Auckland Council Risk Report

Mar 2017

Risk - Quarterly Update

The Executive Lead Team (ELT) maintains a Top Risk Register which enables our leaders to identify and mitigate important risks. The treatments that are identified aim to reduce the impact of the risks should they transpire into actual incidents.

The Risk team regularly meet to discuss and review the Top risks with each ELT member and/ or their teams, and to update the top risks in line with changes to the business and the external environment.

In November 2016 the Risk team conducted workshops with ELT and where appropriate, their lead teams to better understand and prioritise Auckland Council's Top risks. The review identified the risks, including new risks, that are most important for Council to manage over the next 12 months (and beyond).

Overall there were a number of changes to the risk report which included, reframed risk descriptions, updated risk rankings, new risk owners, and new risks being identified. There has also been significant progress in the development of the treatments that resulted in the re-categorisation of risks. Top risks continue to be reviewed by the risk owners and reported on a quarterly basis. The risk treatment update is provided in the tables below.

The Enterprise Risk Management Framework has also been reviewed and updated to include the following:

- Updated risk matrix which introduces an "extreme risk" classification;
- Updated risk categories – aligned with Council's strategies and objectives;
- Updated roles and responsibilities;
- Updated risk management process – making it simpler and easier to use; and

The new Risk Matrix is as follows:

Consequences		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
	5 Extreme	Moderate	High	High	Extreme	Extreme
	4 Major	Moderate	Moderate	High	High	Extreme
	3 Moderate	Low	Moderate	Moderate	High	High
	2 Minor	Low	Low	Moderate	Moderate	Moderate
	1 Insignificant	Low	Low	Low	Moderate	Moderate
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
		Likelihood				

Auckland Council Top Risk Report

#	Risk Description	Risk Assessment			Risk Treatment Update
		Risk Rating (Aug 2016 Based on old matrix)	Risk Rating (Mar 2017 Based on new matrix)	Risk Status	
1	**Cyber Crimes** Malicious cyber-attack results in technology service disruption **[Risk Owner: Chief Financial Officer]**	Moderate 🟡	High 🔴	Change due to matrix update 🔺	1) Intrusion prevention system deployed to end-point devices 2) Review of technical security architecture 3) Review of the deployment of the anti-virus solution and implementation of recommendations 4) Increased communication to users to raise awareness 5) Planning underway to replace internet content filtering solution 6) Planning underway to inspect encrypted internet traffic
2	**Technology Failure** There is a risk that technology services may be disrupted as a result of a natural disaster, an accident or human error affecting the single data centre being used by Auckland Council **[Risk Owner: Chief Financial Officer]**	Moderate 🟡	Moderate 🟡	No Change ▬	1) Second data centre has been set up, and services are now being migrated to the new data centre. 2) Update of IS business continuity plan 3) Implementation of revised major incident management process
3	**Procurement and Supplier Management** Procurement capability and maturity across the organisation is not developed enough to deliver against corporate strategy outcomes **[Risk Owner: Chief Financial Officer]**	Moderate 🟡	Moderate 🟡	No Change ▬	1) Procurement policy 2) System (SAP) initiated delegation of financial authority (DFA) requirements. 3) Procurement enabling technology. 4) Strategic Procurement Committee. 5) Co-source procurement program. 6) Fit for purpose department structure.

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4	**Programme and Project Delivery** Inappropriate allocation of resources in the absence of clear linkage between the organisation strategy and delivery of the outcomes and goals in the LTP/AP **[Risk Owner: Chief Financial Officer]**	High 🔴	Moderate 🟡	Decrease 🔻	1. Processes in place to provide increasing transparency (for example, Investments Group) 2. Internal training programme under review. 3. Council wide maturity assessment being conducted.
5	**Delivery of Commitments** Adoption of Long Tem Plan and Annual Plan **[Risk Owner: Chief Financial Officer]**	High 🔴	Moderate 🟡	Decrease 🔻	1. Creating relationship of trust with the Mayoral Office and elected members 2. Encouraging early engagement with elected members on key issues. 3. Early engagement with Audit on key risks.
6	**External Market Conditions** Inability to accommodate volatile external market factors into financial planning **[Risk Owner: Chief Financial Officer]**	N/A	Low 🟢	New Risk	Diversify funding sources, operating within Treasury Management Policy, maintain adequate standby facility.
7	**Integrity of data and processes** Inability to optimise efficiencies and leverage off Group size **[Risk Owner: Chief Financial Officer]**	N/A	High 🔴	New Risk	Optimise shared service opportunities across the group
8	**NewCore:** Programme delivery and realisation of proposed benefits, in relation to: • Single platform • Efficient Streamlined processes • Cost saving • Time saving • Customer centric **[Risk Owner: Chief Operating**	High 🔴	High 🔴 Low 🟢	No Change 'Go live 5' 🟦 Decrease "go live 4" 🔻	1. NewCore Exec Steering group, and governance structure in place 2. Approved delivery structure and roll-out programme 3. Regular reporting to Audit and Risk 4. Staff training and implementation strategy (including transition to bau support) 1. NewCore Exec Steering group, and governance

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	Officer]				2. Approved delivery structure and roll-out programme 3. Independent Quality Advisors (EY) appointed 4. Regular reporting to Audit and Risk 5. Staff training and implementation strategy (including transition to bau support)
9	**Stakeholder engagement** Developing effective engagement strategies with key stakeholders. Segments include: CCO's; Government; Community, Commercial partners **[Risk Owner: Chief Operating Officer]**	Moderate 🟡	Moderate 🟡	No Change ▬	1. Partnership under the Realising Aucklands Potential initiative to promote Auckland Plan outcomes 2. SPP initiative develops and promotes best practice 3. Integrated approach across CCO's, supplier relationships, key accounts, corporate partnership, Auckland Conversations etc 4. Building internal capability 5. Effective delivery of partnership programmes (e.g DOC co-location, Housing for Older Persons, etc)
10	**Asset Performance** Infrastructure and physical assets: Inadequate asset strategy, planning, management and maintenance. Failed "high performing asset". Asset not being fit for purpose over the life cycle resulting in missed opportunity. **[Risk Owner: Chief Operating Officer]**	Moderate 🟡	Moderate 🟡	No Change ▬	1. Asset delivery governance via capital works and asset management steering group, supported by investment decision making disciplines and 'Gateway' 2. Asset performance, utilisation, condition and data improvement project successfully implemented 3. CFAME (council wide asset management system to be rolled out) 4. Community Services and Community Facilities structure reinforced 5. Services and asset strategy aligned (joint between CFO and COO) that defines asset / non-asset solutions based on demand growth and changing demographic needs 6. Project17 integrated region-wide FM contracts successfully let

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					7. FLIP tool developed and implemented 8. Integrated and structured planning for asset acquisitions (including vested assets) to disposals led by the asset owner accountable for optimising whole-of-life costs / benefits / risks
11	**Service Delivery** Delivery of service commitments: Inability to deliver against significant commitments (Auckland Plan, Long-term Plan, and Annual Plan). Being able to understand and deliver what's required as Auckland changes and grows. **[Risk Owner: Chief Operating Officer]**	High 🔴	Moderate 🟡	Decrease 🔻	• Develop and implement Service Strategy, supported by Community Facilities Network Plan, Local Board plans and Asset Management programme • Embed community empowerment model within ACE and extend progressively across council

12	**Regulatory approvals**
	Inadequate consenting processes resulting in adverse outcomes for Council and customers
	
	[Risk Owner: Chief Operating Officer]
		Moderate 🟡	Moderate 🟡	No Change ▭	1. Complete current improvement initiatives
					  a. Consenting Made Easy
					  b. Customer enabled compliance
					2. NewCore implementation (provide enterprise system consistency)
					3. Digital lodgement, processing, booking and tracking enhancements developed
					4. Recruitment and retention, including offshore attraction of skilled staff

13	**Compliance**
	Future legal liability: lack of sufficient processes and safeguards to identify and reduce future exposure arising out of increased building and regulatory activity
	
	Key risk areas:
	• Capacity and
		Moderate 🟡	High 🔴	Change due to matrix update 🔺	1. Maintain risk-based processes and compliance management approaches
					2. Implement :
					  a. Consenting made easy
					  b. Customer enabled compliance
					  c. NewCore
					3. Active management with central government on regulation, building product

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	capability to respond to growth • Quality systems,(note: AC does not do quality assurance for the entire process, but only for given tasks) • Use of unauthorised building products • Inadequate inspection and Code Compliance Certificate process. **[Risk Owner: Chief Operating Officer]**				and system quality and liability issues 4. Training and development of staff 5. Work with industry to develop quality building systems and processes 6. Active promotion of regulatory career paths as a career of choice
14	**Natural Hazard** Significant disruption due to natural hazards (e.g. floods, earthquake, tsunami or volcanic eruption, etc.) and lifeline utility disruptions (e.g. Auckland region wide power, water or transportation disruption). **[Risk Owner: Chief Operating Officer]**	High 🔴	Moderate 🟡	Decrease 🔻	Review Lifeline management plans with emphasis upon reducing exposure to hazard, responding to damage and quick recovery.
15	**Housing and Growth Demand** The ability for council to meet growth demand for housing and infrastructure needs. Combined effort by Auckland Council and CCO's to deliver roads, efficient public transport, and councils services in a rapidly growing city. **[Risk Owner: Chief Operating Officer]**	Moderate 🟡	High 🔴	Change due to matrix update 🔺	1. Continue internal governance and oversight c/- Housing steering group 2. Complete the CME and compliance changes in Regulatory 3. Embed the DPO model and grow capacity to lead complex development projects across council family 4. Complete development and implement use of Forward Land and Infrastructure Planning (FLIP) model decision making tool 5. Ongoing support for and review of strategic planning tools (e.g. ATAP, FULSS,

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					Housing Accord, , spatial priority area approach) 6. Communication and engagement enhanced, eg: a. Council family (e.g. CE growth and infrastructure meeting) b. Externally with the CE briefings, Auckland Infrast. & Procurement Group etc 7. Alternative sources of funding (e.g. Housing Infrastructure fund), capex reviews supported
16	**Accuracy of Data** Quality and accuracy of data to drive informed decision making. Lack of data or measurement processes around community facilities, libraries, park usage, halls, etc, to drive positive change and optimise service delivery. **[Risk Owner: Chief Operating Officer]**	N/A	Moderate ⬤	New Risk	1. Leveraging NewCore as one source of data 'truth' 2. Embed FLIP 3. Embed digital via the customer centric transformation initiatives 4. Asset Management Information Strategy implemented to establish data standards and asset management systems enhancement 5. CFAME (council wide asset management system enhancement to be rolled out) to effectively use and share asset information and knowledge 6. Asset Information collection plan to enhance efficient collection of asset information on data, risks, condition, performance, fit-for purpose and utilisation 7. Structured asset performance/condition monitoring and modelling to inform asset management strategies (e.g. renewals, repair & maintenance, disposals)
17	**Organisational change** Frequency of an impact on productivity and morale. **[Risk Owner:**	N/A	Moderate ⬤	New Risk	1. Support 'in flight' change programmes 2. Incorporate a change policy for structural change (currently being developed in partnership with the PSA). 3. Leverage the existing change management framework and

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	Director People and Capability]				guidance to provide a cohesive change approach to all change. 4. Develop and embed an organisational governance framework for change
18	**Unitary Plan** A small number of broad appeals on the Unitary Plan will delay large parts of the Unitary Plan from becoming operative. **[Risk Owner: Chief Of Strategy]**	Moderate 🟡	Moderate 🟢	Decrease 🔻	Actively engage with the Environment Court and High Court to achieve an early resolution of the appeals.
19	**Environmental Sustainability** Degree in which environmental sustainability is embedded in Auckland Council activities, plans and strategies, influences ability to deliver positive environmental outcomes. **[Risk Owner: Chief Of Strategy]**	Moderate 🟡	High 🔴	Change due to matrix update 🔺	1. Establishment of new Natural Environment Strategy team, working to embed improved environmental outcomes in council activities 2. National Policy Statement on Freshwater Management work streams delivered by operational units 3. Completion and implementation of Hauraki Gulf Marine Spatial Plan 4. Hauraki Gulf forum (independent agency) monitoring reviews of overall health of marine ecosystem 5. Chief Sustainability Office initiating and supporting sustainability initiatives across council and externally 6. Active involvement in the special interest groups with other regional councils, many of which focussed on the environmental impact 7. Ongoing review of plans and effectiveness 8. Environmental monitoring and frequent reporting of data.
20	**Health, Safety and Wellbeing** Major failure of HSW Procedures on	High 🔴	High 🔴	No change ▬	Implementation of a Safety Management System to consistently apply across all AC family operations. HSW

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	Auckland Council Operations
	
	[Risk Owner: People and Capability Director. Head of Health, Safety, and Wellbeing]
					management system will allow us to meet requirements of Health and Safety at Work Act (2015).
					
					o Development & implementation of a Corporate H&S Strategy
					o Development of a Corporate Health & Safety Policy
					o Implementation Safety Management System
					o Implementation of Risk Manager system
					o Develop & Implement Governance Frameworks
					o Set Corporate H&S Standards for H&S:
					  o Policy & Procedure control
					  o Risk Assessment Framework
					  o Incident, Near Miss Reporting & Investigation
					  o Contractor Management Procedures
					  o Safety by design
					o Write and develop Key Safety Requirements to support the business
					o Development Competency frameworks & identify training requirements – Capability building
					o Setting and Commencing Auditing Frameworks for assurance

21	**Leadership Capability** Ineffective leadership to develop and lead high performing teams, manage employee performance; resulting in low team productivity and performance, inappropriate restructuring, and high employee turnover **[Risk Owner: People and Capability Director]**	Moderate 🟡	Moderate 🟡	No Change ▬	**My Time** 1. Launch My Time v2.0 portal improvements (completed) 2. Launch My Time conversations eLearning (completed) 3. Team plans are completed and reviewed quarterly to reflect organisation's performance cycle. Focus on individual goal setting aligned to team plans to ensure individuals and teams are working on the right things. 4. Work with Business Partners

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					to support embedding activity in departments (upon reviewing Culture and Engagement survey results) 5. Improve visibility and access to recognition. Set up regular reporting on budget vs spend for departments. **Leadership Development** 6. Develop new leader induction programme to ensure to basic competence and confidence in leading teams 7. Support implementation of leader led forums to tackle common leadership barriers (the Leadership Movement) 8. Roll out the Leadership Compass to all leaders – a leadership development tool 9. Refresh people leader programme aligned to the Leadership Expectations 10. Grow real-time learning tools for leaders e.g. Tupu **Other** 11. Manager support provided by P&C Consultants where poor performance is a concern (BPs) 12. Increased reporting and visibility on non-performance provided to ELT through P&C using scorecard.(BPs) 13. Develop and implement council wide recognition programme (2017)
22	**Performance Culture** Low performing culture across Council results in low performance results in 6 focus areas, low staff morale, and high staff turnover. **[Risk Owner: People and Capability Director]**	Moderate 🟡	Moderate 🟡	No Change ▭	1. Use engagement survey to address leadership performance and effectiveness at managing non-performance 2. Embed high performance behaviours through Customer Friendly Services Workshops across P&C

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23	**Council Governance** Our governance structures and practices across the Council group (incl. CCO's) meet legal and good governance standards and our decision making is at all times lawful, robust and of high quality.
	
	[Risk Owner: Governance Director]
		High 🔴	High 🔴	No change ▭	1) Policies and processes in place to ensure statutory compliance and transparency.
					2) Training & Development for elected members and staff.
					3) Active stakeholder relationship plan.
					4) Centre of Excellence:
					  o Governance framework review
					  o Governance manual

24	**Fraud & Unethical Behaviour *** Fraud, corruption or other unethical behaviour (i.e. failure to adhere to probity standards) perpetrated within Council that could lead to financial, reputational, and/or operational risk to council. **[Risk Owner: Governance Director]**	High 🔴	High 🔴	No Change ▭	1. Internal Audit work program 2. Fraud Risk Framework 3. Fraud & Whistleblowing Policy 4. Integrity and Investigation Unit providing training, investigations and data analytical services. 5. IS Security 6. Security Forum (monthly) 7. Insurance Policy related to fraud. 8. 8) Integrated and coordinated process for sharing of critical and relevant information between Internal Audit and Risk departments.
25	**Privacy and Confidentiality *** Policy or system breaches result in legal, financial and reputational exposures. **[Risk Owner: Governance Director]**	Moderate 🟡	High 🔴	Change due to matrix update 🔺	1. Auckland Council Customer Privacy Policy (April 2014) 2. Proactive privacy program – training and awareness
26	**Maori outcomes *** Council meets all established legal and other responsibilities to Maori and satisfies all reasonable expectations of responsiveness" **[Risk Owner: Governance Director]**	Moderate 🟡	Moderate 🟡	No Change ▭	1. Oversight by Auckland Council CE's leadership group on Maori transformation shift initiatives 2. Treaty Settlements Manager appointed. 3. Constant updating and monitoring of statutory obligation. 4. Treaty of Waitangi audit work program. 5. Monitoring and Reporting

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					Framework 6. Considerable effort has been applied to identifying and increasing budgets which contribute to Maori well-being. 7. Review Te Whaka Angamua and other resources
27	**Non-compliance** Failure to comply with legislative obligations, resulting in unlawful action, exposure to litigation risk, regulatory and/or government sanctions and diminished trust and confidence in Council. **[Risk Owner: Director Legal and Risk]**	High 🔴	High 🔴	No Change ▭	Council has a council-wide compliance programme called "Do it Right" made up of targeted activities, resources and systems to support and enable staff on compliance matters. This includes reporting to the ELT and the Audit and Risk Committee. The programme includes readiness for new legislation and a review of corporate policies. There is a planned roll out of the programme to prioritised areas in council over the next two – three years. Key aspects of programme targeting the non-compliance risk are: • **Knowledge and Training** • **Tools and Resources** • **Monitoring and Reporting**
28	**Trust and confidence** Goal is to drive collective ownership and support for trust and confidence in Auckland Council **Sub risk 1** Lack of awareness of council's delivery lowers trust and confidence.	High 🔴	High 🔴	No Change ▭	Proactive support for trust and confidence - led by Comms & Engagement 1. Creation of communication work programme, which has endorsement from international peer review and assessment, to specifically target driving trust and confidence. 2. Broader Comms & Engagement work programme also reviewed in terms of what will most drive Trust & Confidence, to proactively tell the story of council's performance, and to connect Aucklanders with their region, and with their council 3. Channels are continually optimised to reach our diverse audiences with relevant

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					information, and effectiveness of communication reach is measured via search and web analytics 4. Work planning system being launched which will assist team to track effort towards trust and confidence and organisational strategy objectives 5. Pro-active summaries of communication messaging and content given to elected representatives to equip them to be 'the face of Council' and to tell the council story 6. Pro-active publication of the organisation's performance plan and targets, to demonstrate our commitment to transparency
	Sub-risk 2. Issues management is not joined up across council group, leading to inconsistent messaging or poor reactive communication	High	Moderate	Decrease	Management by Comms & Engagement (C&E) team: 1. C&E have a strong role in the Auckland Crisis Management Team and actively contribute to Business Continuity Plans and Crisis Management exercises and reviews. 2. C&E media team respond to media enquiries in a timely fashion and hold proactive media briefings as issues arise. Management of risk across the council group 1. Strategic Communications Forum, Marketing and Brand forum, and Consultation and Engagement Community Leadership Forum now operating with CCO managers, to align work across the council group. 2. Ongoing discussion had with CCOs about brand alignment to increase attribution of services to council. 3. No surprises convention in place between council and CCO communication teams Organisational wide understanding

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	Sub-risk 3. Organisational decisions, including actions of individuals and Elected Members, lowers Aucklanders trust and confidence in Auckland Council, **[Risk Owner: Engagement Director]**	High 🔴	High 🔴	No Change ▭	of behaviours that support trust and confidence 1. Staff and elected representatives regularly reminded of their responsibilities and good practice behaviour under the Code of Conduct and Social Media policy 2. Senior leaders have clear understanding of the expectation of them to alert C&E of any issues and build understanding of trust and confidence impacts with their teams 3. Key communications to staff about trust and confidence, so that everyone is aware of how we all contribute to the reputation of the organisation 4. Organisation wide communication policy being reviewed in FY17
29	**Organisational Strategy:** Successful implementation of the Organisational Strategy: • Not achieving the set 3 year performance targets. • Inability to successfully measure project delivery and outcomes • Inability to successfully design and implement enterprise wide change **[Risk Owner: Transformation Director]**	Moderate 🟡	High 🔴	Increase 🔺	1. Working towards obtaining greater accountability and ownership of the performance targets. 2. Development of a performance framework 3. Investment group to continue to bring in tighter control on spend. 4. Conducting "health-checks" on project delivery 5. Creating a stronger portfolio office to manage change

The AC Enterprise Risk Management Framework defines the risk levels based on the "5x5 likelihood and consequences matrix" and the acceptability as shown below:

		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
Consequences	5 Extreme	Moderate	High	High	Extreme	Extreme
	4 Major	Moderate	Moderate	High	High	Extreme
	3 Moderate	Low	Moderate	Moderate	High	High
	2 Minor	Low	Low	Moderate	Moderate	Moderate
	1 Insignificant	Low	Low	Low	Moderate	Moderate
		Likelihood				

Risk Status Update

The risk status update shows the movement of the risks from the previous period and is denoted by the following format:

▼ Decrease

◼ No Change

▲ Increase