risks are: | Ongoing implementation of the Health, Safety and Environment (HSE) Framework. Particularly developing a sound culture in the organisation that encourages speaking up when staff observe unsafe behaviours, and having a robust process for learning from incidents to prevent a recurrence. | Major | Moderate | The Health and Safety Team, in conjunction with leaders, are developing best practice guides, and implementing bow ties by educating staff about the controls in place, along with ongoing monitoring of their effectiveness. Another |

| | <ul style="list-style-type: none"> • vehicle movements; • personnel security; • confined space entry; • working in/on/over water; • working at height; • excavation; • public health; • forestry operations; • fire and explosion; • structural collapse; • working with electricity; and • toxic release. | | | | <p>focus of the team is the implementation of recommendations from the Deloitte Health and Safety review.</p> <p>No change.</p> |
|----------------------------|--|--|--------------------------|------------|--|
| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
| | | | Consequence | Likelihood | |
| Infrastructure Team | | | | | |
| Financial | A key infrastructure asset fails because of an extreme event e.g. flood, fire, earthquake, resulting in unexpected expenditure on repairs to, or replacement of, those assets. | Mitigate through design and building of resilient infrastructure to appropriate standards, and insurance when the risk is realised. This requires appropriate procurement (projects) and planning practices/ procedures. | Major | Moderate | <p>A resilience study is underway that will define levels of service for the different infrastructure asset classes. This work is running in tandem with the asset discovery project to improve asset data quality and confirm asset criticality, exposure to hazards, vulnerability and condition rating. This data will be used to develop long-term improvement programmes.</p> <p>No change.</p> |

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|--|--|---|--------------------------|------------|---|
| | | | Consequence | Likelihood | |
| Health and Safety | A member of the public dies or suffers serious harm because they obtained unauthorised access to an asset e.g. tunnel, sludge ponds at the New Plymouth and Inglewood Water Treatment Plants, and the Inglewood oxidation ponds or to an active construction/project site. | Reviewing public access to operational sites. Security fencing installed at the New Plymouth Water Treatment Plant and Inglewood Water Treatment Plant, and pending completion at the Inglewood oxidation ponds. | Major | Moderate | Installation of security fencing at the Inglewood oxidation ponds continues. Points where unauthorised access has been thought to have occurred in the past have now been fenced, with the remaining areas to fence being more difficult to access. That work will be completed during 2020/21. |
| Governance, reputation, legislative compliance and control | For natural disasters of longer duration, the Council is unable to continue operating its vehicle fleet because of insufficient fuel supplies, resulting in disrupted service delivery, slower response and recovery, and reputational damage. | The utes for the Water and Waste, and Transportation teams are diesel powered so fuel availability will be slightly better than petrol during an emergency. There is a target of three days' fuel supply at key infrastructure assets, such as the Water and Waste Water Treatment Plants but this has not yet been tested. | Catastrophic | Moderate | A resilience study is proposed as part of the Long-Term Plan 2018-28, and an element of that will be the development of a Council fuel management plan. The study will complement regional planning work that the Taranaki Emergency Management Office will complete over the next two years. No change. |

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|--|--|--|--------------------------|------------|--|
| | | | Consequence | Likelihood | |
| Operations and service delivery | Critical assets are lost or damaged for a prolonged period because of a severe natural event e.g. earthquake, volcanic, storm, resulting in significant disruption to service delivery and to the community. | Emergency spares and equipment in stock and available. Catastrophe insurance obtained. | Catastrophic | Unlikely | <p>Work is ongoing to identify which critical assets are in high hazard exposure zones and to consider additional investment in resilience options/projects.</p> <p>While the mitigation does not reduce the risk it is good asset management practice to consider the resilience of assets. This is ongoing work, which will be progressed in the context of the water resilience programme and also analysis of the conclusions reached as part of the insurance risk modelling.</p> <p>No change.</p> |
| Governance, reputation, legislative compliance and control | NPDC unintentionally procures goods and/or services from organisations (local and global) that use exploitative labour practices due to a lack of visibility/transparency of the supply chain and the absence of assurance about how ethically goods have been produced, resulting in poor conditions and living | There are currently no controls in place. | Major | Moderate | <p>Officers will consider how to incorporate the following into the procurement work programme:</p> <ul style="list-style-type: none"> Additional contractual requirements for contractors to advise NPDC of their supply chains. |

| | | | | |
|--|--|--|--|---|
| | <p>standards for workers and potential reputational damage for the Council if found to be unknowingly associated with such employment abuse.</p> | | | <ul style="list-style-type: none"> • The development of assurance processes to establish a "chain of custody" throughout the supply chain. • Training to operational staff that manage contractors in how to spot signs of employment abuse and unethical practices. • An update of the Procurement Policy to require assurance processes and reporting to be included in contract terms and conditions and for these issues to be considered when awarding contracts. • The introduction of annual reporting detailing the preventative activity and the results of assurance processes similar to the requirements of UK legislation. |
|--|--|--|--|---|

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|---------------------|---|---|--------------------------|------------|------------|
| | | | Consequence | Likelihood | |
| Property and assets | Council is unable to effectively manage the community's core infrastructure assets because the asset data it holds is inadequate, incomplete, or not available in a timely manner, resulting in flawed investment decisions. This impacts on Council's ability to identify the true cost of operating assets (and whether the current level of investment is appropriately matched to asset criticality and condition), accurate valuations and insurance coverage, proper maintenance scheduling, and asset management planning. | Asset discovery, fixed assets, and vested asset as-built projects are underway. Other projects are improving the data record as needed to achieve project outcomes (e.g. water metering, water conservation, sewer modelling, with this data being appropriately recorded). | Major | Moderate | No change. |
| Health and Safety | A preventable asset failure occurs because of a lack of protective maintenance regimes, and incident reporting and analysis, resulting in serious harm or death, non-compliance, prosecution, or reputational damage. | Undertaking a pilot for the creation and optimisation of preventative maintenance routines as part of the asset discovery project. | Major | Moderate | No change. |

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|-------------------|--|--|--------------------------|------------|--|
| | | | Consequence | Likelihood | |
| Health and Safety | The health and safety of workers at the Materials Recovery Facility (MRF) are endangered because of the contamination of recycled material by non-recyclable items (e.g. ashes, medical waste, sharps, gas cylinders), resulting in injuries to individuals or a fire risk to the facility itself. | <p>EnviroWaste (contractor) MRF procedures and Personal Protective Equipment; Contamination Management Plan; updated Solid Waste bylaw; bin audits; three warnings to properties found to be including contaminants in their recycling before collection ceases; education of the public; emergency response procedures at the MRF; increased face-to-face education with a dedicated bin auditor through the contractor; and a fire hose installed in the loading area of MRF.</p> <p>Regular quarterly education programmes now in place. Full bin audits of a subset of households undertaken over summer. Also auditing waste bins at the MRF to identify data on what are most common items and whether any recyclables are getting through the processing.</p> | Major | Likely | <p>Analysis shows that the level of contamination of recyclables in Taranaki remains very high compared with elsewhere (8% is the industry standard whereas Taranaki is currently 20% contamination).</p> <p>Comprehensive bin audits during the Summer indicate that contamination in kerbside bins is around 13%, and further contamination is added during the processing stage. MRF audits to check on processing quality are planned for April and improvements to the MRF plant to increase sorting quality are underway.</p> <p>Working with other Councils with MRFs to ensure national consistency about what is recyclable and developing key messaging.</p> |

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|--|--|--|--------------------------|------------|---|
| | | | Consequence | Likelihood | |
| Governance, reputation, legislative compliance and control | There is an overflow from the Mangati pump station because there is little emergency storage (only around three to five minutes' worth) in the event the pumps fail for any reason, resulting in environmental damage from sewage and potential prosecution. | The Area Q pump station is now operating, which takes some load off the Mangati pump station. A standby generator for the Mangati pump station has been installed. An options study for storage at this pump station and failure mode analysis have been undertaken. | Moderate | Likely | Further work is needed to either add storage or remove more load off the Mangati pump station. Taranaki Regional Council has commenced legal proceedings against NPDC under the Resource Management Act for a discharge to the Mangati Stream in January 2019. |
| Governance, reputation, legislative compliance and control | Service delivery at the New Plymouth Waste Water Treatment Plant is disrupted because of a failure relating to the new inlet screens (either mechanical failure or inadequate flow capacity) resulting in a breach of Council's resource consent and subsequent environmental and reputational damage. | Three Waters management are working with the consultant engineers that designed the screens to identify a solution that meets required flow rates. There is a potential for the issue to escalate if a satisfactory solution is not reached. | Major | Likely | New screens have been installed and other solutions to further reduce the risk are being investigated. |
| Operations and service delivery | Oakura's drinking water supply is disrupted because of the failure of bore 100 (bore 200 is no longer available so there is no back-up supply), resulting in the urgent need for an alternative source. | A land-based back-up supply is available if needed, until another bore can be commissioned. Drilling is underway. | Catastrophic | Unlikely | Estimated timing for commissioning the new bore is April 2020. |

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|--|--|--|--------------------------|----------------|--|
| | | | Consequence | Likelihood | |
| Parks | | | | | |
| Environment | There are damaging discharges to water, land or air from vehicles or plant and equipment parked/stored at the Hobson street depot because those discharges are not managed appropriately, resulting in environmental damage. | There are two spill containment kits located in the Hobson Street depot. Daily Plant check sheets are used to identify vehicles/equipment requiring maintenance. Parks have 11 spill kits at 4 sites: Hobson Street (6) Fernery (2), Zoo (2), and Cricket Shed (1). These kits are rated for oil/hydrocarbon, general purpose and chemical substances. In addition to this, 16 fleet vehicles have spill kits in them. The vehicle storage sheds have oil drip mats under the vehicles. A portable bund has also been obtained for the main workshop to contain fluids outside of the chemical and hydrocarbon storage areas. Staff have a new daily vehicle check and been retrained in its implementation. | Moderate | Almost Certain | Further work to mitigate the risk of discharge includes installing oil and grit interceptors within the storm water system, purpose built storage bays with leachate drainage and a specialised wash down area. These are being investigated and due to potential cost will need to go through a business case process before funding will be sought as part of the next Long-Term Plan. |
| Policy Development | | | | | |
| Governance, reputation, legislative compliance and control | We do not meet the statutory requirements or timeframes for policies and bylaws because of poor resource allocation/prioritisation, resulting in a breach of legislation, central government attention, and reputational damage. | Focus on 'must do' work e.g. tasks required by legislation and Council resolution. Forward planning for resourcing work programme and escalating resourcing issues to the Executive Leadership Team as needed. | Catastrophic | Unlikely | No change. |

| Type of risk | Description | Current treatment | Residual risk assessment | | Comments |
|--|---|---|--------------------------|------------|---|
| | | | Consequence | Likelihood | |
| Governance, reputation, legislative compliance and control | We do not meet the statutory requirements or timeframes for the Long-Term Plan or Annual Plan because of our resource allocation/prioritisation, resulting in a breach of legislation, central government attention, and reputational damage. | Monitor progress against project plan and milestones, working party meetings, and escalate any issues likely to impact on delivery of the plan. | Catastrophic | Unlikely | No change. |
| Risk Management | | | | | |
| Governance, reputation, legislative compliance and control | The Council's insurance and asset resilience approaches have to be bolstered because of central government requirements that arise out of the 60:40 review, resulting in increased costs being incurred by the Council if those requirements are to be met. | Pending the outcome of the 60:40 review NPDC, along with the other Councils in the region, has commissioned risk modelling work to identify what our Probable Maximum Loss is to either insure to or otherwise address through building resilience into assets identified as vulnerable to a specific hazard(s). In the meantime, our existing insurance arrangements will be reviewed during the annual process leading up to a 1 July renewal of our insurance programme. | Moderate | Likely | When the 60:40 review report is released for consultation NPDC will be actively involved in providing a submission, possibly as part of a sector response. NPDC will then need to respond to the new requirements defined in due course. However, it appears that the review will not be progressed in the short term at least. No change. |

APPENDIX 2: DRAFT STRATEGIC RISKS

For ease of reference each risk is numbered but is in no particular order. Many risks apply to more than one type of risk. In that situation, the risk is assigned to a 'primary' source of risk rather than duplicated.

The intention is that the focus should be on the residual risk and whether it is acceptable based on Council's risk appetite (currently defined in the Risk Management Framework, page 7). If not acceptable, then additional treatments and timing are noted (when known) that are designed to reduce the risk to as low as reasonably practicable within existing resourcing. If the implementation of treatments is to be accelerated to reduce the residual risk to within risk appetite sooner then the allocation of more resources may be needed.

| ID | Type of Risk | Description | Inherent Risk | Current Treatment | Residual Risk | What else is to be done (and by when) to reduce the residual risk to as low as reasonably practicable? |
|----|--|--|----------------|--|---------------|---|
| 1 | Information Management | <p>The Council suffers the following because of a lack of consistent Information Services procurement policies, standards, and a security framework, resulting in financial, reputational, and potentially legal consequences:</p> <ul style="list-style-type: none"> • unauthorised access to NPDC data, systems and IS resources; • bespoke procurement of IS systems and services; • exposure to external attacks on public facing services; and • loss of data or disruption to Council services due to malware. | Extreme | <ul style="list-style-type: none"> • All solution decisions sit with the Chief Information Officer, and all Council websites have moved to HTTPS (Secure Web Services); • using security consultants to audit new websites and carry out penetration testing; • reviewing existing IS standards and policies and aligning with changes in technology, and developing a more mature security framework; and • a project is in-flight to redesign and deploy networks to provide operational separation and security zones. | High | <p>The Chief Information Officer has identified the need for improved security, standards, policies and guidelines for Council. A security programme of work will be instigated to ensure Council is aligned to industry best practice (including virtual networks to negate malware and phishing attacks).</p> <p>Full back-up capability will be designed as part of the 'Greenfields' project.</p> <p>Implementation of recommendations from Deloitte's 'Greenfields' review (completed during quarter 2 2019/20).</p> |
| 2 | Governance/reputation/legislative compliance and control | <p>We breach legislation such as the Local Government Act and Building Act because of flawed processes (e.g. in elections, procurement, consents, and rating), resulting in impacts including legal challenges to our decision-making, central government interest/intervention, potential loss of accreditation, and reputational damage.</p> | High | <ul style="list-style-type: none"> • Strong control environment relating to our financial systems, employment of appropriately qualified personnel, and implementation of recommendations from previous audits, continually reviewing and strengthening controls. • We have outsourced the conduct of the election process to Independent Election Services Limited. Their conduct will be overseen by the Governance Lead. • Documented processes and procedures, information management strategy, internal audit, staff training, strengthened links between teams, and quality assurance processes. • Monitoring and review of consent data is used to inform planning processes. Changes to legislation are monitored and staff are trained to deal with any changes. • Auditing of the Building Consent Authority in accordance with our Quality Management System. • A Quality Management System has been developed for the Food Act. • The Procurement Manual is in place, and procurement plans are completed before tendering. • Project Managers receive training on developing and using procurement plans. • Well-established documented approvals process. • Ensuring that the procurement process is well documented and in line with our Procurement Manual, supported by training of staff involved in procurement. • Deloitte completed contract management and procurement reviews (most recommendations have been implemented – progress is reported quarterly). | Medium | <p>More training and reporting against key performance indicators is needed to ensure consistency and compliance with Council requirements, with an opportunity for this in the context of rolling out the Procurement Manual and supporting templates (timing to be determined in line with the Procurement Roadmap).</p> |

| ID | Type of Risk | Description | Inherent Risk | Current Treatment | Residual Risk | What else is to be done (and by when) to reduce the residual risk to as low as reasonably practicable? |
|----|-----------------------|---|----------------|---|---------------|--|
| 3 | Health and Safety | <p>A member of the public, a Council employee, or contractor working on Council's behalf is exposed to a critical risk because of the action or inaction of Council, resulting in serious harm or death. Council's critical risks are:</p> <ul style="list-style-type: none"> vehicle movements personnel security confined space entry working in/on/over water working at height excavation public health forestry operations fire and explosion structural collapse working with electricity toxic release | Extreme | <ul style="list-style-type: none"> Ongoing implementation of the HSE Framework, particularly developing a sound HSE culture in the organisation that encourages speaking up when staff observe unsafe behaviours, and having a robust process for learning from incidents to prevent a recurrence. Code compliant buildings with fire protection systems covered by Building Warrants of Fitness, addressed at the time of new build or renovation. Strengthen earthquake prone buildings to ensure statutory compliance. Ensure insurance, emergency evacuation plan and business continuity plans are in place, have Civil Defence alert. Regular earthquake preparedness audits and agenda on monthly team meetings, e.g. tie down of furniture. Supervision of contractors to ensure they are following industry best practice (compliance with HSWA). Pre-tender Health and Safety plans developed for larger contracts. Project Manager training (but ad hoc at present), contractors' competency assessed in tender process and contractors to be Health and Safety approved, site inductions, inspections and auditing, and permit to work system at some sites. | High | <p>Developing best practice guides, implementing bow ties by educating staff about the controls in place, ongoing monitoring of control effectiveness. Implementing the recommendations from the Deloitte Health and Safety review (all recommendations are intended to be implemented by Quarter 1 2020/21).</p> <p>Project management training needs to be improved. Health and Safety Plans consistently completed. Also need to consider safety plans for smaller contracts. Need to standardise processes in relation to Safety in Design and post-construction 'Hazard and Operability (HAZOP) Studies' as appropriate. Further constructive capacity building and information sharing with our contractors and consultants.</p> |
| 4 | Planning and Strategy | <p>In terms of Council services, we are unable to appropriately respond to, and recover from, an emergency because of inadequate emergency response and business continuity planning arrangements (includes alternative sites, organisational structure, resourcing, roles and responsibilities, and accountability), resulting in significant service disruption internally and externally.</p> | High | <p>NPDC has an Emergency Operations Centre and adopted the Co-ordinated Incident Management System approach to managing both Civil Defence and business continuity level events. Training of NPDC staff is underway and will be ongoing. Learnings from Exercise Tui and the response to the Gita event have informed training, and responsibility for Civil Defence and business continuity sits with the Civil Defence and Emergency Management Lead.</p> <p>Insurance is in place to help reduce reliance on ratepayers to fund recovery activities.</p> | Medium | <p>Completion of actions under the CDEM Roadmap for 2019/20, which includes the review and realignment of business continuity plans across Council.</p> <p>The formal appointment of an alternative Controller for NPDC is needed during 2019/20.</p> <p>The Finance, Audit and Risk Committee is scheduled to do a deep dive on Council's emergency preparedness at its May meeting, along with an annual report on Council's insurance programme.</p> |
| 5 | Planning and Strategy | <p>Council is unable to adapt to, or mitigate the effects of, climate change because of inadequate planning for anticipated impacts, resulting in environmental, financial, and reputational damage.</p> <p>This risk is particularly relevant to District Planning e.g. allowing urban development in hazard zones and managing those that have previously got consent), and the Infrastructure Team e.g. identifying areas where critical infrastructure is vulnerable to the effects of climate change and relocating if needed.</p> | High | <p>District Plan review to provide an activity-based approach to zoning, which will address coastal zoning decisions.</p> <p>Emergency spares and equipment in stock and available. Catastrophe insurance obtained.</p> | Medium | <p>Alignment of activities across Council in line with the approach being defined to meet the challenges of climate change. Council approved NPDC's Climate Action Framework in December, and this will guide upcoming adaption and mitigation efforts in this space. Some funding (\$350k) towards those efforts is to be allocated from the 2018/19 surplus. Initiatives that will be worked on between now and the next Long-Term Plan (which will include future initiatives on which community views will be sought) are an electric or hybrid vehicle fleet trial and community tree planting on Council-owned land.</p> <p>Identify the locations where critical assets are in high hazard exposure zones and consider additional investment in resilience options/ projects. This is ongoing work, which will be progressed in the context of the water resilience programme and also analysis of the conclusions reached as part of the insurance risk modelling.</p> |

| ID | Type of Risk | Description | Inherent Risk | Current Treatment | Residual Risk | What else is to be done (and by when) to reduce the residual risk to as low as reasonably practicable? |
|----|--|---|---------------|--|---------------|--|
| 6 | Governance/ reputation/ legislative compliance and control | <p>A Public Health emergency occurs because of a service delivery failure at the Waste Water Treatment Plant or Water Treatment Plant, or in their reticulation networks caused by:</p> <ul style="list-style-type: none"> • severe weather; • a natural disaster; • a fire; • a chemical spill; or • accidental or malicious action; <p>resulting in poor health outcomes for individuals or groups in our community.</p> | High | Robust compliance monitoring system, including a dedicated compliance team in Three Waters. Continually developing processes and controls. Operations and Maintenance manuals, work instructions, asset information (as built) and training. | Medium | Currently some Operations and Maintenance manuals and training of operations staff are out of date. Additional resources will be needed to update the currency of both (a plan for doing that forms part of a Point of Entry proposal that will go before the Executive Leadership Team shortly), although for the Oakura and Okato Water Treatment Plants this will be done as part of the upgrade works that will be done by April 2020. |
| 7 | Planning and Strategy | One of our major projects fails because of poor project management planning and control, resulting in financial and reputational damage. | High | Robust project management (especially scoping and budget definition), contingency allowed and project risks identified and mitigated. Use of Project Steering Committees. Robust processes for appointing consultants. Existing experience of Project Managers and other Council staff. Resource planning for the first three years of the Long-Term Plan completed, with the team expanding through a mix of additional internal Project Managers and external contractors. Three Project Lead positions are in place to manage portfolios of projects to provide improved governance. The Infrastructure Planning Team provides business cases and more front end planning. A new business case process has been implemented that includes benefits tracking that will improve project planning, implementation and benefits realisation for all projects. Improved financial reporting to ELT and a focus on reducing carry forwards. | Medium | Implementation of recommendations from the planned Deloitte review (scheduled to start quarter 4 2019/20). This will consider the effectiveness of the new business case process in the lead-up to the next Long-Term Plan. Recommendations from the internal budgeting/cost control review will also be implemented e.g. budget classes (timing to be confirmed). |
| 8 | People and knowledge | We are unable to keep pace with Central Government and community service delivery expectations because of inadequate workforce planning and an inability to recruit or retain quality staff, resulting in a disconnect between the skillsets needed to deliver on the Long-Term Plan and our existing capability. | High | Policies and procedures, and training on them, engagement strategy, remuneration strategy, Leadership Forum. Oku Wahi in place, which incorporates automation for some processes e.g. people requirements. | Low | <ul style="list-style-type: none"> • Workforce planning (Quarter 3 2020/21). • Talent management (Quarter 3 2020/21). • Succession planning (Quarter 3 2020/21). • Implementing action plans to address gaps identified by the 'Ask Your Team' engagement survey (completed November 2019 with analysis and action planning underway). |
| 9 | Governance/ reputation/ legislative compliance and control | Council has a poor relationship with Elected Members and/or our community because of consistent organisational failures – e.g. relating to service delivery (especially water, waste water, or storm water), internal or external fraud; or misalignment between the community's expectations and the Long-Term Plan and District Plan – resulting in reputational damage, undermining of management decisions, or the appointment of a Crown Manager to replace the Council. | High | <ul style="list-style-type: none"> • Relationship management between the Chief Executive/Mayor and Councillors, ELT/key staff, and Mayor and Elected Members. • Robust compliance monitoring system, including a dedicated compliance team in Three Waters. Continually developing processes and controls. Operations and Maintenance manuals, work instructions, asset information (as built) and training. • The Council has a range of system and management controls to help detect and prevent fraud. These include internal financial controls around procurement practices and authorisation, and regular and thorough management reporting. The Council also has an anti-fraud policy and framework, and is the subject of external audit and runs an internal compliance program around financial controls. | Medium | <p>Currently some Operations and Maintenance manuals and training of operations staff are out of date. Additional resources will be needed to update the currency of both (a plan for doing that forms part of a Point of Entry proposal that will go before the Executive Leadership Team shortly), although for the Oakura and Okato Water Treatment Plants this will be done as part of the upgrade works that will be done by April 2020.</p> <p>Long-Term Plan work programme for environmental and open space planning activities to be agreed and resourced (Quarter 4 2019/20).</p> <p>A formal fraud risk assessment has been completed and was reported to the February Finance, Audit and Risk Committee. Progress on the action plan from that assessment will be reported to the Committee six-monthly.</p> |

| ID | Type of Risk | Description | Inherent Risk | Current Treatment | Residual Risk | What else is to be done (and by when) to reduce the residual risk to as low as reasonably practicable? |
|----|---------------------|---|----------------|---|---------------|---|
| 10 | Property and assets | Council is unable to effectively manage the community's core infrastructure assets because the asset data it holds is inadequate, incomplete, or not available in a timely manner, resulting in flawed investment decisions. This impacts on Council's ability to identify the true cost of operating assets (and whether the current level of investment is appropriately matched to asset criticality and condition), accurate valuations and insurance coverage, proper maintenance scheduling, and asset management planning. | Extreme | Asset Discovery Project Underway. Vested asset as-built project underway. Other projects are improving the data record as needed to achieve project outcomes (e.g. water metering, water conservation, sewer modelling, with this data being appropriately recorded). | High | Council needs a more holistic plan that looks at driving organisational culture change around data quality, management and ownership. Extension of the Asset Discovery Project to cover all assets (missing critical data) not just Three Waters Plant and Equipment (which is due to be completed 30 June 2020). |

Migration of strategic risks

The purpose of this figure is to demonstrate the difference between the inherent and residual risk ratings for each draft strategic risk. Each risk is shown to have reduced as a result of applying the treatments noted in the table above.

The focus of the internal audit programme is to review the existence and effectiveness of critical controls that are used to reduce significant risks the most. For example, for risk #1 the Deloitte 'Greenfields' review considered how that project is intended to improve the controls in place to address that risk.

