

Risk Management Policy

Introduction

Risk management is defined as the coordinated activities to direct and control an organisation with regard to risk. Auckland Council is committed to the effective management of risk because it recognises that risk is present in everything we do. For risk management to be effective it must be integrated into Council's governance, business operations, projects, policy and process and decision-making processes and embedded into its everyday culture. The successful management of risk is essential to enable Auckland Council to support the Auckland region by making informed decisions and fulfilling its objectives.

This policy should be read in conjunction with the Risk Management Framework (refer to Further Guidance Section).

Who the Policy covers

This policy applies to all staff of Auckland Council (refer to "all staff" in definitions) and is applicable at all times during their employment.

Policy Summary

This policy describes the foundation principles underlying how risk is managed at Auckland Council. The principles are broad concepts that are reflected in all areas of risk management implementation and processes. The policy also outlines how risk management is to be applied in our business activities.

Purpose of the Policy

The purpose of this policy is to provide direction on risk management, which will enable Auckland Council to:

- Optimize decision making
- Embed risk management into the culture of Auckland Council
- Integrate best practice risk management into policy, planning and operational decisions
- Develop a holistic approach to managing risks
- Develop awareness and common understanding of Auckland Council's risk management expectations across Auckland Council and among partners and stakeholders
- Respond to change in a timely manner
- Prepare for the future
- Take advantage of opportunities by being aware of, and managing risk
- Maintain a high standard of performance over the long term.

Policy Principles

Risk Management

Principle 1: Risk management activities are integrated into everything we do

Risk management is the combination of specialist and general activities undertaken to methodically address risk.

Risk management activities involve the identification, analysis, evaluation, treatment, monitoring and reporting of risks across council (as outlined in the Risk Management Process illustration). These activities are utilised using risk management tools and processes outlined in the Risk Management Framework (refer to Further Guidance Section).

Risk management activities assist decision-makers, managers and those effecting change to understand and deal with the uncertainties they face in pursuit of their objectives.

Auckland Council is committed to integrating effective risk management practices into all aspects of its business. Decision-makers, managers and those effecting change in the organisation must therefore ensure risk management activities are included in their business operations.

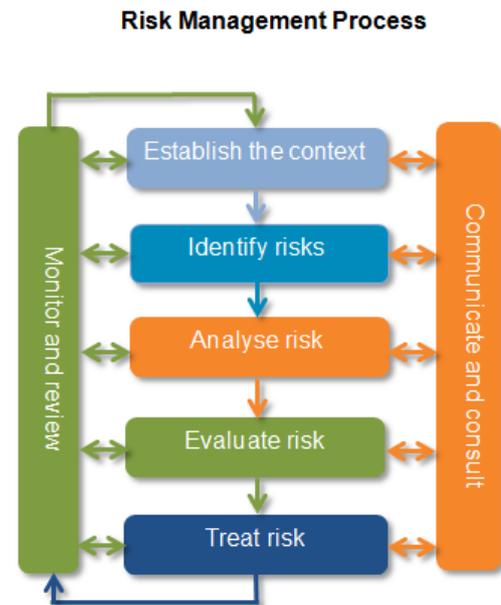


Illustration Reference: AS/NZS ISO 31000:2009

Risk Culture

Principle 2: Auckland Council is an environment where it is safe to speak up

Risk Culture is the system of values and behaviours present in an organisation that shapes risk decisions of management and employees. Risk culture is influenced by the 'tone at the top', or the example demonstrated by our Elected Members and Executive Leadership Team. A positive risk culture is an environment where risk and issues are discussed openly, the importance of risk management is understood and it is incorporated into all business operations.

To promote a positive risk culture, Auckland Council is committed to an environment where:

- All staff can openly talk about bad news without fear or blame
- Appropriate risk taking behaviours are rewarded and inappropriate behaviours are challenged
- Issues are identified for learning purposes and continuous improvement
- All staff understand the risks they are accountable for and are given appropriate training to manage them.

Risk Appetite Statements

Principle 3: Auckland Council Risk Appetite Statements are used to determine acceptable levels of risk

Risk appetite is the level of risk Council is prepared to accept in the pursuit of our strategic objectives. Staff need to consider all options, to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery of infrastructure and services while also providing an acceptable level of value for money.

The table below is a summary of Council's Risk Appetite Statement. The full Risk Appetite Statement document and information regarding how it is included in risk assessments can be found in the Enterprise Risk Management Framework (refer to Further Guidance section).

Category Group	Category	Risk appetite
Strategic	Measured, assessed and treated risk that will enable innovation and will deliver strategic outcomes	Moderate to High
	Risk that involve partnerships and relationships with third parties to deliver strategic outcomes	Moderate
Financial	Risks that would adversely affect Council's financial planning	Very Low
	Risks that would adversely affect Council's credit rating and long term financial stability, or breach any funding policies	No appetite
	Opportunity risks to increase returns from our assets and lower costs	Low to moderate
Reputational	Risks or conduct that would affect the trust and confidence of our customers and communities in the Council organisation	Very low
	Risks relating to the non-delivery of commitments , including projects and political commitments, in the LTP	Low
Operations and Service Delivery	Operations and Service Delivery - disruptions to operations and processes. These disruptions would only be acceptable if they were unavoidable as part of a transformational change to strategic initiatives and will not impact service delivery to customers and communities	Low
	Risk in the delivery of services to our customers and communities as well as keeping our citizens safe from hazards and civil defence events	Very low
	Risks that will impact our technological capacity to deliver our services	Very low
	Risks that would affect our environment and sustainability objectives	Very low

People	Only accept risk that will affect staff performance and engagement where considerable gain can be made to Council as a high performance organisation, and give effect to our Organisational Strategy	Low to moderate
	Risks that will compromise the health, safety and wellbeing of, or cause harm to, our people including staff, customers and our community	No appetite
Governance	Risks arising from inadequacies in governance frameworks , structures and processes and operational impacts from local body elections	Very low
Regulatory and Legal Compliance	Risks associated with innovation in the delivery of our regulatory activity including consents	Low to moderate
	Non-compliance with the law, risk that will affect our ethical obligations or fraudulent activities	No appetite

The following table gives definitions for the levels of Risk Appetite described above.

	Description
High	<p>Council is willing to accept a high risk to pursue a strategic opportunity that will result in a high level of return or benefit to the community, or where it is necessary due to statutory requirements</p> <p>If Council expects that:</p> <ul style="list-style-type: none"> • Council's viability, reputation and services may be severely damaged should the risk eventuate, but • control measures to mitigate the likelihood and consequence of the risk are in place and are actively monitored
Moderate	<p>If Council expects that:</p> <ul style="list-style-type: none"> • Council's viability, reputation and services may be affected in a major way should the risk eventuate, but • Control measures to mitigate the likelihood and consequence of the risk are in place and are actively monitored
Low	<p>If Council expects that:</p> <ul style="list-style-type: none"> • Council's viability, reputation and services will only be affected in a minor way should the risk eventuate, and • Control measures to mitigate the likelihood and consequence of the risk are in place.
Very Low	Council will pursue an objective or initiative if control measures can minimise risk to insignificant levels
No	Council is not willing to accept risks that may result in financial loss, injury, legal non-compliance and fraud.

Ownership of Risk

Principle 4: Risks can be transferred to the appropriate organisational level (management tier)

The severity of each risk is rated by measuring its likelihood and consequence. Risks with high risk ratings, or risks which affect multiple departments should sit at higher management tiers. Risks with low risk ratings that sit within a single department should be owned by the department manager. Generally speaking, the risk should be owned at the management tier where a mitigation plan can be instigated and effectively supervised.

Risk severity is not static. It is affected by changes in both our internal and external environments. When these changes occur, risks may need to be escalated or de-escalated. Below is a summary of some of the instances in which risks may need to be relocated.

A risk may need to be escalated to a higher level of management if:

- The risk cannot be controlled/contained within its current level
- The risk rating remains high or extreme even after mitigations are implemented
- The risk will impact on more than one service/project or function if the risk event materialises
- Instinct tells the owner the risk is out of their control
- The risk moves outside the appetite boundaries / comfort zone
- The risk is new with a high risk rating that requires immediate senior manager attention.

A risk may need to be moved to a lower appropriate level of management if:

- The risk can be controlled / managed at a lower level
- The risk rating decreases significantly
- The risk event will only affect one function / service area / team and the impact will be limited.

Risk Escalation Model



Three Lines of Defence

Principle 5: All staff have a role to play in the identification and management of risk

The Chief Executive is primarily responsible for ensuring the effective implementation of the Enterprise Risk Management Policy and Framework whilst monitoring risk management performance and directing action where relevant.

Risk awareness and appropriate risk management is the responsibility of all staff. Council's use of the three lines of defence model ensures this, with external assurance provided by external audits which are reported to the Audit and Risk Committee and Chief Executive on a timely basis.

Three Lines of Defence Model



As a first line of defence

Business units have ownership, responsibility and accountability for identifying, assessing, controlling and mitigating risks together with maintaining effective internal controls within their processes. All staff are responsible for identifying risk and escalating them to their direct line manager.

As a second line of defence

The Risk and Compliance functions, for example Legal, Integrity, Information Security and Financial Control facilitate and monitor the implementation of effective risk management practices in the business unit. They also assist the risk owners in defining the target risk exposure and reporting adequate risk related information through the organisation.

As a third line of defence

The internal audit function, through a risk based approach, provides independent assurance to the organisation's senior management, on how the organisation effectively assesses and manages its risks, including the manner in which the first and second lines of defence operate.

Applying the Policy

1. Governance and Accountability

All staff have a role to play in applying this policy in their everyday working interactions. Below is a table showing the roles and responsibilities for each group within Auckland Council.

COMMITTEES	ACCOUNTABILITY
Audit and Risk Committee (ARC)	<ul style="list-style-type: none"> Annually review and endorse the Enterprise Risk Management Policy and Framework Provide objective advice and recommendations to the AC on the sufficiency, quality and results of assurance and audit functions; and the adequacy and functioning of the Auckland Council's risk management, control and governance frameworks and processes. Endorse risk appetite <p>For further details refer Auckland Council Governing Body Terms of Reference</p>
SENIOR LEADERS	ACCOUNTABILITY
Executive Leadership Team	<ul style="list-style-type: none"> Approve and promote the effective implementation of the Enterprise Risk Management Policy and Framework Ownership of top risks in their area of responsibility and ensure they have been provided with adequate and effective controls / treatments Set risk appetite
Head of Risk	<ul style="list-style-type: none"> Lead development and implementation of risk management systems Implement the Enterprise Risk Management Policy and Framework Design and implement an Insurance Strategy and programme. <p>Refer Head of Risk position description for further details</p>
Senior Leadership Team	<ul style="list-style-type: none"> Accountable for effective risk management within business units Lead the reporting of risk management activities on a monthly basis Ownership of risks in their area of responsibility and ensure they have been provided with adequate and effective controls / treatments
ALL STAFF	ACCOUNTABILITY
Risk Team	<ul style="list-style-type: none"> Develop risk management framework, policy, strategy, principles, and systems Advise and coach management on effective enterprise risk management and the implementation of appropriate mitigation plans Coordinate appropriate and timely delivery of risk management information to key stakeholders <p>Refer Risk Position Descriptions for further details</p>
People Leaders and Specialists	<ul style="list-style-type: none"> Populate the enterprise risk management information system Develop and lead risk mitigation strategies within the work team or streams Provide specialist risk solutions
Team Members	<ul style="list-style-type: none"> Provide support in identifying, reporting and escalating risks Support the enterprise risk management programme Provide input into the treatment of identified risks

2. Implementation and maintenance of Risk Registers

The Executive Leadership Team is responsible for the identification and management of Auckland Council's Top Risks.

Risk Registers must be maintained and managed by Senior Leaders for each department and project (as appropriate). Risk registers must be kept up-to-date and treated as a 'live document' rather than solely as a reporting tool.

Information regarding the maintenance and management of a risk register can be found in the Enterprise Risk Management Framework and on the Auckland Council Intranet (Home > Working at Council > Risk Management).

3. Management Review of Risk

Management must be kept informed of risks within their departments. Risks that are outside of Risk Appetite directives should be reported to management immediately and included in internal departmental reporting and the appropriate department's Risk Register.

4. Risk Reporting

The Risk Team will send email requests quarterly to Departments who are required to submit their Risk Registers. The Risk Team utilises this data along with Top Risk Report to report to the Executive Leadership Team and Audit and Risk Committee.

5. Risk Transfer (escalation) Process

The process for changing the ownership of a risk (either escalation or de-escalation) is to first discuss the risk with the potential new risk owner.

If agreement cannot be met on risk ownership, engage your manager or the Risk Team for advice.

Risks that are rated extreme on the Risk Matrix (refer to the Risk Management Framework) should be immediately escalated to senior management.

Further Guidance

This policy should be read in conjunction with the Risk Management Framework and Frequently Asked Questions which can be found on the Auckland Council Intranet (Home > Working at Council > Risk Management).

Queries regarding this document can be forwarded to risk@aucklandcouncil.govt.nz.

Definitions

Term	Definition
All Staff	Includes employees, including those on all types of leave; contract and temporary staff; casual staff; secondees to the council; secondees away from the council; and volunteers of the council
Control	Measures that modify the risk
Risk Culture	The system of values and behaviours present in an organisation that shapes risk decisions of management and employees
Risk	Effect of uncertainty on Auckland Council's objectives; may be positive (opportunity) or negative (threat)
Risk Appetite	The amount of risk that Auckland Council is prepared to take in pursuit of its objectives
Risk Identification	Process of finding, recognising and describing risks
Risk Management	Coordinated activities to direct and control Auckland Council with regards to risk
Risk Management Framework	Set of components that provide the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout Auckland Council
Risk Management Process	The systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context and identifying, analysing, evaluating, treating, monitoring and reviewing risk
Risk Owner	Person or entity with the accountability and authority to manage the risk
Risk Matrix	A matrix that is used during a risk assessment to define various levels of likelihood and consequence
Risk Treatment	Process to modify the risk
Senior Leaders	People Leaders who report directly to the Executive Leadership Team

Version	6.3	Contact	Cecilia Tse, Head of Risk
Status	Final	Approved	Nov 2016
Due for Revision		Revision History	
Owner	Cecilia Tse		