

Audit and Risk Subcommittee - 14 March 2019 Attachments

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10.2.1. Risk Report October 2018.....8



Minutes of a meeting of the Audit and Risk Subcommittee
held in the Council Chamber at Philip Laing House, 144
Rattray Street, Dunedin on
Thursday 19 September 2018, commencing at 1:00 pm

Membership

Mr David Benham	<i>(Chairperson)</i>
Cr Stephen Woodhead	<i>(ORC Chairperson)</i>
Cr Gretchen Robertson	<i>(ORC Deputy Chairperson)</i>
Cr Doug Brown	<i>(Chair Finance and Corporate Committee)</i>
Cr Trevor Kempton	
Cr Michael Laws	

Welcome

Mr Benham welcomed Councillors and members of the staff to the meeting.

1. APOLOGIES

Resolution

That the apologies for Cr Brown be accepted.

Moved: Cr Woodhead
Seconded: David Benham
CARRIED

2. LEAVE OF ABSENCE

No Leave of Absence advised.

3. ATTENDANCE

David Benham	<i>(Chairperson Audit & Risk Subcommittee)</i>
Sarah Gardner	<i>(Chief Executive)</i>
Nick Donnelly	<i>(Director Corporate Services)</i>
Gavin Palmer	<i>(Director Engineering, Hazards and Science)</i>
Sally Giddens	<i>(Director People and Safety)</i>
Stuart Lanham	<i>(Finance Manager)</i>
Victoria Donohue	<i>Business Partner Health & Safety) -Item 2.5</i>
Lauren McDonald	<i>(Committee Secretary)</i>

Ms Heidi Rautjoki, Mr Brett Tomkin, Mr Scott Hawkins (Auditors, Deloitte) in attendance for Public Excluded *Item 2.1 - Annual Report and Audit Management Letter*

4. CONFIRMATION OF AGENDA

The agenda was confirmed as tabled.

5. CONFLICT OF INTEREST

No conflicts of interest were advised.

6. PUBLIC FORUM

No public forum was held.

7. PRESENTATIONS

No presentations were held.

8. CONFIRMATION OF MINUTES

Resolution

That the minutes of the (public portion of the) meeting held on 20 June 2018 be received and confirmed as a true and accurate record.

Moved: David Benham
Seconded: Cr Robertson
CARRIED

9. ACTIONS

Nil

10. MATTERS FOR COUNCIL DECISION

Nil

11. MATTERS FOR NOTING

11.1. Risk Report - June 2018

The report outlined the Terms of Reference for the Audit and Risk Subcommittee responsibility in relation to risk including:

- Ensuring that the risks facing ORC are identified and the potential impacts are assessed.
- Ensuring that the identified risks are managed, and necessary controls are built into business processes.

Mr Donnelly outlined the 4 monthly update as at June 2018, he advised at the previous Audit and Risk subcommittee meeting discussion was held around the Port Otago Ltd dividend risk and flood protection failure risk, As a result these risks were moved in the summary report to that of highest risk. Other risks identified and risk ratings changed were where the environment target was not met, services not provided within budget, increased risk as deadlines moved closer. He advised that framework was in place through the OPAL software for risk management with operational roll out ready to commence. This requires staff to complete 4 monthly risk assessment within their area of knowledge, and for the database to be regularly updated to ensure information is current. Mitigation plans developed and put in place to address identified/defined risks, with regular review of risk to Council.

Discussion was held on prioritising and addressing risk areas and how this was managed. It was noted that for risks such as healthy and safety should be an "across Council" responsibility and not just that of the corporate directorate. Mr Benham advised he saw the role of governance to provide guidance on mitigation of risks, review and prioritise risks from a wider perspective.

Mrs Gardner commented that review was required for every Council decision made against the risk register, define the changes required, with ownership and assigned responsibility to manage the defined risks.

A concern was expressed for the need to have an independent assessment of the risks to Council, and scrutiny of the quality and quantity of information provided by senior management. Mr Benham advised it would be very difficult to achieve independent advice on each risk and the the additional cost to do so. He saw it as the Audit and Risk subcommittee role to review the risks and guide management on the level of risk identified for Council.

Resolution

That this report and the attached Risk Report – June 2018 are received and noted.

Moved: Cr Woodhead

Seconded: Cr Robertson

CARRIED

11.2. Treasury Report - June 2018

The report provided information on the management and performance of the Council's short term deposits and the managed fund, for the twelve months ended 30 June 2018

Mr Lanham, Finance Manager commented on the short term investments; outlined the spread across the banks; maturity profile and sectioning of total funds through the year and local interest average earned; and the Managed Fund portfolio.

Resolution

That the report be received.

Moved: Mr Benham
 Seconded: Cr Robertson
 CARRIED

12. RESOLUTION TO EXCLUDE THE PUBLIC

Resolution

That the public be excluded from the following parts of the proceedings of this meeting, namely:

- *Item 2.1 - Annual Report and Audit Management Letter*
- *Item 2.2 - Long Term Plan Audit Management Letter*
- *Item 2.3 - Investment Management Tender shortlist selection*
- *Item 2.4 - BNZ Managed Fund Report*
- *Item 2.5 - Health & Safety Report*

I also move that Scott Tomkin, Heidi Rautjoki, Scott Hawkins, Nick Donnelly, Stuart Lanham be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the Annual Report 2017-18 and the Audit Management Letter. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter.

Moved: Cr Woodhead
 Seconded: Cr Robertson
 CARRIED

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under [section 48\(1\)](#) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Annual Report and Audit Management Letter	Section 7(2) (c) (i) protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information—(i) would be likely to prejudice the supply of similar information, or	Section 48(1)(a); Section 7(2)(b)(ii) 7(2)(c)(i) 7(2)(f)(ii) 7(2)(h) 7(2)(i)
Long Term Plan Audit Management		

<i>Letter;</i>	information from the same source, and it is in the public interest that such information should continue to be supplied	
<i>Investment Management Tender Shortlist Selection;</i>	<p>To protect information where the making available of the information—would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information – Section 7(2)(b)(ii)</p> <p>To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) – Section 7(2)(i)</p> <p>To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)</p>	
<i>BNZ Managed Fund Report – June 2018.</i>	<p>To protect information where the making available of the information—would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information – Section 7(2)(b)(ii)</p> <p>To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)</p> <p>Section 7(2)(c)(i) protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information— (i) would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied; or</p>	

<p><i>Health & Safety Report</i></p>	<p>Section 7(2)(c)(i) protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information— (i) would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied; or</p> <p>Section (2)(f)(ii) maintain the effective conduct of public affairs through— the protection of such members, officers, employees, and persons from improper pressure or harassment; or</p>	
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The meeting resumed in public session on the motion of Mr Benham and Cr Robertson.

13. NOTICES OF MOTION

No Notices of Motion were advised.

14. CLOSURE

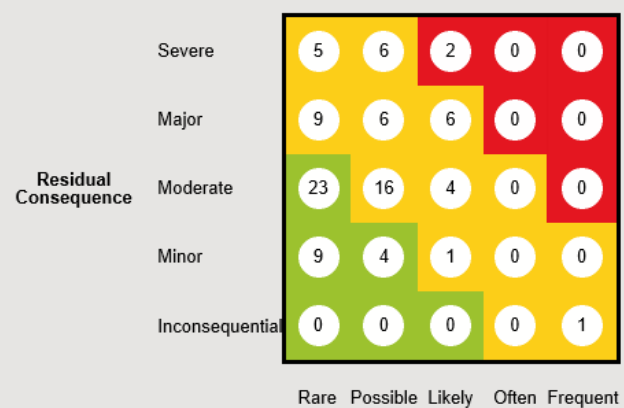
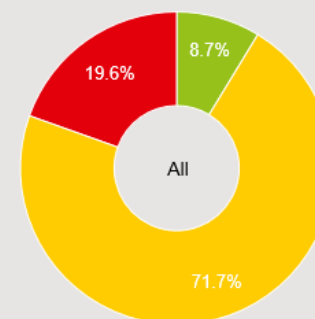
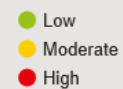
The meeting was declared closed at 3:50 pm

Chairperson

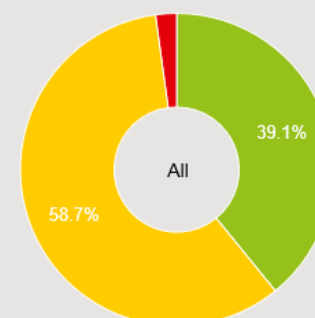
RISK REPORT – HEAT MAP AND RISK LEVEL OVERVIEW



RISK LEVEL



RESIDUAL RISK LEVEL



RISK REPORT – SUMMARY OF HIGHEST RANKING RESIDUAL RISKS

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status	Score	Mvt
Business continuity planning inadequate / not developed 697	Impacts Council's ability to deliver services in an unexpected event.	Severe	Likely	R	Corporate Services	BCP is being reviewed and revised. CDEM and IT plans are well established and in place but core ORC activity plan needs to be completed. BCP review has been assigned to CD and is underway. No change to risk profile at this stage.	Severe	Likely	r	15	-
Port dividend is below expected 725	Commercial returns are dependant on Port performance. The dividend significantly subsidises general rates therefore there will be a need for higher general rates to cover the shortfall.	Severe	Likely	R	Corporate Services	Independent Board appointed and SCI in place to define acceptable levels of dividends. Diversified revenue streams have been developed including property and geographical sources.	Severe	Likely	r	15	+5
Services not provided within budget 688	Council only has budget and authority to provide services within budget. Services that require more resources than budget may limit service level or require unsustainable levels of funding.	Major	Possible	R	Corporate Services	Financial processes including budget setting are robust but subject to significant assumptions and are often set significantly in advance of actual service delivery. Reserves are maintained to allow for contingencies.	Major	Likely	r	12	+9
Undefined or unclear strategic vision 691	May lead to unnecessary or ineffective work being undertaken and outcomes not being expected or desired.	Major	Possible	R	CE Office	Strategic plan is updated as part of the LTP process. Strategic plan review was not fully completed and this should be reviewed early in next LTP cycle.	Major	Likely	r	12	-

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status	Score	Mvt
Change in central government service delivery requirements 709	Could impose a change to strategic direction which alters services provided accordingly.	Major	Likely	R	Policy Planning and Resource Management	Central government requirement change is inherent in Council's environment. Need to remain aware of developments in the political environment ie pending elections and maintain strong relationships across the sector. Change of government has increased the likelihood of this risk	Major	Likely	r	12	-
Economic downturn / recession 722	Council's revenue streams could decrease which in turn impacts ability to charge and/or collect revenue. That in turn could impact Council's ability to deliver its services.	Severe	Likely	R	Corporate Services	Revenue and funding policies are in place and reserves are maintained for specific events and general contingency.	Major	Likely	r	12	-
Delays in finalising legislation 757	Particularly regarding RMA, LGA and LTMA. Increased time adds uncertainty while legislation is being finalised and unacceptable delays may occur during this period.	Major	Often	R	Policy Planning and Resource Management	Monitor legislative development processes, submissions to the Crown, collaboration with other Councils, develop and maintain relationships with stakeholders.	Major	Likely	r	12	-
Changes in legislation 758	Particularly regarding RMA, LGA and LTMA. Change creates uncertainty while being enacted and the process for implementing change increases cost and / or likelihood of not delivering core services.	Major	Often	R	Policy Planning and Resource Management	Monitor legislative development processes, submissions to the Crown, collaboration with other Councils, develop and maintain relationships with stakeholders.	Major	Likely	r	12	-
Failure to meet environmental targets 704	Environmental sustainability is a fundamental expectation of Council activity which is delivered via strategic, long term and annual plans.	Severe	Possible	R	Policy Planning and Resource Management	Ongoing review of service delivery including 4 month reviews and annual report process.	Severe	Possible	r	10	+6

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status	Score	Mvt
Air or water pollution 708	Significant pollution could result in long term environmental damage which impacts residents and takes unplanned and expensive corrective action.	Severe	Likely	R	Environmental Monitoring and Operations	Pollution hotline operating 24/7 and long term state of the environment and compliance monitoring is in place.	Severe	Possible	r	10	-
Natural disaster response failure 740	CDEM is unable to respond to an event and fails to meet its statutory obligations.	Severe	Likely	R	CE Office	CDEM review undertaken and Emergency Management Otago has been established.	Severe	Possible	r	10	-
Failure of project 762	Inefficient use of public funds and non delivery of expected services.	Severe	Likely	R	Engineering Hazards and Science	Required actions defined and monitored monthly.	Severe	Possible	r	10	-
Flood protection failure 766	Failure of flood protection structures during flooding causing danger to the public and significant damage to property and Council assets.	Severe	Likely	R	Engineering Hazards and Science	Infrastructure strategy, asset management plans, insurance in place.	Severe	Possible	r	10	+5
IT system / software obsolescence 772	Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely. Legacy systems are major area of risk including environmental data and ticketing.	Severe	Likely	R	Corporate Services	IT strategy in place (requires review and update). Ticketing system is being replaced and environmental data system is being reviewed.	Severe	Possible	r	10	-

RISK REPORT – SUMMARY OF ALL RISKS BY CATEGORY

1. Reputational Risks

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Changes in services provided 687	Change to strategic direction which alters services provided accordingly. Changes may be a decision of Council and/or forced upon Council by external forces including Central Government.	Major	Often	R	Policy Planning and Resource Management	Council's strategic plan and LTP guide and set long term direction and service provision. Significant changes should only be considered within that cycle. Significance and engagement policy requires consultation on significant changes in direction and service delivery.	Moderate	Possible	r
Services not provided within budget 688	Council only has budget and authority to provide services within budget. Services that require more resources than budget may limit service level or require unsustainable levels of funding.	Major	Possible	R	Corporate Services	Financial processes including budget setting are robust but subject to significant assumptions and are often set significantly in advance of actual service delivery. Reserves are maintained to allow for contingencies.	Major	Likely	r
Change in ability to supply services 689	Services may not be supplied due to unexpected events or insufficient resources ie staff, contractors or funding.	Major	Possible	R	Environmental Monitoring and Operations	Ensure business continuity plans are in place, retention of key personnel and robust contractual agreements are in place. Funding is considered in annual plans and LTP's.	Moderate	Rare	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Political change 690	Political change may occur at central government and/or local level.	Major	Often	R	Policy Planning and Resource Management	Political risk is inherent in Council's environment. Need to remain aware of developments in the political environment ie pending elections and maintain strong relationships across the sector. Change of government has increased the likelihood of this risk	Major	Possible	r
Undefined or unclear strategic vision 691	May lead to unnecessary or ineffective work being undertaken and outcomes not being expected or desired.	Major	Possible	R	CE Office	Strategic plan is updated as part of the LTP process. Strategic plan review was not fully completed and this should be reviewed early in next LTP cycle.	Major	Likely	r
Inaccurate forecasting 692	Forecasting involves risk around accuracy of assumptions and extended timeframes. At a strategic level errors can lead to incorrect or poor decision making.	Moderate	Likely	R	Corporate Services	Forecasting involves significant judgement particularly around assumptions used. Robust LTP process with adequate time for preparation and decision making.	Moderate	Possible	r
Unethical business practices 693	As a spender of public funds ORC has an obligation to spend those funds ethically.	Moderate	Rare	R	Corporate Services	Considered in staff policies ie code of conduct, fraud, sensitive expenditure and contract tender processes can include quality criteria ie local suppliers.	Minor	Rare	r
Incomplete or inaccurate resource planning 694	May lead to an inability to deliver services.	Major	Possible	R	CE Office	Robust LTP process with adequate time for preparation and decision making.	Moderate	Likely	r
Poor organisational design / inappropriate reporting lines 695	Organisation design and reporting lines need to align to services to be delivered. If they don't there is a risk that service delivery will be impacted.	Moderate	Possible	R	CE Office	Reviewed as part of strategic / LTP / annual plan processes and amended as required.	Minor	Possible	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Strategic plan / long term plan not implemented 696	Stakeholders fundamental expectation is delivery of strategic / long term plans.	Major	Possible	R	CE Office	Ongoing review of service delivery including 4 month reviews and annual report process.	Major	Rare	r
Business continuity planning inadequate / not developed 697	Impacts Council's ability to deliver services in an unexpected event.	Severe	Likely	R	Corporate Services	BCP is being reviewed and revised. CDEM and IT plans are well established and in place but core ORC activity plan needs to be completed. BCP review has been assigned to CD and is underway. No change to risk profile at this stage.	Severe	Likely	r
Stakeholders not identified 698	Key requirement to setting strategic direction is understanding who stakeholders are and what their requirements are. Failure to do so may lead to unnecessary or ineffective work being undertaken and outcomes not being expected or desired.	Moderate	Possible	R	Stakeholder Engagement	Stakeholders (and requirements) are well defined and considered/consulted on regularly.	Moderate	Rare	r
Poor / deteriorating stakeholder relationships 699	Includes TLA's and key government agencies. May impact the ability to provide co governed or co funded activity. There may also be competing or conflicting interests.	Major	Possible	R	Stakeholder Engagement	Ensure ongoing communication and involvement in decision processes where possible and appropriate.	Major	Rare	r
Expectations of stakeholders not understood 700	Failure to do so may lead to unnecessary or ineffective work being undertaken and outcomes not being expected or desired.	Major	Possible	R	Stakeholder Engagement	Ensure ongoing communication and involvement in decision processes where possible and appropriate.	Moderate	Rare	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Poor community relationships 701	May lead to inability to determine required activity and/or the ability to undertake activity if community input is required.	Moderate	Possible	R	Stakeholder Engagement	Ensure ongoing communication and involvement in decision processes where possible and appropriate.	Moderate	Rare	r
Negative press coverage 702	Includes hostile and/or inaccurate coverage. May impact service delivery if negative view has to be dealt with prior to activity being undertaken.	Moderate	Frequent	R	Stakeholder Engagement	Work proactively with media to ensure they are accurately and correctly informed.	Inconsequential	Frequent	r
Ineffective communication strategy / plans 703	The community and/or stakeholders may be misinformed or unaware of Council activity or information.	Moderate	Possible	R	Stakeholder Engagement	Development and ongoing review of communications strategy / plan.	Minor	Rare	r
Failure to meet environmental targets 704	Environmental sustainability is a fundamental expectation of Council activity which is delivered via strategic, long term and annual plans.	Severe	Possible	R	Policy Planning and Resource Management	Ongoing review of service delivery including 4 month reviews and annual report process.	Severe	Possible	r
Failure to assess and understand environmental impact of organisational activities 705	Unnecessary or ineffective work could be undertaken resulting in unexpected / undesired outcomes. Impacts could also prove unsustainable for Council or ratepayers.	Severe	Possible	R	Policy Planning and Resource Management	Considered and consulted on as part of strategic / long term and annual plan setting process.	Major	Rare	r
Damage to or development of protected sensitive natural habitats 706	Damage may occur protected areas that are privately held or those directly under ORC's control.	Severe	Possible	R	Environmental Monitoring and Operations	Areas are defined and ongoing work plans are in place to monitor and undertake enforcement processes when necessary.	Major	Rare	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Breach of environmental protection legislation 707	Significant breaches may lead to environmental damage and the inability to achieve targets.	Severe	Possible	R	Environmental Monitoring and Operations	Legislative compliance (internal and external) is defined and ongoing work plans are in place to monitor and undertake enforcement processes when necessary.	Major	Rare	r
Air or water pollution 708	Significant pollution could result in long term environmental damage which impacts residents and takes unplanned and expensive corrective action.	Severe	Likely	R	Environmental Monitoring and Operations	Pollution hotline operating 24/7 and long term state of the environment and compliance monitoring is in place.	Severe	Possible	r
Change in central government service delivery requirements 709	Could impose a change to strategic direction which alters services provided accordingly.	Major	Likely	R	Policy Planning and Resource Management	Central government requirement change is inherent in Council's environment. Need to remain aware of developments in the political environment ie pending elections and maintain strong relationships across the sector. Change of government has increased the likelihood of this risk	Major	Likely	r

2. Financial Risks

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Capital assets not maintained / deterioration 710	Could lead to asset failure and / or significant unplanned capital expenditure to correct.	Major	Likely	R	Engineering Hazards and Science	Infrastructure strategy and asset management plans in place.	Moderate	Rare	r
Non payment of rates / fees and charges and collections targets not being met 711	Includes the revenue impacts from legal challenge or other inability to charge and collect under Section 36. Potential impact to cashflow and the ability to fund activity.	Moderate	Possible	R	Corporate Services	Collection rates are historically high and current levels of funds held minimise short term cashflow risk.	Moderate	Rare	r
Unauthorised or irregular expenditure 712	Potential impact to cashflow and the ability to fund activity.	Moderate	Possible	R	Corporate Services	Fraud Policy, Treasury Management Policy, SIPO, internal accounting controls and delegations.	Moderate	Rare	r
Wasteful or unproductive expenditure 713	Potential impact to cashflow and the ability to fund activity.	Moderate	Possible	R	Corporate Services	Fraud Policy, Treasury Management Policy, SIPO, internal accounting controls and delegations.	Moderate	Possible	r
Over / under spending budget allocations 714	Over spending due to increased scope and/or costs that may become unsustainable going forward and under spend may result in services not being delivered.	Moderate	Possible	R	Corporate Services	Ongoing monitoring to detailed job code level with management, executive and Council reviews in place.	Moderate	Possible	r
Inaccurate revenue forecasting 715	Potential impact to cashflow and the ability to fund activity.	Moderate	Likely	R	Corporate Services	Revenue forecasts are reviewed as part of the annual plan process.	Moderate	Possible	r
Inaccurate expenditure forecasting 716	Potential impact to cashflow and the ability to fund activity.	Moderate	Often	R	Corporate Services	Spend is managed to budget and major variances managed via reserves in the short term and recovered over subsequent periods.	Moderate	Likely	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Financial reporting requirements not understood 717	Could lead to delays in producing statutory reports ie Annual Report or LTP.	Minor	Possible	R	Corporate Services	Processes and timelines are well defined and understood. Audit and Risk Committees reviews these prior to commencement.	Minor	Rare	r
Reporting deadlines not met 718	Requirements to report exist under LGA for LTP, Annual Plan and Annual Report.	Minor	Possible	R	Corporate Services	Dates are well understood and timetables are based around these dates to ensure deadlines are met.	Minor	Rare	r
Errors / omissions in financial statements 719	Depending on materiality restatement could be required which would potentially adds both time and cost to the process.	Minor	Possible	R	Corporate Services	Audit and Risk Committee reviews both the process and the financial statements including meeting with the external auditors in June and September.	Minor	Rare	r
Reporting not in correct format 720	Depending on materiality restatement could be required which would potentially adds both time and cost to the process.	Minor	Possible	R	Corporate Services	Audit and Risk Committee reviews both the process and the financial statements including meeting with the external auditors in June and September.	Minor	Rare	r
Fraud 721	Loss of Council funds due to misappropriation by a staff member or members.	Major	Possible	R	Corporate Services	Fraud Policy, Treasury Management Policy, SIPO, internal accounting controls and delegations.	Major	Rare	r
Economic downturn / recession 722	Council's revenue streams could decrease which in turn impacts ability to charge and/or collect revenue. That in turn could impact Council's ability to deliver its services.	Severe	Likely	R	Corporate Services	Revenue and funding policies are in place and reserves are maintained for specific events and general contingency.	Major	Likely	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Government funding not approved / available 723	Funding (largely from NZTA for transport activities) is unavailable which impacts Council's ability to deliver services.	Major	Likely	R	Corporate Services	Ensure business case process is followed, approvals are obtained in advance and maintain close working relationships. Reserves are maintained and offer management in the short term.	Major	Rare	r
Investment fund returns less than expected 724	That interest rates reduce and returns are lower than budgeted. Investment returns are used to subsidise general rates therefore there will be a need for higher general rates to cover the shortfall.	Major	Likely	R	Corporate Services	Treasury Management Policy and SIPO in place, multi bank scheme used to spread funds. Investment returns are budgeted on current returns and reviewed annually.	Major	Possible	r
Port dividend is below expected 725	Commercial returns are dependant on Port performance. The dividend significantly subsidises general rates therefore there will be a need for higher general rates to cover the shortfall.	Severe	Likely	R	Corporate Services	Independent Board appointed and SCI in place to define acceptable levels of dividends. Diversified revenue streams have been developed including property and geographical sources.	Severe	Likely	r
Actions taken exceeding delegated authority 1289	Could lead to legal challenge regarding Councils action and / or fraud.	Major	Possible	R	Corporate Services	Fraud Policy, Treasury Management Policy, SIPO, internal accounting controls and delegations.	Major	Rare	r

3. Operational Risks

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Absenteeism 726	Impacts productivity and the ability to deliver services.	Minor	Possible	R	CE Office	HR leave policies and procedures in place.	Minor	Rare	r
Inability to attract and retain staff / staff turnover 727	Impacts productivity and the ability to deliver services.	Moderate	Likely	R	CE Office	Recruitment process includes market assessment of remuneration. Other factors are more subjective and are monitored during recruitment.	Moderate	Possible	r
Poor service provided by staff 728	Impacts productivity and the ability to deliver services.	Moderate	Possible	R	CE Office	Complaints process in place and management structures ensure ongoing review of service quality.	Moderate	Possible	r
Strikes and workplace unrest 729	Impacts productivity and the ability to deliver services.	Minor	Rare	R	CE Office	Small number of union members reduces impact of strike action.	Minor	Rare	r
Wrongful termination 730	Could lead to legal challenge involving time and cost to resolve. Could impact on productivity, culture and brand.	Moderate	Possible	R	CE Office	HR oversees all performance management and change management actions to ensure legal requirements are complied with and subsequent challenge is minimised.	Moderate	Rare	r
Uncompetitive remuneration 731	Unable to recruit and/or retain suitable staff which impacts ability to deliver services.	Moderate	Possible	R	CE Office	Annual salary review process includes comparative market data. Remuneration strategy being developed	Moderate	Possible	r
Job roles / accountabilities unclear 732	Impacts productivity and the ability to deliver services.	Moderate	Possible	R	CE Office	Position descriptions being reviewed and updated. Financial delegations reviewed, updated and being included in PD's.	Moderate	Possible	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Workplace injury / death 733	Covers all health and safety associated risk where worst case scenario may result in death of staff, contractors and the public in the workplace.	Severe	Likely	R	CE Office	Health and Safety plans and processes in place lead by H&S Business Partner. Specific workplace risks are assessed by the H&S BP and relevant ops staff/managers and action plans developed to mitigate or manage those risks.	Severe	Rare	r
Pandemic and infectious disease outbreak 734	Impacts productivity and the ability to deliver services.	Severe	Rare	R	CE Office	Policy and procedure to be developed in line with Min of Health guidelines.	Severe	Rare	r
Sexual harassment / violence 735	Potential to impact productivity, reputation and service delivery.	Moderate	Possible	R	CE Office	HR code of conduct in place and instances will be deemed serious misconduct which may result in dismissal.	Moderate	Rare	r
Asset / equipment obsolescence 736	Could lead to failure or inability to deliver services if required equipment is not available when required.	Major	Possible	R	Policy Planning and Resource Management	Infrastructure strategy and asset management plans in place.	Moderate	Rare	r
Unauthorised use / misuse of fleet vehicles 737	Adds costs to fleet management costs that should not be ratepayer funded and may impact service delivery if vehicles are not available for legitimate work use.	Minor	Possible	R	Corporate Services	Vehicles Use Policy and Smartrak system in place. Vehicle agreements being developed to ensure accountability.	Minor	Possible	r
Failure to maintain assets / equipment 738	Could lead to failure or inability to deliver services if required equipment is not available when required.	Severe	Possible	R	Engineering Hazards and Science	Infrastructure strategy and asset management plans in place.	Moderate	Rare	r
Theft 739	Theft of Council assets by members of the public.	Moderate	Possible	R	Corporate Services	Internal controls include physical asset stocktakes as part of year end accounting procedures. Material mobile assets are fitted with Smartrak GPS tracking.	Moderate	Rare	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Natural disaster response failure 740	CDEM is unable to respond to an event and fails to meet its statutory obligations.	Severe	Likely	R	CE Office	CDEM review undertaken and Emergency Management Otago has been established.	Severe	Possible	r
Underinsurance / assets not insured 741	Risk that assets are not fully replaceable in the event of loss.	Major	Likely	R	Corporate Services	Insurance cover is review annually by staff and Audit and Risk Committee.	Major	Possible	r
Power failure 742	Leads to the inability to deliver services, particularly core functions.	Minor	Often	R	Corporate Services	Infrastructure strategy and asset management plans in place.	Minor	Likely	r
Terrorist attack / bomb threat 743	Key infrastructure may be targeted and / or Council staff.	Severe	Rare	R	Corporate Services	Procurement policy and guidelines in place. Being updated and an electronic procurement system implemented.	Severe	Rare	r
Tender evaluation requirements not defined 744	Poor tender planning can lead to overpayment for goods and services or unnecessary expenditure.	Moderate	Possible	R	Corporate Services	Procurement policy and guidelines in place. Being updated and an electronic procurement system implemented.	Moderate	Possible	r
Overpayment for goods and services 745	Inefficient use of public funds.	Moderate	Possible	R	Corporate Services	Procurement policy and guidelines in place. Being updated and an electronic procurement system implemented.	Minor	Possible	r
Failure to comply with procurement legislation / processes 746	Could lead to challenge of tender award adding additional time and cost to service delivery.	Moderate	Possible	R	Corporate Services	Procurement policy and guidelines in place. Being updated and an electronic procurement system implemented.	Minor	Possible	r
Conflicts of interest in tender award process 747	Council may not receive the best value for money and the process itself may be subject to challenge. May lead to retendering which adds time and cost and may impact service delivery.	Moderate	Possible	R	Corporate Services	Conflict of Interest Policy being introduced as part of procurement work currently underway.	Moderate	Rare	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Failure / closure of service provider 748	Likely to require a change in supplier which adds time and cost and may impact service delivery.	Moderate	Possible	R	Corporate Services	Procurement policy and guidelines in place. Being updated and an electronic procurement system implemented.	Moderate	Rare	r
Unethical service provider actions 749	Harm to Council's reputation through association and may lead to the a change in supplier which adds time and cost and may impact service delivery.	Moderate	Possible	R	Corporate Services	Procurement policy and guidelines in place. Being updated and an electronic procurement system implemented.	Minor	Rare	r
Services not meeting quality requirements 750	Likely to require a change in supplier which adds time and cost and may impact service delivery.	Moderate	Possible	R	Corporate Services	Procurement policy and guidelines in place. Being updated and an electronic procurement system implemented.	Moderate	Rare	r
Non-delivery of goods and services by supplier 751	Likely to require a change in supplier which adds time and cost and may impact service delivery.	Moderate	Possible	R	Corporate Services	Procurement policy and guidelines in place. Being updated and an electronic procurement system implemented.	Moderate	Rare	r
Breach of contract 752	Likely to require a change in supplier which adds time and cost and may impact service delivery.	Moderate	Possible	R	Corporate Services	Council aims to use its own standard contracts to ensure Council's interests are the primary objective. Contract reviews are included in contracts and procurement procedures.	Moderate	Rare	r
Legislative requirements not clear / not understood 753	Particularly regarding RMA, LGA and LTMA. Could lead to poor/incorrect decisions, ineffective policy and legal challenge.	Major	Possible	R	Corporate Services	Monitor legislative development processes, seek external advice as required. This may increase with the change in government.	Moderate	Likely	r
Conflicting requirements of different legislation 754	Particularly regarding RMA, LGA and LTMA. Could lead to conflicting decisions and policy and additional time and cost as a result of legal challenge.	Major	Likely	R	Corporate Services	Monitor case law and seek independent legal advice for clarification as required.	Moderate	Likely	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Actions taken exceeding mandated authority 755	Could lead to legal challenge regarding Councils action.	Major	Possible	R	Corporate Services	Monitor legislative development processes, seek external advice as required.	Major	Rare	r
Disputed authority between multiple agencies / departments 756	Impacts on ability to provide co governed or co funded activity. There may also be competing or conflicting interests.	Moderate	Likely	R	Corporate Services	Ensure ongoing communication and involvement in decision processes where possible and appropriate.	Moderate	Possible	r
Delays in finalising legislation 757	Particularly regarding RMA, LGA and LTMA. Increased time adds uncertainty while legislation is being finalised and unacceptable delays may occur during this period.	Major	Often	R	Policy Planning and Resource Management	Monitor legislative development processes, submissions to the Crown, collaboration with other Councils, develop and maintain relationships with stakeholders.	Major	Likely	r
Changes in legislation 758	Particularly regarding RMA, LGA and LTMA. Change creates uncertainty while being enacted and the process for implementing change increases cost and / or likelihood of not delivering core services.	Major	Often	R	Policy Planning and Resource Management	Monitor legislative development processes, submissions to the Crown, collaboration with other Councils, develop and maintain relationships with stakeholders.	Major	Likely	r
Poor process design 759	Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely.	Moderate	Possible	R	Engineering Hazards and Science	Process reviews ongoing and part of annual and long term plan process.	Moderate	Rare	r
Poor process integration 760	Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely.	Moderate	Possible	R	Engineering Hazards and Science	Process reviews ongoing and part of annual and long term plan process.	Moderate	Rare	r
Project budget over-runs 761	Inefficient use of public funds and potential rates increases.	Moderate	Often	R	Engineering Hazards and Science	Required actions defined and monitored monthly.	Moderate	Possible	r
Failure of project 762	Inefficient use of public funds and non delivery of expected services.	Severe	Likely	R	Engineering Hazards and Science	Required actions defined and monitored monthly.	Severe	Possible	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Project scope not defined 763	Could lead to required services not being provided ie Lindsay Creek flood protection. Corrective action may be expensive. Inefficient use of public funds and non delivery of expected services.	Severe	Likely	R	Engineering Hazards and Science	Defined and reviewed as part of annual and long term plan processes.	Moderate	Possible	r
Harbour navigation incident 764	Navigation incident could include a ship running aground, ships colliding or sinking.	Severe	Likely	R	Environmental Monitoring and Operations	Maintenance of navigation aids / lights (currently contracted to Port Otago). Harbour Safety currently being reviewed and insurance in place for harbour incidents.	Severe	Rare	r
Large scale oil spill 765	Potential environmental damage could occur as a result.	Severe	Likely	R	Environmental Monitoring and Operations	Incident response plan in plan, staff appointed and trained.	Severe	Rare	r
Flood protection failure 766	Failure of flood protection structures during flooding causing danger to the public and significant damage to property and Council assets.	Severe	Likely	R	Engineering Hazards and Science	Infrastructure strategy, asset management plans, insurance in place.	Severe	Possible	r
Conflicts of interest in regulatory process 1288	Council process itself may be subject to challenge. May lead to legal challenge which adds time and cost and may impact service delivery.	Major	Possible	R	Policy Planning and Resource Management	Conflict of Interest Policy being introduced as part of procurement work currently underway.	Moderate	Rare	r

4. Knowledge and System Risks

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Inadequate system security 767	Potential system failures caused by hacking, viruses or other security failures	Major	Possible	R	Corporate Services	IT BCP, virus software , firewalls, system process and password protection in place. Cyber security review being undertaken.	Moderate	Possible	r
Confidential information not adequately protected 768	Breach of privacy and potential for legal action as a result.	Moderate	Possible	R	Corporate Services	IT BCP, virus software , firewalls, system process and password protection in place. Increasing risk. Cyber review is being undertaken.	Moderate	Possible	r
IT systems not integrated 769	Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely.	Moderate	Possible	R	Corporate Services	Process reviews ongoing and part of annual and long term plan process.	Moderate	Rare	r
Network failure or unavailability 770	Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely.	Major	Likely	R	Corporate Services	IT BCP, virus software , firewalls, system process and password protection in place.	Major	Possible	r
IT security breach or failure 771	Unauthorised system access. Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely.	Major	Likely	R	Corporate Services	IT BCP, virus software , firewalls, system process and password protection in place.	Major	Possible	r
IT system / software obsolescence 772	Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely. Legacy systems are major area of risk including environmental data and ticketing.	Severe	Likely	R	Corporate Services	IT strategy in place (requires review and update). Ticketing system is being replaced and environmental data system is being reviewed.	Severe	Possible	r

Risk Description	Risk Overview	Consequence	Likelihood	Risk Status	Owner	Comments / Recommendations	Residual Consequence	Residual Likelihood	Residual Risk Status
Ineffective IT disaster recovery plan 773	Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely.	Severe	Likely	R	Corporate Services	IT BCP developed, hardware hosted offsite with major service provider.	Major	Possible	r
IT solution does not support business requirements 774	Includes poor choice of software / IT solution. Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely.	Major	Possible	R	Corporate Services	Process reviews ongoing and part of annual and long term plan process.	Moderate	Rare	r
IT systems not scalable 775	Cannot meet increased capacity requirements. Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely.	Moderate	Possible	R	Corporate Services	Process reviews ongoing and part of annual and long term plan process.	Moderate	Rare	r
Loss of data / information 776	Impacts the ability to deliver services, may add time / cost to service delivery or prevent service delivery completely.	Major	Likely	R	Corporate Services	IT BCP, virus software , firewalls, system process and password protection in place.	Moderate	Possible	r