

Report 08.745
Date 9 October 2008
File G/16/30/01

Committee Finance, Evaluation & Risk
Author Mike Timmer Treasurer

Risk Management Framework Development

1. Purpose

To inform the Committee on the risk management system implementation.

2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

At their meeting on 16 September, the Committee endorsed the following timetable for the implementation of the Risk Management Framework.

Item	Proposed date for completion
1. Identification and definition of roles and responsibilities	30 September
2. Documentation and discussion of the core criteria for the risk framework	30 September
3. Approval of the core criteria by FERC	21 October
4. Documentation of the current set of significant risks	31 October
5. Documentation of the method(s) of assurance for the significant risks	28 November
6. Implementation of reporting framework	21 December

Steps 1 and 2 have been completed. The approval of the core criteria used in Quantate by the Committee will be considered at this meeting.

As part of the Council's on going risk management activities it was decided to have a central repository where the Council's major risks could be recorded, using the same criteria.

Quantate, the system that the Council has chosen, is a low cost, intuitive and easy to use internet based system. The system essentially classifies risks based upon a numerical scoring system that ranks the risks according to both their likelihood and the consequences of an occurrence.

Once the Quantate criteria are agreed there are a number of further steps in implementing the Risk Management Framework. These have been set out in pictorial form (refer **Attachment 3**).

4. Implementation

4.1 Establishment of the risk criteria

The base criteria for the likelihood of a risk occurring and the consequence arising if that risk occurs were completed in consultation with Quantate, Greater Wellington staff and other organisations that use Quantate.

The following are the criteria that have been established:

The *Likelihood* of a risk occurring within a 10 year period.

The *Consequences* of a risk occurring is categorised to three parts:

- The financial value at stake.
- Stakeholder or reputational risk, the level of adverse publicity, management time to solve, and impact of any regulatory action.
- Operational capability. The impact of disruption to the organisation in terms of staff moral, management diversion from day to day running of the business and delivery of the Council's objectives.

The more adverse the consequence the higher the score, therefore, the greater the risk. The details making up the criteria are attached (refer **Attachment 1**).

4.2 Record the risks and document the controls around those risks

Quantate was introduced to the divisions and a risk manager appointed for each division. In conjunction with the divisional manager the risk managers were tasked with updating their divisional risks, controls and the scoring of the risks against the pre-established criteria discussed above.

This exercise established a number of major risks for the Council. Examples of some of these risks and controls are attached for illustrative purposes. It should be noted that they are still in draft and are subject to some change (refer **Attachment 2**).

4.3 On going

The system will be updated and owned by each of the divisional risk managers. The scoring of likelihood and consequences of a risk occurring may change over time as the controls alter or outside factors influence the extent or impact on the risk. Finance will maintain overall control of the Quantate system.

5. Recommendations

That the Committee:

1. ***Receives the report.***
2. ***Notes the content of the report.***
3. ***Approves the criteria used by Quantate, as noted in Attachment 1, subject to any changes the Committee may have.***

Report prepared by:

Report approved by:

Mike Timmer
Treasurer

Barry Turfrey
Chief Financial Officer

Attachment 1: Quantate Risk Management

Attachment 2: Selected Risk reports

Attachment 3: Implementing the Assurance Framework