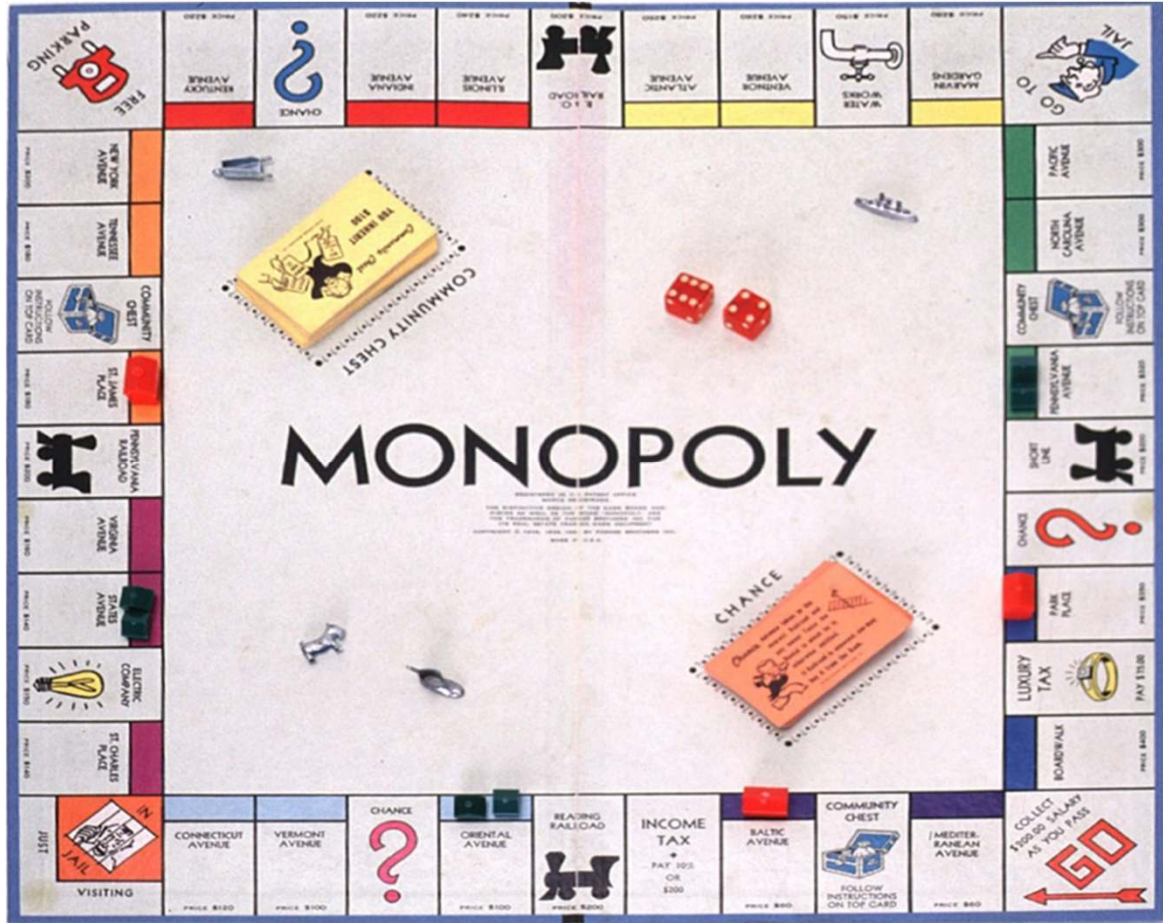


Risk Management

Audit and Risk Committee 13 February 2020



Savings Plan Risk



Risk is?

Effect of _____
on _____

AS/NZS ISO 31000:2009

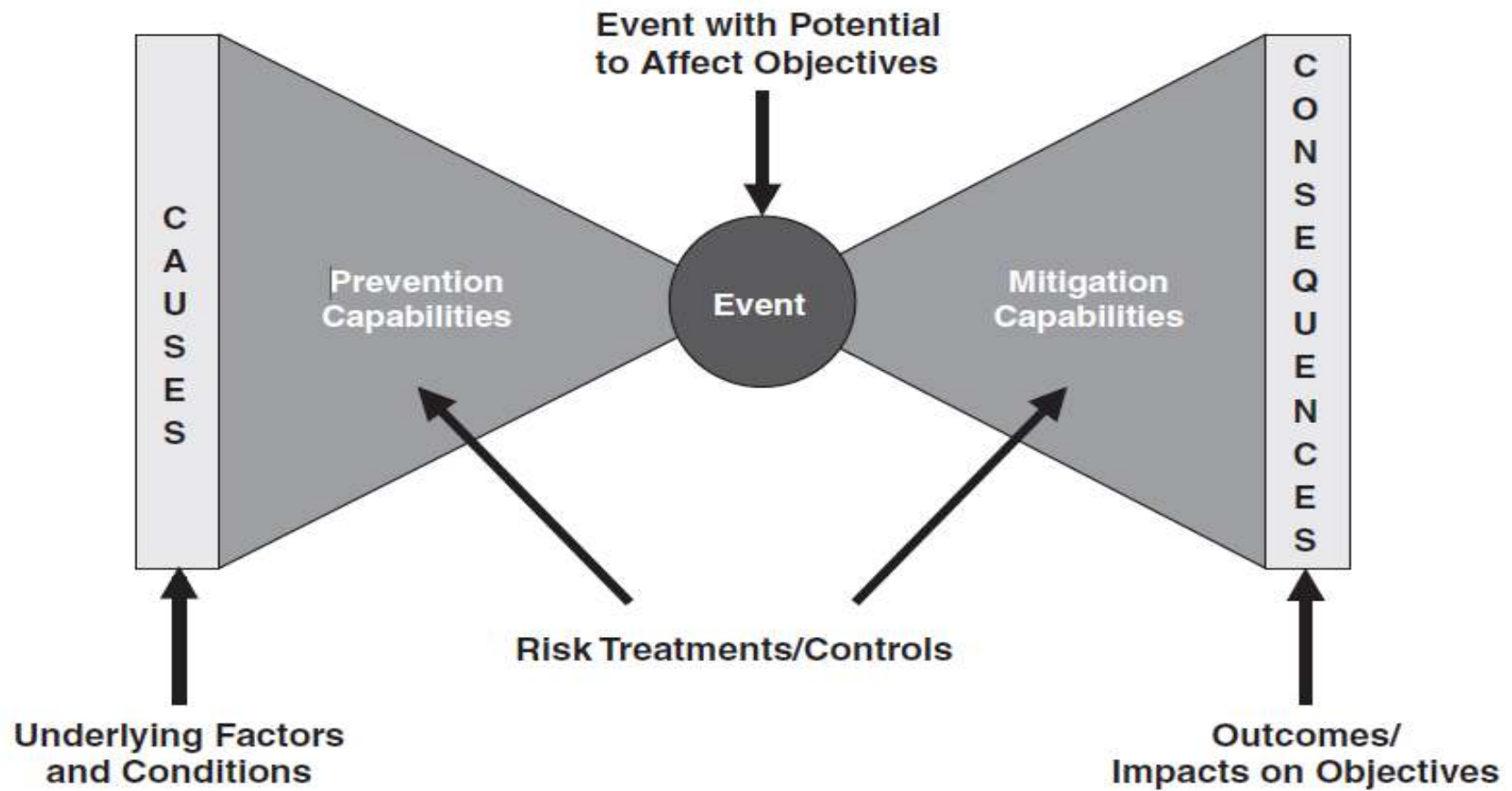
What is Risk?

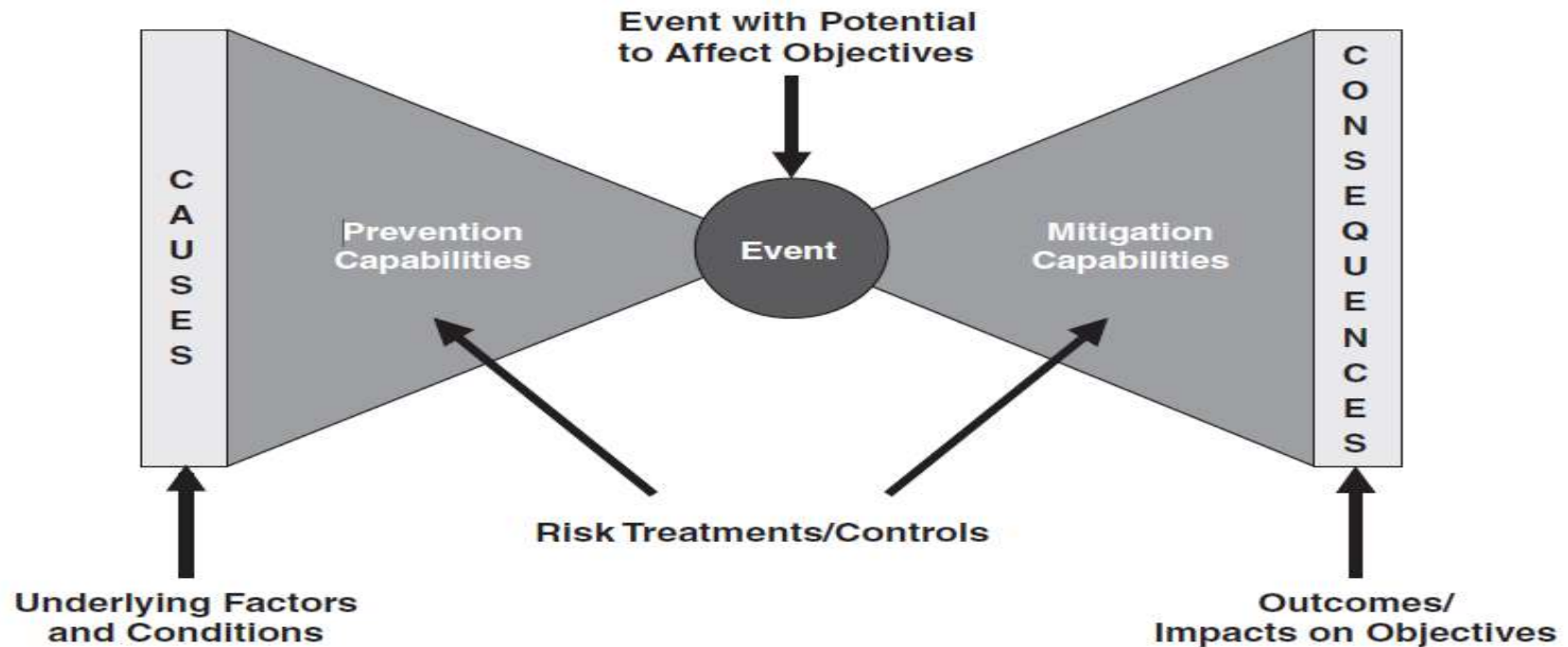
Effect of uncertainty on objectives

AS/NZS ISO 31000:2009



		Impact				
		Very Low	Low	Medium	High	Very High
Likelihood	Very High	Yellow	Yellow	Red	Red	Red
	High	Green	Yellow	Yellow	Red	Red
	Medium	Green	Yellow	Yellow	Red	Red
	Low	Green	Green	Yellow	Yellow	Red
	Very Low	Green	Green	Green	Green	Yellow

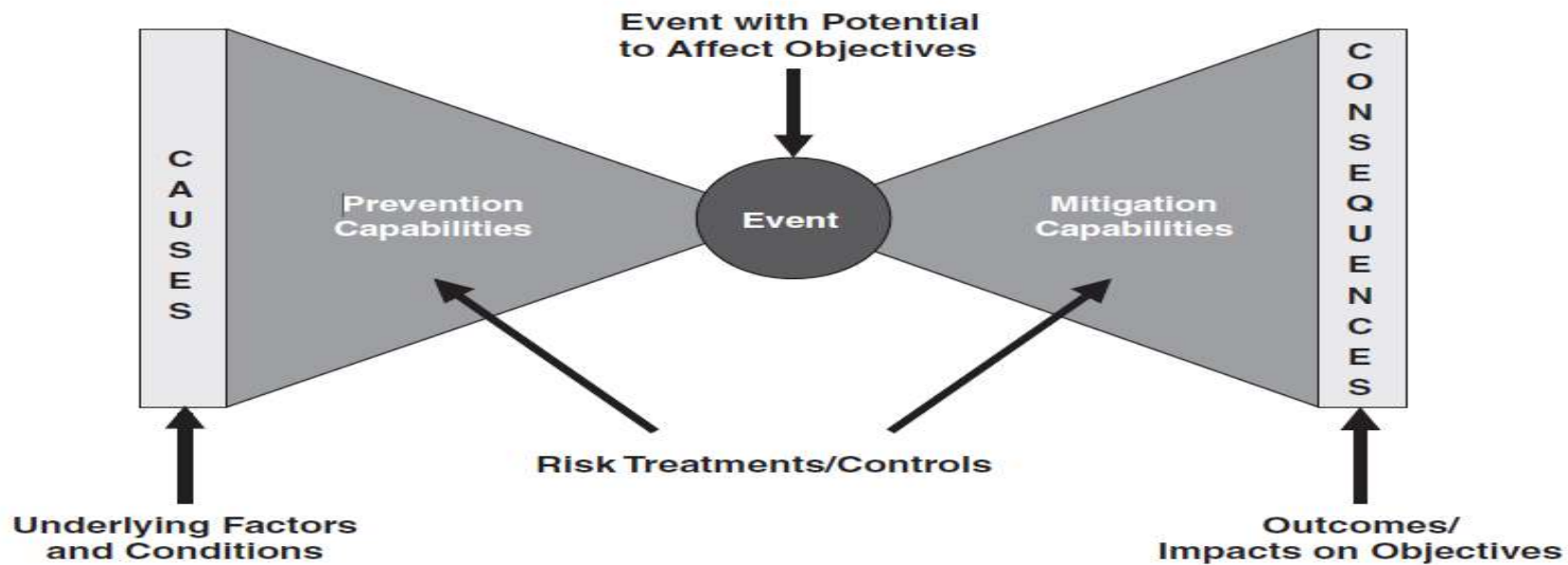




If US dollar drops

Then price of project item increases

Exceed budget objective



If US dollar drops

Then price of project item increases

Exceed budget objective





MDC Risk Appetite Statement 2016

We at Manawatu District Council (MDC) expect all decision-makers to take the following into account:

MDC Strategic Objectives	Averse	Minimalist	Cautious	Open	Hungry
Build people and culture					
Achieve purposeful growth and development					
Achieve service levels					
Achieve strategic organisational transformation					
Maintain public confidence					
Deliver work programmes					
Maintain legal compliance					
Operate within financial targets					

Frequency of Occurrence	Risk Severity Rating Level				
	5	Guarded (5)	Moderate (10)	High (20)	Extreme (40)
4	Guarded (4)	Moderate (8)	High (16)	Extreme (32)	Extreme (64)
3	Low (3)	Guarded (6)	Moderate (12)	High (24)	Extreme (48)
2	Low (2)	Guarded (4)	Moderate (8)	High (16)	Extreme (32)
1	Low (1)	Low (2)	Guarded (4)	Moderate (8)	High (16)
	1	2	4	8	16
Risk Impact	Minor	Moderate	Major	Severe	Worst Case

Almost Certain	5	Guarded (5)	Moderate (10)	High (20)	Extreme (40)	Extreme (80)
Likely	4	Guarded (4)	Moderate (8)	High (16)	Extreme (32)	Extreme (64)
Possible	3	Low (3)	Guarded (6)	Moderate (12)	High (24)	Extreme (48)
Unlikely	2	Low (2)	Guarded (4)	Moderate (8)	High (16)	Extreme (32)
Rare	1	Low (1)	Low (2)	Guarded (4)	Moderate (8)	High (16)
		1	2	4	8	16
	Risk Impact	Minor	Moderate	Major	Severe	Worst Case
	Risk Appetite Level					
Achieve service levels	Open	Temporary disruption to delivery of products, services or systems	Minor disruption to delivery of products, services or systems	Restrictions or disruption to delivery of products, services or systems	Severe delays or restrictions to key products, services or systems	Non-delivery or loss of critical products, services or systems
		No measurable impact on business delivery or activities	Short term interruption to delivery of some activities	Longer term interruption to delivery of some activities	Restricted ability to continue delivering activities	Inability to deliver activities
						Regular incidents of misinformation conveyed to community, stakeholders and staff
						Long term and permanent loss of critical assets/building
						Non-recoverable loss of critical data, files or records

Terms of Reference - Audit and Risk Committee

Purpose

To check and ensure continuity of business, enhance governance framework, risk management practices and the controls used to monitor Council's achievements.



- 2 Risk management and the system of internal controls:
 - a. setting the Council's appetite for risk;
 - b. understanding the key risk areas including likelihood and consequences;
 - c. effectiveness of internal controls; and
 - d. fraud risk and procurement risk.



Part 2 Item:

Pursuant to Local Government Official Information and Meetings Act 1987:

Section 7(2)(j) Prevent the disclosure or use of official information for improper gain or improper advantage.

Investments

Council is a risk-averse entity. Council will not undertake transactions where the level of return or benefit is dependent on an unacceptable level of risk. The Investment Policy expressly forbids any form of purely speculative activity.

Significant Natural Risks

Natural hazards can impact significantly on infrastructure assets, causing damage and interrupting delivery of services. Minor events resulting in damage are generally dealt with through normal operating budgets and existing reserves. Council has an insurance reserve of around \$1 million for unforeseen damages to assets. For more major events Council has four external sources of funds to repair assets:

1. Council is a member of the New Zealand Local Authority Protection Programme (LAPP) scheme that insures infrastructure at replacement cost value. Council has entered into mutual arrangement with LAPP for water, stormwater and wastewater assets. The cover related to 40% of the replacement value of the assets (\$165m) and a deductible of \$543,000 applies.
2. In the event of a disaster, it is anticipated that the remaining 60% of reinstatement costs will be recovered from central government under the Civil Defence Emergency Management Plan.
3. Above ground assets such as reservoirs and buildings are insured with Aeon Insurance through the Manawatu-Wanganui Local Authority Shared Services agreement. There is a \$100,000 excess on any claim.
4. Council self-insures the unsubsidised portion of roading. For roading major event repairs are largely funded (73%) through the NZTA emergency works programme. For very large events the government has historically

increased the level of funding repairs to a higher level. For any shortfall in external funding the renewal programme is changed in the short term to repair the network.

Council has also taken a conscious step in the Financial Strategy to limit the level of debt to a cap that is \$5 million less than the limit set in the Borrowing Management Policy. This is to allow Council further flexibility to respond to natural disasters in the future. Council also has a \$10 million credit facility with the BNZ to allow access to funds if required.

Climate Change

Results from a study by Horizons Regional Council show that there is likelihood of an impact from Climate Change within the next 30 to 50 years on coastal areas. This is a combination of rising tides and coastal erosion. Areas of land in Himatangi and Tangimoana Beaches have been predicted to be at risk from storm surge and inundation.

The assessed impact on infrastructure from coastal change is negligible in the 30 year horizon and there is no immediate response to these risks presented in this Strategy. However Council will ensure that future reports produced by the likes of Horizons Regional Council or the National Institute of Water and Atmospheric Research (NIWA) are studied to confirm predicted trends and act in response to any predicted changes if necessary.

Manawatu District Council - Long Term Plan 2015-2025 Part Three

Assumption	Confidence	Risk and Impact
Service levels will remain unchanged unless indicated	Medium	Increased service levels could result in higher than forecast rates. Service levels will be considered in each LTP process in response to community preferences and consent conditions.
Assets will on average remain operational at least until the years forecast	Low - Medium	For many pipes and structures actual life is not yet known. Failure of assets prior to that forecast would significantly increase rate requirements as reserves will be insufficient to fund replacements.

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MDC Risk Register

Risk Number	Int or Ext	Risk Category	Risk Sub-Category	Business Unit	Risk Cause Description	Risk Event Description	Risk Consequence Description
22	Internal	People	HR Capacity	Environmental Services & Monitoring Group	Population Growth and lack of skilled building officers	Inability to meet demands for processing of building consent authority within agreed legislative timeframes.	Economic growth in region and accreditation as BCA.
23	External	Social	Demographic Changes	Governance and Strategy Group		Ageing population - issue of affordability of maintaining Governance	
24	Internal	Operations	Process	Governance and Strategy Group	Ineffective delivery and method of communication.	Lack of engagement of Community	Out of touch with the Community. Decisions made that do not reflect the needs and interests of the community
25	External	Social	Expectations	Governance and Strategy Group	Low voter turnout, local authority elections are deemed "less important" than a General Election.	Democratic deficit	Bias can be severe with reduced minority representation, understanding of community views
26	Internal	Financial	Debt	Governance and Strategy Group	Insufficient business to pay the targeted rate.	Inability to recoup loan for installation of ultra fast broadband in industrial area	Outstanding debt

Key Risk	Effectiveness Assessment	Sufficiency Assessment
Asset Management Systems contain incomplete and/or incorrect data (3-waters) – impacting budgets for depreciation and best level of insurance	Low	Low
Asset Management Systems contain incomplete and/or incorrect data (3-waters) – impacting plans and budgets	Low	Low
Ineffective systems and processes to connect strategic plans and their operational implementation	Low	Low
District Plan Review Project has insufficient resources	Appropriate	Appropriate
Sabotage attack (poisoning) of the District water supply was successful	Appropriate	Appropriate
Critical Role is vacated	Appropriate	Appropriate
Ineffective maintenance systems and processes for infrastructure assets required for consents	High	Appropriate
Waste water treatment assets fail	High	Appropriate

Risk	If a <u>Critical Role is vacated</u> , then work for that role will be interrupted impacting on objectives to deliver work programmes and achieve service levels.
Risk Owner	General Manager People and Culture
Controls and Treatments	<ul style="list-style-type: none"> • Design Job/Skill Overlaps in organizational structure • Talent and Succession Management process in place for levels 1,2,3 of organisation. • PNCC after-hours phone cover • Monitoring sources of short-term cover for vacancies
Effectiveness Appropriate	The effectiveness of treatments and controls requires constant attention for specialist critical roles in a small organisation.
Sufficiency Appropriate	<p>Broadening the implementation of the talent and succession management process will cover more roles.</p> <p>ProMapp Process Mapping tool project has been initiated and will be an additional treatment when a critical role is vacated.</p>

Action Plan - 2020

- Review Risk Appetite Statement for new Council
- Review Risk Matrix
- Update Risk Register during LTP
- Review Key Risks and Treatment
- Regular Risk Reporting to Executive Team, Audit & Risk
- Consider Risk Section in Council Report Template
- Provide guidance for External and Internal Audit Work Plans