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Report To:	**Audit and Risk Committee**		
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	Subject:	**Risk Management and Mitigation**	
Waitomo District Council	**Type:**	Information Only	
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1. Purpose of Report

1.1 The purpose of this business paper is to provide an overview of key risk and assurance matters for the Audit and Risk Committee, with a particular focus on:

- The organisational context and recent changes that have influenced Council's risk profile and risk maturity
- The introduction of a Risk Management Framework (RMF) and what it is intended to achieve
- Current and planned approaches to embedding risk management into Council's activities
- Priorities for the year ahead, including development of a more centralised operational risk register and continued integration of risk into decision making and contract management.

1.2 It is intended as a summary-level report that complements the more detailed RMF document presented alongside it.

2. Suggested Resolutions

2.1 The following are suggested resolutions only and do not represent Council policy until such time as they might be adopted by resolution.

1 The business paper on Risk Management and Mitigation be received.

3. Context and Recent Change

3.1 Over the past 12–18 months, Waitomo District Council has undergone a period of significant change and external pressure, which has had a direct impact on how risks are identified, prioritised, and managed.

ORGANISATIONAL STRUCTURE AND LEADERSHIP CHANGE

3.2 Council has experienced substantial senior leadership turnover and role reshaping. This has included:

- Changes to key leadership positions and responsibilities.
- Realignment of some functional areas and reporting lines.
- Adjustment periods as new leaders have become familiar with Council's operations, priorities, and risk profile.

3.3 These changes have created both challenges and opportunities for risk management:

- In the short term, capacity has been stretched as new leaders have been inducted and strategic direction refined, which has occasionally slowed progress on structured risk initiatives.

- In the medium to long term, the refreshed leadership team presents an opportunity to reset expectations for risk culture, accountability, and the consistency of risk practices across the organisation.

WAIKATO WATERS LIMITED (WWL) TRANSITION WORKLOAD

3.4 The WWL transition processes have required considerable governance and management attention. For Waitomo District Council, this has meant:

- Significant effort devoted to understanding the implications of reform and transition options, engaging with regional partners, and preparing for potential changes in service delivery.

- Diversion of time and focus from the broader programme of risk maturity work, as water reform represented a high-priority strategic and operational risk in its own right.

- A need to respond to a dynamic and, at times, uncertain external environment, with the associated impact on long-term planning, investment decisions, and resource allocation.

3.5 While this focus has been appropriate given the significance of water services to the community, it has also hindered progress somewhat in risk management development.

CURRENT STATE OF RISK MANAGEMENT MATURITY

3.6 Taken together, these factors mean Council's risk management practices are in a transition phase. There are positive foundations in place:

- Risk is considered in key service areas (e.g., finance, engineering/infrastructure, strategic planning) through a mix of registers, controls, and informal practices.

- The Audit and Risk Committee provides governance oversight and a forum for challenging and improving Council's approach to risk and assurance.

3.7 However, there is a recognised need to:

- Standardise risk processes and tools across the organisation.

- Clarify roles, responsibilities, and expectations for risk management.

- Improve the visibility and coordination of operational risks at an enterprise level.

3.8 The finalisation of a formal Risk Management Framework is a core response to this need.

4. Risk Management Framework (RMF) – Background and Purpose

4.1 A draft Risk Management Framework (RMF) is presented with this report for the Committee's consideration and feedback **(Attachment 1)**. This has been updated from the previous time it went to Audit and Risk and incorporates suggested changes.

WHAT THE RMF IS

4.2 The RMF is a foundational document that sets out Waitomo District Council's overall approach to managing risk. In practical terms, it:

- Articulates the principles and objectives that underpin risk management at Council.

- Defines what is meant by "risk" in the Council context, including strategic, operational, financial, compliance, health and safety, and reputational risks.

- Establishes a consistent methodology for identifying, assessing, responding to, and monitoring risks.

- Clarifies governance and management roles, including those of Council, the Audit and Risk Committee, the Chief Executive and Executive Team, managers, and staff.

- Provides guidance on risk appetite, escalation thresholds, and reporting expectations.

4.3 The RMF is intended to be concise and usable, forming the "umbrella" under which more detailed procedures, templates, and tools (e.g., risk registers, assessment matrices, reporting formats) can sit.

CHANGES TO THE RISK MANAGEMENT FRAMEWORK SINCE LAST ADOPTED

4.4 The following changes were proposed and accepted at the May 2025 Audit and Risk meeting. These are still included in the document as track changes for your review:

- **Risk Appetite** (Page 7)

  Section and table has been added to describe the various levels of risk appetite. A section below has been deleted which talked about a blanket appetite for risk of 'very low'. This is too general an approach the appetite for risk will depend on the situation, probably of the risk, risk severity and the level in the organisation the decision is made at. Refer Section 4 of the framework on page 18.

- **Roles and Responsibilities** (Page 9)

  Clarifying responsibility. This is not part of the Health and Safety Coordinator's role.

- **Analyse** (Page 13). The Rosk Likelihood table had been replaced with a more general explanation of 'likelihood'. The probability % was confusing and the expected timeframe in weeks, months and years because this was seen to be too prescriptive particularly given we are discussing the likelihood of something occurring because are, by their very nature, difficult to place timeframes and probabilities on.

- **Risk Consequence Table** (Pages 15 / 16)

  Service delivery relating to lifelines utilities (bottom of table). Interested in the committee's opinion on the moderate, major and severe narrative. These thresholds seem low eg 'severe' = disruption of service levels for more than 1 day (multiple activities or sites). These seem low.

4.5 The Lifelines Utilities under Service Delivery in relation to the Risk Consequence narrative (Pages 15/16) was the remaining point of potential change at the end of the May 2025 meeting. After discussion with The Lines Company (TLC) a revised narrative (the last row in the table replaces the second to last row in the table) was developed. At the time the Committee discussed the moderate, major and severe narrative. These thresholds seemed too low eg 'severe' = disruption of service levels for more than 1 day (multiple activities or sites). A modified version of TLC's has been used as a basis for the narrative.

4.6 TLC's Risk Management Framework been included as an attachment **(Attachment 2)**. It is very similar to the WDC one with two exceptions. TLC's includes a People / Talent section focused on the risk of loss of key staff and WDC's includes a section on Legislative Risk. I think the legislative risk is an important category for us but interested in comments about the inclusion of People / Talent in our Framework.

INTENDED OUTCOMES OF IMPLEMENTING THE RMF. THE RMF IS EXPECTED TO:

- Provide a common language and framework so that risk is understood consistently across all parts of the organisation

- Support more informed and transparent decision making, with risks and trade-offs clearly articulated in advice and reports

- Improve the visibility of key risks and controls, both at an operational and strategic level

- Enable the Audit and Risk Committee and Council to more effectively discharge their governance responsibilities.

5. Current Risk Practices and Registers

5.1 While the RMF provides the overarching framework, a number of existing practices and tools are already in place.

EXISTING RISK REGISTERS

5.2 Risk reporting structures are currently maintained in a number of key areas, including (but not limited to):

- Council has previously identified 11 strategic risks for the council and community:

  - Health Safety and Wellbeing
  - Cyber Security
  - Climate Change and Adaption
  - Significant Internal and External Disruptions
  - Programme and Project Delivery
  - Theft Fraud and Corruption
  - Fit for Purpose Assets
  - Three Waters Infrastructure
  - Financial
  - Stakeholder Relationships
  - District Vibrancy / Growth

  These will be reviewed as part of the plan.

- **Finance** – capturing risks through the financial strategy benchmarks and mandatory legislative measures. Those risks are reported on during the year as part of the financial and treasury reports and are included in the annual report. We also complete the LGFA covenant reporting requirements.

- **Asset Management Plans** – capturing some asset condition and performance risks, service continuity, project delivery, contractor performance, and health and safety in the field. These are embedded in the Asset Management Plans but not well reviewed.

- **Project Management Framework** - has a risk section for each project.

- **Health and Safety Activity** - has a risk register as a one-stop shop that covers everything from identifying the hazards to tracking how we're keeping everyone safe. This is available on Tomo for easy access to all staff, reviewed annually by all.

- **Strategic and Corporate Risk** – capturing cross-cutting risks such as legislation and regulatory change, community and stakeholder expectations, major programmes and projects, and organisational capability. An outdated organisation-wide risk register is in place but not up to date.

5.3 These registers provide useful visibility at a departmental or functional level and are an important source of information for management and the Committee.

6. The Year Ahead – Priorities and Focus Areas

6.1 Over the next 12 months, Council's focus will be on moving from framework design to implementation and embedding, particularly in the following areas.

EMBEDDING RISK INTO CONTRACT MANAGEMENT

6.2 Contract management is a core activity of Council and a key area of risk exposure, particularly for infrastructure, capital projects, and service delivery. The year ahead will see risk management more strongly built into the full contract lifecycle:

- Planning and procurement – ensuring that risk assessments are completed at the outset of major procurements and that risk allocation is built into contract structures, evaluation criteria, and negotiation strategies.

- Contract execution and delivery – actively monitoring contract risks (e.g., performance, financial, health and safety, supply chain, regulatory) and ensuring that mitigation actions and controls are documented, owned, and tracked.

- Contract variations and close-out – assessing risk implications of contract changes and capturing lessons learned for future procurements and risk assessments.

6.3 Standardised risk clauses, checklists, and templates (aligned to the RMF) will be used to promote consistency and to ensure that risk considerations are not treated as a separate or optional process.

INTEGRATING RISK INTO DECISION MAKING AND GOVERNANCE

6.4 Risk will also be more explicitly incorporated into Council's broader decision-making processes:

- Committee and Council reports – strengthening the quality and consistency of risk sections in reports so that elected members can clearly see:

  - The key risks associated with proposed decisions

  - The likely consequences and likelihood of those risks

  - The mitigation measures that are in place or proposed.

- Business planning and project initiation – requiring documented risk assessments as part of business cases, project plans, and other key planning artefacts.

- Executive oversight – including risk as a standing item in Executive Team agendas and performance discussions, with a focus on key enterprise and operational risks, trends, and emerging issues.

6.5 The goal is for risk to be a natural and routine part of how decisions are framed and taken.

DEVELOPMENT OF A CENTRALISED OPERATIONAL RISK REGISTER

6.6 A key deliverable for the coming year will be the development of a more centralised, organisation-wide operational risk register:

- Scope and purpose – the central register will not replace local registers where these are needed for day-to-day management. Instead, it will:

  - Capture the most significant operational risks across all key services and functions

  - Provide a single, consolidated view for senior management and the Audit and Risk Committee

  - Highlight interdependencies and systemic issues that might not be visible in individual registers.

- Approach and methodology – the central register will apply the assessment criteria, rating scales, and categories defined in the RMF, ensuring consistency across the organisation.

- Governance and reporting – the central register will be:

  - Owned and maintained by management

  - Reviewed regularly by the Executive Team

  - Presented to the Audit and Risk Committee in future reporting cycles, with a focus on key changes, emerging risks, and the effectiveness of controls.

6.7 The first iteration of this consolidated operational risk register is expected to be developed over the coming reporting period, with the intention to provide an initial view to the Committee as part of future reports.

7. Summary and Next Steps

7.1 In summary:

- Waitomo District Council has been operating in a complex environment, with significant internal change and external reform (including Waikato "Waters Done Well") placing pressure on capacity and, at times, slowing the broader risk management journey.

- Despite this, there are solid foundations in place, particularly through existing risk registers in key service areas and the oversight role of the Audit and Risk Committee.

- The update and approval of a formal Risk Management Framework is a key step forward, providing a coherent, organisation-wide approach to how risks are understood, assessed, managed, and reported.

- Over the year ahead, Council will focus on:

  - Embedding risk more deeply into contract management and procurement

  - Making risk a more explicit and consistent component of decision making and governance processes

  - Developing and presenting a centralised operational risk register that consolidates key risks across the organisation.

7.2 The Committee's feedback and priorities for risk reporting will be important in shaping the next phase of implementation.

8. Attachments/Separate Enclosures

Attachments:

1 Waitomo District Council Risk Framework (updated) (#836320)

2 TLC Risk Management Framework (as at August 2025) (#972224)

WAITOMO DISTRICT COUNCIL RISK MANAGEMENT FRAMEWORK AND GUIDELINE

Version #	Date	Revision by	Description of Change
1.0	21/12/2020	Ihsana Ageel	Review and update the existing Framework
1.1	12/07/2021	Ihsana Ageel	Update post ARFC Workshop
1.2	April 2025	Aon NZ	Review

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INTRODUCTION

Effective risk management occurs every day and relies on the proactive participation of all WDC staff.

The Risk Management Framework adopts an explicit and systematic approach that links risks to WDC's objectives and priorities. A robust risk management process increases organisational resilience by improving predictability in achieving outcomes, protecting corporate assets, and maintaining stakeholder trust.

WDC is committed to managing its risks in a proactive, enduring and decisive manner. We are committed to managing and, where possible, reducing risks at all levels to ensure we achieve our objectives and priorities. To support this, the Risk Management Framework ensures that risks are identified, assessed and mitigated at a strategic, organisational and operational level. Consistency in applying the framework is important to ensure efficient and effective risk management within WDC It is also necessary in our involvement in cross-agency collaboration.

A robust risk management approach will help the WDC achieve better results by having an agreed method of taking advantage of opportunities and identifying and reducing risks that may impact the organisation's ability to achieve its objectives.

There are many benefits to taking a structured approach to managing risk. These include:

- improved identification of risks and opportunities
- improved effectiveness of controls
- prompt escalation of risks
- improved reporting
- a reliable and consistent basis for decision making
- clearer accountability
- better overall communication
- Continuous improvement of assurance methodology.

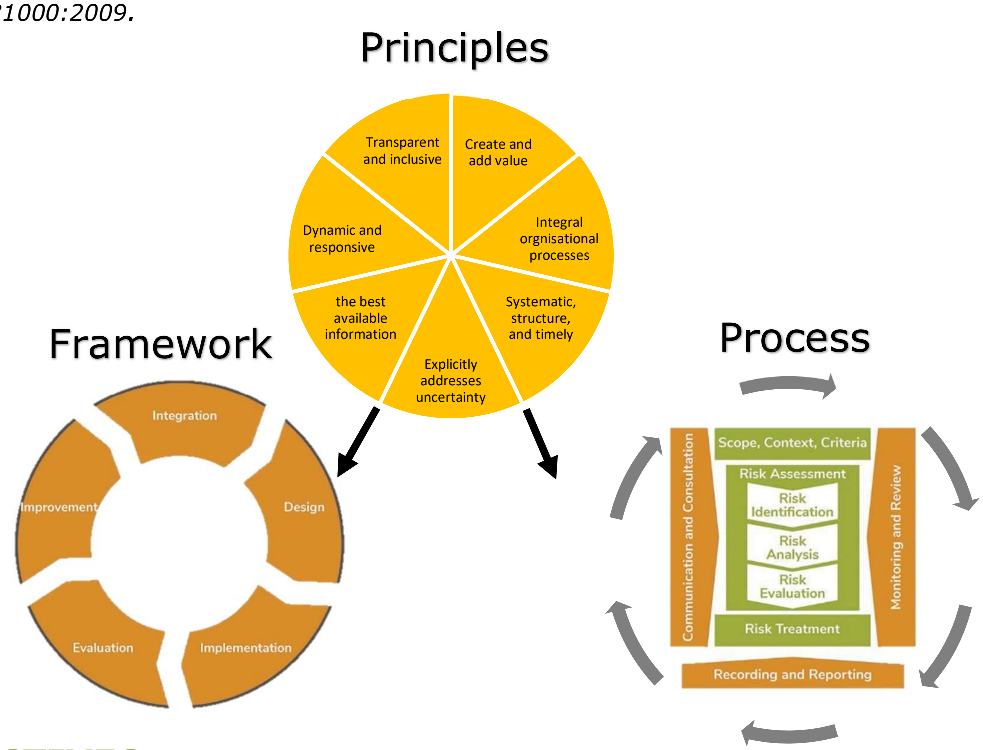
WDC's Risk Management Framework is derived from internationally recognised standards. It provides an overview of the risk management process and sets out the fundamental steps required to complete and record our risk management process in accordance with the Joint Australian New Zealand International Standard Risk Management – Principles and guidelines AS / NZS ISO 31000:2009. It is a living document and will be regularly reviewed and updated to reflect best practice, and changes to related policy and procedures.

PRINCIPLES, FRAMEWORKS AND PROCESS

Council recognises the need to apply the Principles, Framework and Process detailed Australian/New Zealand Standard ISO 31000:2009.

Waitomo District Council (WDC) is committed to applying risk management techniques and assurance measures to ensure all opportunities and risks that may impact the achievement of objectives are identified, understood, and appropriately managed.

WDC takes a structured approach to risk management, at all levels and for all activities within the organisation. Our approach to risk management is consistent with the Australian/New Zealand Standard ISO 31000:2009.



OBJECTIVES

Through the implementation of an integrated and consistent approach to risk management, Council aims to achieve the following risk management objectives:

1. An organisational culture of reliable, informed, evidence based planning and decision making.
2. A consistent approach to the identification, assessment and treatment of risks.
3. Improved communication on matters of risk to enhance decision making.
4. Proactive and adaptive management practices.
5. Support achievement of Council's strategic objectives.
6. Effective allocation and use of resources for risk treatment.
7. Enhanced identification of opportunities and threats.
8. Enhanced organisational resilience and continuity of service.
9. Improved operational effectiveness and efficiency.
10. Staff accountability for risk identification and treatment.
11. Improved corporate governance, controls and performance
12. Improved community and stakeholder confidence and trust by providing assurance that risks are appropriately managed.
13. Reduced liability exposure and financial loss.
14. Safeguarding of Council's resources - its people, finance, property and reputation.

IMPLEMENTATION

In order to achieve its risk management objectives, this Framework will be implemented by undertaking the following activities:

1. Integration of the risk management process into all Council strategic and business planning processes and associated plans and activities
2. Defining a structured and consistent approach to the risk management process in accordance with AS ISO 31000:2018 Risk Management – Guidelines.
3. Providing easily accessible procedures, tools (risk assessment criteria) and guidance for staff to adequately identify, document, understand and manage risks
4. Undertaking risk management education and training of staff at all levels of the organisation
5. Establishing risk management resources, including the Risk Management Working Group, to facilitate implementation of the Framework
6. Defining risk management roles and responsibilities to ensure all staff manage risks relevant to their area of operation and accept accountability for their decisions
7. Building a positive and proactive risk aware culture throughout the organisation
8. Monitoring, reporting and reviewing risks on an ongoing basis
9. Reviewing the Risk Management Framework in accordance with defined success measures
10. Ensure that Council's Risk Management Framework informs its internal audit function.

INTEGRATION

Council will integrate risk management into its strategic and operational functions. Organisational strategies, plans and programs will be aligned with this Framework, including in the following business areas:

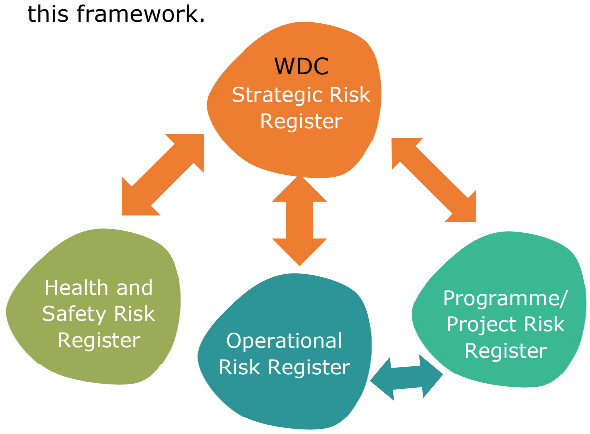
RISK CATEGORIES AND RISK REGISTERS

There are a number of categories in which risks may be grouped:

- Strategic
- Operational
- Health & Safety
- Project

While it is ideal in principle to identify risks within a certain category, this is not always possible. One risk may span more than one category, for example, an operational risk may become strategic.

The risk category will usually become apparent during the risk management process where the sources and causes of risks are considered. The process to identify and assess risk is set out on pages 11 and 14 of this framework.



Strategic Risk

These risks may have an impact on Waitomo District Council achieving its vision, outcomes, priorities and key objectives. Strategic Risks are identified by elected members and managed by the Senior Management Team (SMT). These risks are regularly reported to the Audit Risk and Finance Committee to ensure risks are being appropriately managed. The focus of strategic risks are more likely, but not exclusively, to be on:

- External influences affecting Waitomo District Council's effective operations.
- Waitomo District Council's most critical and essential assets, activities and associated risks.
- Risks that are common to more than one of the organisation's Group or activity.
- Risks to Waitomo District Council meeting expected service levels

Operational Risk

These risks may have an impact on Waitomo District Council's individual groups from achieving their group's objectives. Group risks are identified and managed by GMs and their teams and regularly reported to the GM's to ensure risks are being appropriately managed. The Group risks are more likely, but not exclusively, to be on:

- External influences impacting the Group's effective operations
- Group's most critical and essential assets, activities and associated risks
- Risks to the Group meeting expected service levels

Health and Safety

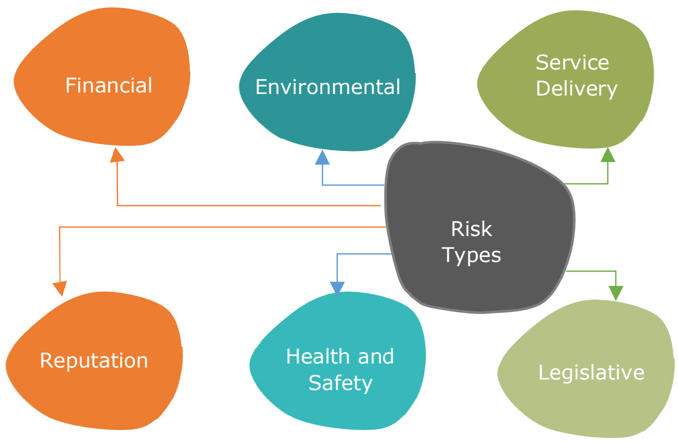
These risks may have an impact on the health and safety of Waitomo District Council staff, contractors, visitors or the public at large. Health and safety risks are identified by all WDC staff members and may also impact more than one Group or activity. These risks are regularly reported to SMT to ensure risks are being appropriately managed. WDC's Health and Safety Charter, commits to the identification of existing and new risks to health and safety, taking all reasonably practicable steps to eliminate, or where elimination is not reasonably practicable, minimise exposure to health and safety risks. Health and Safety risks are a critical subset Operational Risk.

Programme / Project Risk

Programme / Project risks may have an impact on Waitomo District Council's individual projects from achieving their project's objectives. Project risks are identified and managed by project managers and their teams. Project risks are identified as part of project planning, are regularly assessed throughout the life of the project and regularly reported to the project governance group to ensure risks are being appropriately managed.

RISK TYPES

The following outlines the six risk types at Waitomo District Council that may impact its activities.



Types of risk	Definition
Financial	Risks related to the financial management of WDC and the ability to fund Council activities and operations, now and into the future, including risks resulting from an externally imposed economic environment.
Health and Safety / wellness	Potential risk event that adversely impacts on the health and safety of staff, contractors, visitors or the community. These also include risk that impact the health and safety of staff, as well as contractors & volunteers, including work health and safety issues, resourcing, human resources, industrial relations, organisational culture, staff values, public accountability.
Environmental	Potential or actual negative environmental or ecological impacts, regardless of whether these are reversible or irreversible in nature.
Reputation	Risks that affect the way Council and Council personnel are perceived: • by the community • by staff • nationwide and internationally • by stakeholders • by the media
Legislative	A risk event that results in WDC unknowingly or knowingly breaching statutes and stipulations, or exposed to liability.
Service Delivery	Risk events that impacts WDC's ability to function and deliver services as expected

RISK APETITE

Risk appetite statements define and describe the Council's philosophy, approach and tolerance to taking risks in pursuit of objectives on a scale from Averse (low) to Open (high). The scale below is used to express the Council's enterprise level appetite for risk.

Appetite Ratings		Cautious	Neutral	Receptive	Open
Description:	Appropriate control and management of risk and uncertainty is a key objective	Preference for service options that have a low degree of inherent risk and only have a potential for limited benefit	Preference for safe options that have a low degree of residual risk and may only have limited potential and benefit	Willing to consider all options and choose the one that is most likely to result in successful delivery while also providing acceptable benefits	Eager to be innovative and to pursue opportunities based on potentially high benefits

The Risk Management Framework establishes the mechanisms through which the Council manages risk within these risk appetite tolerances to provide reasonable assurance regarding the achievement of organisational objectives.

Council will have a responsible approach to risk management, seeking to recognise and manage its exposure to risks in accordance with its vision, outcomes and priorities. In pursuing the achievement of its objectives and governance responsibilities, Council will accept a degree of risk commensurate with the potential reward and with consideration of Council's role and responsibilities within the community.

~~As a responsible and ethical Local Government Entity we have a very low appetite for risk relating to:~~

- ~~staff health, safety and welfare~~
- ~~financial operations and financial management~~
- ~~integrity and professional ethics. legislative compliance~~
- ~~accuracy and quality of information and confidentiality of information~~

From time to time well-managed and appropriate risks will be taken or recommended in order to achieve organisational objectives and outcomes. Without some degree of risk there is no return or reward, and we are committed to achieving our purpose.

Given that we want to operate in a risk aware culture, it is important that we are able to make informed and deliberate decisions about whether residual risks are acceptable or not. And if not, look at what else can or needs to be done to bring it to an acceptable level. As a guide, a residual risk is likely to be considered acceptable when:

- it is adequately managed by existing controls or treatments, or
- the level of risk exposure is relatively low that treatment is not appropriate within available resources, or
- the cost of (additional) treatment is so excessive compared to the benefit that acceptance is the only option, or
- the opportunities presented outweigh risks to such a degree that a risk is justified, and
- key stakeholders have been properly informed of the nature risk and accept level of residual risks.

ROLES AND RESPONSIBILITIES

For risk management to be effective, clear lines of accountability, responsibility, and reporting are necessary.

Everyone within WDC has a role to play in manging risk and is required to actively participate in risk management processes including risk identification assessment, mitigation, and reporting.

To ensure a successful outcome and confidently provide the Chief Executive an assurance that risks are being efficiently and effectively managed across WDC at all levels WDC staff are expected to show their commitment to the Risk Management Framework and ensure it is established and functional within their work groups.

All Group / General Managers

All managers will have input into risk registers. Risk registers contain a summary of risks, controls in place, risk levels, further risk treatment required, risk and response owners, and timeframes.

While risk registers are a common and convenient way of recording and reporting risks, from time to time more detailed risk reporting may be required depending on the type and complexity of the risk.

Risk reporting is determined by risk level which is discussed more fully in the following sections. Extreme risks should be reported immediately to your line manager who will escalate to the most appropriate manager(s). Following the initial notification of an extreme risk, frequency of reporting will be determined on a case-by-case basis depending on the risk type, area, and mitigation strategy.

Timely escalation of risks is essential, the 'no surprises' rule should be kept in mind when risk assessments are being carried out. As risks can emerge or escalate at any time, ad-hoc reports may sometimes be required.

Key roles

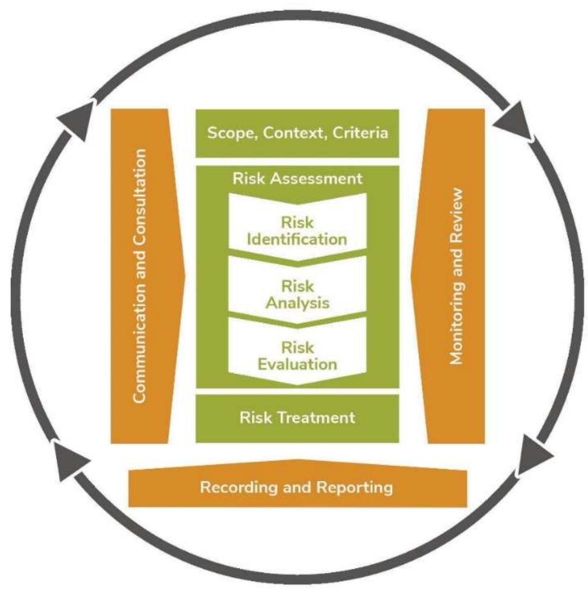
Person/Party	Responsibilities
Audit and Risk Committee (A&RC)	• Ensures that the WDC Risk Management Framework is in place, fit for purpose, and aligned with best practice. • Regularly reviews the strategic risk profile, key organisational and operational risks, and associated risk mitigation strategies.
Chief Executive	• Takes overall responsibility for ensuring that there is a positive risk culture across WDC and that there are adequate risk management processes in place.
Senior Management Team (SMT) (supported by Risk Management Advisor)	• Undertakes the substantive discussion on key risks and reviews the adequacy of risk mitigations to provide assurance that key risks are being managed appropriately. • Leads and promotes risk management across WDC • Maintains the Risk Management Framework, Policy, related risk management documents and strategic risk profiles. Provides risk management training and advice, and reports to governance committees. • Reviews and maintains WDC Risk Management Framework and associated documents. • Champions risk management across the WDC. • Works with work groups and management to identify, assess and report risks. • Develops and maintains the appropriate processes for recording, assessing and reporting key risks across the WDC.
All WDC employees and contractors	• Actively participate in identifying and effectively and efficiently managing risks within in their areas of responsibility.
~~**Health & Safety Facilitator**~~	~~• Maintains the Risk Management Framework, Policy, related risk management documents and strategic risk profiles. Provides risk management training and advice, and reports to governance committees.~~

Person/Party	Responsibilities
	~~Reviews and maintains WDC Risk Management Framework and associated documents.~~ ~~Champions risk management across the WDC.~~ ~~Works with work groups and management to identify, assess and report risks.~~ ~~Develops and maintains the appropriate processes for recording, assessing and reporting key risks across the WDC.~~

RISK MANAGEMENT PROCESS

The Risk Management Process is the systematic application of management policies, procedures and practices to the tasks of establishing context, identifying, analysing, evaluating, treating, monitoring and communicating in relation to risk.

Council will apply the following Process as defined by AS ISO 31000:2018 Risk Management - Guidelines:



Risk Management Process Overview

Step 1	**Communication and Consultation**	Communication and consultation with relevant internal and external stakeholders is to be undertaken at all stages of the risk assessment process to bring different areas of expertise together, ensure different views are appropriately considered, provide sufficient information to facilitate risk oversight and decision making and to build a sense of inclusiveness and ownership among those affected by the risk. It involves promoting awareness and understanding, as well as seeking feedback and information to support decisions made throughout the process.

Step 2	**Establishing the scope, context and criteria**	This part of the process is undertaken to gain an understanding of the purpose of the risk assessment and factors that may require consideration throughout the process. It includes establishing and defining the scope of the activity being assessed and associated boundaries of the risk assessment; the relevant objectives to be considered and any relevant relationships to other projects, processes and activities; desired outcomes from the steps to be taken; decisions that need to be made; the internal and external environment; resources required and associated responsibilities; risk assessment criteria, tools and techniques to be applied and records to be kept throughout the risk assessment process.
Step 3	**Risk Assessment**	***The risk assessment process comprises the following key steps:***
	1. Risk Identification	Identifying risks involves consideration of what, how, why and when events might occur that could have an impact on achieving the objectives of the activity or operation being assessed. During this process consideration is to be given to Council's adopted **Risk Categories**. A variety of methods can be used to identify risks, such as brainstorming and SWOT analysis. Relevant, appropriate and up to date information is important to identifying risks.
	2. Risk Analysis	Risk analysis is undertaken to determine and understand the level of risk being faced. It involves a detailed consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness. Risk analysis provides input to risk evaluation, decisions on whether risk needs to be treated and how, and on the most appropriate risk treatment and methods. Risk analysis should be undertaken using Council's adopted **Risk Assessment Criteria**.
	3. Risk Evaluation	The purpose of risk evaluation is to support decisions. It involves comparing the results of the risk analysis with the Council's established risk criteria to determine if the level of risk is acceptable or additional action is required in order to continue with the activity or operation being assessed. Options may be to do nothing; consider risk treatment options; undertake further analysis; maintain existing controls; reconsider objectives; and it should consider the wider context and the action and perceived consequences to both internal and external stakeholders.
Step 4	**Risk Treatment**	Risk Treatment involves the development and implementation of additional controls, such as systems and procedures, to address the risk. Risk Treatment involves an iterative process of formulating and selecting risk treatment options; planning and implementing risk treatment; assessing the effectiveness of the treatment; deciding on whether the remaining risk is acceptable and if not acceptable, taking further treatment. Depending on the activity or operation that is being assessed and the priority of the risk, risk treatment strategies can involve the development and implementation of longer short term risk treatment action plans. **Risk Evaluation (Step 3)** and **Risk Treatment (Step 4)** should be undertaken with consideration of Council's adopted risk appetite, **Preferred Risk Treatment Options and ALARP** (as low as reasonably possible).
Step 5	**Monitoring and Review**	Monitoring and review of the risk management process, its implementation and outcomes ensures its continued quality and effectiveness and identifies opportunities for improvement. It will ensure that identified risks and controls remain relevant, controls remain effective and that any new risks are appropriately identified, recorded and managed appropriately. It should be a planned and documented part of each stage of the process and associated responsibilities should be clearly defined.

Step 6	Recording and Reporting	The risk management process and its outcomes are required to be documented and reported regularly to ensure continued communication in relation to risk management activities and outcomes, to provide information for decision-making, to improve risk management activities and to assist interaction with stakeholders.

RISK ASSESSMENT PROCESS

The risk management process will be undertaken in accordance with Council's following adopted criteria to assess strategic and operational risks (unless exceptions below apply). The criteria are aligned with Council's organisational key objectives and risk appetite.

1. RISK IDENTIFICATION

Identifying risks involves consideration of what, how, why and when events might occur that could have an impact on achieving the objectives of the activity or operation being assessed. During this process consideration is to be given to Council's adopted Risk Categories. A variety of methods can be used to identify risks, such as brainstorming and SWOT analysis. Relevant, appropriate and up to date information is important to identifying risks.

The following factors and the relationship between these factors are example that should be considered when identifying risks.

Factors	Example
Threats and opportunities	Artificial Intelligence
Vulnerabilities and capabilities	Workforce demographics
Changes in internal and external context	Central government policy changes

Once risks have been identified, they should be recoded on the appropriate Risk Register (Strategic, Operational, Health and Safety or Project). The following guide is used to record identified risks:

There is a risk that ***[uncertain event occurs]*** caused by ***[cause of uncertain event]*** that may result in ***[consequence to Waitomo District Council].***

2. ANALYSE

(a) Likelihood

Once risks have been recorded in the appropriate risk register, the likelihood and consequence of the risk occurring is analysed. The following guide is used to analyse the likelihood of a risk occurring, i.e. how often the uncertain even is expected to occur pre-controls (before existing and / or additional controls are considered) and post-controls (before existing and / or additional controls are considered).

Risk likelihood rating

~~**Likelihood Rating**~~		~~**Description - operations**~~	~~**Estimated Probability (%)**~~
~~Rare~~	~~1~~	~~**May occur in exceptional circumstances**~~ ~~Could be incurred in a 5-30 year timeframe~~	~~5%~~
~~Unlikely~~	~~2~~	~~**Could occur**~~ ~~In a 2-5 year timeframe~~	~~6 -25%~~
~~Possible~~	~~3~~	~~**Could occur**~~ ~~Within a 1-2 year period~~	~~26-50%~~
~~Likely~~	~~4~~	~~**Will probably occur**~~ ~~In most circumstances – several times are year~~	~~51 -90%~~
~~Almost Certain~~	~~5~~	~~**Expected to occur**~~ ~~Immediately or within a short period – likely to occur most weeks or months.~~	~~>90%~~

Likelihood	
Almost Certain	Is expected to occur Definite probability Without additional controls the event is expected to occur in most circumstances
Likely	Will probably occur in most circumstances With existing controls operating this event will probably still occur with some certainty
Possible	Could occur at sometime The event has occurred in different industries with similar levels of controls and assurance in place
Unlikely	Not expected to occur The event hasn't occurred, but it could occur in some circumstances
Rare	Exceptional circumstances only Improbable A small chance of event occurring that would be caused by conditions and/or events not previously seen.

(b) Consequence

The following Guide is used to analyse the consequence of a risk occurring, i.e. consequence if the uncertain even was to occur pre-controls (before existing and / or additional controls are considered) and post-controls (before existing and / or additional controls are considered).

Risk Types What could be the consequences if the risk occurs?	Consequence Rating				
	Insignificant	Minor	Moderate	Major	Severe
	1	2	3	4	5
Financial Risks related to the financial management of WDC and the ability to fund Council activities and operations, now and into the future, including risks resulting from an externally imposed economic environment and risks related to maintaining and operating Council's Infrastructure.	Negligible financial impact < $10,000	Minor financial impact $10,000 - $100,000	Substantial financial impact $100,000 - $500,000	Significant financial impact $500,000 - $1million	Major financial impact >$1million
Health and Safety / Wellness Potential risk event that adversely impacts on the health and safety of staff, contractors, visitors or the community. These also include risk that impact the health and safety of staff, as well as contractors & volunteers, including work health and safety issues, resourcing, human resources, industrial relations, organisational culture, staff values, public accountability.	Insignificant injury; no first aid required; no impact on staff morale / performance	Minor injury/ wellness issue; first aid required; minor impact on individual staff morale / performance. Requires staff to take no time off.	Injury or illness requiring medical attention; 1-5 days leave (consecutive or cumulative); short term impact on staff morale / performance An incident that requires reporting to worksafe.	Long term illness or injury; extensive medical attention and leave required (more than 5 days); medium term impact on staff morale/ performance within multiple business areas An injury/illness that requires reporting to worksafe	Fatality; permanent disability, illness or disease; (unable to return to work) long term impact on staff morale/performance across organisation An injury/illness that requires reporting to worksafe
Environmental Potential or actual negative environmental or ecological impacts, regardless of whether these are reversible or irreversible in nature.	Adverse event that can be remedied immediately which can be met by current budget and /or internal resources	Adverse event requiring additional work to remedy in the short term which can be met by current budget and / or internal resources.	Adverse event requiring additional work to remedy in the short to medium term which cannot be met by current budget and external resources may be required to resolve.	Adverse event requiring additional work to remedy in the medium term which cannot be met by current budget and external resources are required to resolve. The event may also put the C~~c~~ouncil at the risk of prosecution.	Adverse event requiring significant additional work to remedy in the long term or that cannot be remedied which cannot be met by current budget and external resources are required to resolve. The event has also likely to~~may~~ have caused a breach of~~ed~~ legislation requirements.
Reputation Risks that could improve/compromise the trust, confidence and reputation Council has with our community, and affect the way Council and Council personnel are perceived by the community. (Community means the public, community groups and lobby groups)	Negative feedback from individuals or small groups in the community.	Manageable ~~L~~loss of confidence among sections of the community.	Manageable loss in community confidence.	Large loss in community confidence that will take significant time to remedy.	Insurmountable loss in Community confidence.

Risk Types What could be the consequences if the risk occurs?	**Consequence Rating**				
	Insignificant	**Minor**	**Moderate**	**Major**	**Severe**
	1	**2**	**3**	**4**	**5**
Risks that could improve/compromise the trust, confidence and reputation Council has and affect the way Council and Council personnel are perceived by the media.	Local negative multimedia coverage for a day requiring not requiring additional work to resume stakeholder confidence.	Local negative multimedia coverage for 1-5 days requiring additional work to resume stakeholder confidence.	Regional negative multimedia coverage for up to one week requiring significant additional work to repair stakeholder confidence.	National negative multimedia coverage for more than one week requiring significant additional work to repair stakeholder confidence.	National negative multimedia coverage for more than two weeks requiring significant additional work which may not result in repairing stakeholder confidence.
Risks that could improve/compromise the trust, confidence and reputation Council has and affect the way Council and Council personnel are perceived by stakeholders/partners. (stakeholder and partners means, industry groups, iwi, councils, government departments, and entities that there is an established relationship with)	Single stakeholder sector expresses a concern directly to WDC. * No further impact	Single stakeholder or stakeholder sector dissatisfied and express their satisfaction through media or directly to WDC. * No impact on work programmes and minimal effort required to mend the relationship	Stakeholders/ partners dissatisfied and express their dissatisfaction directly and or through media. *minor impact on work programmes and moderate effort required to mend the relationship	Major loss of stakeholder/ partner confidence and/or extensive stakeholder dissatisfaction expressed resulting in long period of disengagement (more than 2 months) and significant effort required to mend the relationship. *Impact on work programme	Extreme dissatisfaction and loss of confidence by stakeholders, partners and/or regulatory body investigation and/or statutory management installed and/or significant sanctions against the WDC.
Legislative A risk event that results in WDC unknowingly or knowingly breaching statutes and stipulations or exposed to liability.	Isolated non-compliance of minimal significance; internal staff warning *(no penalty or fine)*	Minor breach of legal obligations; improvement notice; *(no penalty or fine, however may have to engage legal expertise)*	Substantial breach of legal obligations; adverse finding; substantial fine / penalty *(penalties up to $50k)*	Significant breach of legal obligations; adverse finding with long term significance; significant fine / penalty *(penalties between $50k to $200k)*	Major breach of legal obligations; adverse findings against Council and / or individuals; major fines or penalties (>$200k); possible imprisonment.
Service Delivery Risk events that impacts WDC's ability to function and deliver its general services as expected. General services are services outside of core functions.	Insignificant interruption to a service – no impact to customers/ business	Minor interruption to a service with minimal impact to customers/ business	Moderate Interruption to service delivery. Customer impact up to 48 hrs. Partial BCP action may be needed	Major interruption to service delivery, Customer impact > 7 days. Component of BCP action may be needed.	Major interruption to delivery of all or most services for more than 14 days. Full BCP action required.

Risk Types What could be the consequences if the risk occurs?	**Consequence Rating**				
	Insignificant	**Minor**	**Moderate**	**Major**	**Severe**
	1	**2**	**3**	**4**	**5**
Risk events that impact~~s~~ WDC's ability to function and deliver its core services as expected. Core services are lifeline utilities within the WDC context, they are water, wastewater,~~-~~roading IT infrastructure.	Disruption of service levels for ~~upto~~up to 30 minutes (individual activity or site) Limited interruption to services	Disruption of service levels for up to 4 hours (individual activity or site~~s~~) Service interruption affecting less than 5% of one service.	Disruption of service levels for up to 4 hours (multiple activities or sites) Significant interruption affecting between 5-20% of one service for less than a week.	Disruption of service levels for up to 1 day (multiple activities or sites) Significant interruption affecting between 20-50% of one service for more than a week.	Disruption of service levels for more than 1 day (multiple activities or sites) Extreme event affecting more than 50% of one service. Unable to continue normal business operations.

3. EVALUATE

Once risks have been analysed, the following matrix and ranting are used to evaluate the risk rating pre-controls i.e. low, medium, high, extreme which is used to determine what action is required by Council in relation to the risk and post-controls i.e. low, medium, high, extreme which is used to determine the impact of the action(s) take by Council.

Risk rating matrix

Risk rating = consequence rating x likelihood rating

		Risk Consequence Rating				
Risk Likelihood Rating		Insignificant	Minor	Moderate	Major	Severe
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

4. TREAT

The risk evaluation determines what actions need to be taken in relation to the risk:

ACTION	DESCRIPTION
Accept	Activity is managed to a low or medium risk rating through existing controls.
Transfer	Activity is managed to a low or medium rating through transferring risk to another party, e.g. contractor/ insurer/stakeholder.
Mitigate	Activity is managed to a low or medium risk rating through existing or additional controls. GM/CE approval required for high risk activity to continue.
Terminate	Activity is terminated if it cannot be reduced to a High or lower risk rating CEO approval required for critical risk activity to continue.

These actions are documented in a treatment plan, outlining the:

- Action to be taken
- Responsibility for completing the action
- Timeframe for completing the action.

Preferred Risk Treatment Options (including ALARP – ***as low as reasonably practicable*****)**

Residual Risk Rating	Preferred Risk Treatment Options	Minimum reporting / escalation level for decision to cease activity, continue activity or take other necessary actions
Extreme	**Preferred treatment options: Avoid** → Cease activity, process or task until further directed. → Requires immediate escalation and active management through additional and effective treatment measures to reduce risk before proceeding. → Detailed planning required in consultation with the CE/ GM and ARFC to prepare a risk management plan.	**Council** (escalate to ARFC as deemed necessary)
High	**Preferred Treatment Options: Avoid, Transfer or Mitigate** → Subject to discussions with GM, consider ceasing activity, process or task temporarily to consider alternative options or review risk treatment strategies to enhance adequacy and effectiveness. → Consider implementation of additional or improved controls to reduce the risk to ALARP. → Continue to monitor control effectiveness.	**Senior Management Team** (escalate to SMT as deemed necessary)
Medium	**Preferred Treatment Options: Mitigate or Accept** → Subject to discussions Team Leader (and/or Manager), review risk treatment strategies to determine their adequacy and effectiveness. → Consider implementation of additional or improved controls to reduce the risk to ALARP. → Continue to monitor control effectiveness.	**Manager** (escalate to Manager as deemed necessary)
Low	**Preferred Treatment Options: Accept and identify corrective action** → Manage by existing routing procedures and work practices. → Continue to monitor control effectiveness.	**Responsible staff** (escalate as deemed necessary)

ALARP – As low as reasonably practicable

ALARP involves weighing the benefits and opportunities to be gained from managing the risk and continuing with the proposed activity against the effort, time and resources needed to control the risk.

When determining if additional treatment options should be implemented, consideration should be given to the level of risk that would remain if additional controls were implemented.

- **Unacceptable** - where the cost or resource required to implement further risk treatment is grossly disproportionate to the risk control improvement gained, a decision should be made to cease the activity altogether or find an alternative course of action (except in cases where overriding factors mean there is no choice but to implement the identified additional control measures).

- **Acceptable - ALARP** - aim for this level of risk treatment - where the cost, resources and effort required to implement additional risk treatment is acceptable and worthwhile given the risk control improvement gained and resulting benefits achieved from continuing with the activity, operation or project being assessed.

5. RECORD AND REPORT

Council expects staff will identify and report risks to their manager as soon as practicably possible. Risks post-controls, including treatment plans, should be recorded and reported as follows:

RISK RATING	REPORTING
EXTREME RISK	• Weekly update of Strategic/Operational/ Health and safety/ Project risk register. • Risk registers used as a basis for weekly update to SMT • Risk registers used as a basis for quarterly update to Audit Risk and Finance Committee. • Reporting of such emerging risks will be reported to the Mayor and Council as appropriate.
HIGH RISK	• Monthly update of Strategic/Operational/ Health and safety/ Project risk register. • Risk registers used as a basis for monthly update to SMT • Risk registers used as a basis for quarterly update to Audit ~~Risk~~ and Risk~~Finance~~ Committee. • Reporting of such emerging risks will be reported to the Mayor and Council as appropriate.
MEDIUM RISK	• Quarterly update of Strategic/Operational/ Health and safety/ Project risk register. • Risk registers used as a basis for quarterly update to SMT
LOW RISK	• Quarterly update of Strategic/Operational/ Health and safety/ Project risk register.

6. MONITOR AND REVIEW

Once post-controls risks have been reported, the identified risk should be monitored and reviewed as follows

RISK RATING	REPORTING
EXTREME RISK	• Weekly
HIGH RISK	• Monthly
MEDIUM RISK	• Quarterly
LOW RISK	• Quarterly

Council's risk review and reporting structure will be implemented to assist in:

- Monitoring Council's performance in mitigating risks and seizing positive opportunities
- Informing decision making, identifying improvement opportunities and improving performance
- Ensuring changing circumstances are considered against risk priorities and any additional risks are identified, documented and assessed appropriately
- Reviewing relevance and effectiveness of existing risk controls
- Measuring the success of Council's Risk Management Framework.

Review by Council's Audit, Risk & Finance Committee is considered essential in ensuring the independent and holistic review of Council's performance and to provide assurance to the Chief Executive and Council that risks are being appropriately managed.

Reviews and reports will be co-ordinated by responsible staff in accordance with the following schedule, however it is noted that additional and/or specific risk management reporting may be required from time to time.

Strategic Risk Register

Council's Senior Management Team is responsible to for reviewing Council's Strategic Risk Register.

The Strategic Risk Register will be reviewed on a minimum annual basis and as high level risks emerge. Reviews will be reported to Council's Audit, Risk and Finance Committee.

Operational Risk Register (group level)

The Group Managers and their relevant Management Teams are responsible for reviewing Council's Operational Risk Register.

The Operational Risk Registers will be reviewed on a minimum annual basis and as high level risks emerge. Reviews will be reported to the Senior Management Team and ARFC as necessary.

Group Managers will include the review of the group risks, controls and associated risk treatment action plans on their management team meeting agendas. This will facilitate a consultative approach to ensuring risks remain relevant, controls continue to be effective and that any new or emerging risks are identified and managed adequately.

Project Risk Register

The Project Manager and their project team are responsible for reviewing the relevant Project Risk Register.

Reviews will be reported to the Project Control Group. Where a project is deemed to be of interest to Council, the risk register will be reported to ARFC.

Risk Management Framework

Council's Risk Management Framework will be reviewed on a minimum annual basis to ensure its continued effectiveness and relevance and to identify improvement opportunities. Where significant amendments to the Framework are recommended, approval will be required by SMT and a report presented to ARFC.

Performance and Success Measures

The performance and success of Council's Risk Management Framework will be assessed with consideration of the following five key attributes of enhanced risk management:

Various methods maybe used to measure and report on the strengths and weaknesses of Council's performance, including:

- Organisational surveys to monitor risk management awareness and knowledge
- Statistics on staff participation in risk management training
- Analysis of data gathered from organisational risk reporting and internal audit results, as well as incident and claim statistics.

A review of Council's performance will assist in identifying improvement opportunities in relation to this Framework and will be reported to SMT and Council's Audit, Risk & Finance Committee as necessary.

Appendix One: The Lines Company - Risk Management Framework

Consequence Descriptor	Health and Safety	People / Talent	Environmental	Operational	Network Performance	Financial Impact on Business (Cash Flows)	Third Party (Stakeholder / Cultural / Reputational)	Compliance
Catastrophic	Fatality or life-altering event	Over 25% staff turnover. Significant skill gaps due to loss of several key personnel	Recovery in 5+ years	Group-wide inability to continue normal business operations	Extreme event (full defence MENA incident); more than 50% of network affected	Greater than $5m	Irreparable damage to key cultural stakeholders relationships. Sustained negative local and/or national media coverage. Third party loss greater than $5m	Regulatory intervention / prosecution
Major	Life-threatening event; multiple events requiring hospital admission/ notifiable event	15–25% staff turnover. Loss of key personnel; replacement will take more than 6 months	Recovery 2–5 years	Significant interruption to more than 50% of the Group's operations	Defcon 4 – Significant event with more than 2 feeders affected for more than 1 week	Between $1m and $5m	Significant breach of trust with cultural stakeholders. Significant media coverage, regulatory audits, board response required. Third party loss between $1m and $5m	Regulator breach / enforcement notice
Moderate	Event resulting in lost time but does not require hospital admission	10–15% staff turnover. Loss of key personnel with 3–6 month replacement	Recovery 1–2 years	Significant interruption to between 20% and 50% of the Group's operations	Defcon 3 – Major event lasting less than a week	Between $0.5m and $1m	Lack of understanding of key cultural aspects requiring CE or Board response. Single event attracts local and/or national attention and requires a formal response from the CE. Third party loss between $0.5m and $1m	Regulatory notification may not be required / improvement notice
Minor	Minor illness or event requiring medical treatment (e.g. first aid)	5–10% staff turnover. Some loss of key personnel but easily replaced	Recovery under 1 year	Significant interruption to less than 20% of the Group's operations	Defcon 2 – Some network faults	Between $0.1m and $0.5m	Minor offence caused requiring formal apology. Attracts some media coverage but does not warrant a formal response. Third party loss between $0.1m and $0.5m	Regulatory notification not required
Negligible	Event but does not require medical attention	Isolated retention problems. Less than 5% turnover	Localised damage only	Limited interruption	Defcon 1 – No network faults	≤ $0.1m	Minor offence caused to individual relationship (e.g. customer). No negative public perception issues created. Third party loss ≤ $0.1m	Regulatory notification not required