

Risk Management Framework - Risk Appetite

Meeting: Council Briefing
Date of meeting: 03 June 2020
Reporting officer: Sue Davidson GM Sustainable Growth and Investment

Purpose/Ngā whāinga

The Audit, Risk and Finance Committee recently adopted the Risk Framework for Council however recognised that the Risk Appetite needed to be discussed and approved by Council.

Executive summary/Whakarāpopototanga

Council tends to be conservative and the appetite for risk tends to be low. This paper details the Sources/Types of Risk and the proposed risk appetite for that risk. Council has to ask itself what risks it is willing to take to exploit opportunities.

Context/Horopaki

Managing risk is part of governance and leadership and is fundamental as to how the organisation is managed at all levels and contributes to Council's aim of continuous improvement.

The risk management process is not an isolated function and can be applied to any activity, including decision-making and interaction with stakeholders. Effective identification, analysis, evaluation and treatment of defined risks, assessment of their impact on Council's reputation and development of a proactive risk culture are critical to Council achieving its objectives and meeting overall community expectations. The goal of risk management is not to eliminate all risks, but rather to proactively manage risks involved in Council's functions and services and to create and protect value for our stakeholders and community.

The Council recently adopted a Risk Management Framework with which to identify, evaluate and mitigate risks.

Part of the evaluation process involves evaluating how much risk the Council is willing to accept in achieving its objectives – this is the risk appetite. The initial part of the evaluation is in establishing the context for the risk-What is the source/type of the risk and what is the Risk Appetite. This analysis is done first before you look to the treatment.

While the Audit, Risk and Finance Committee had delegations to adopt the Risk Management Framework, they agreed that the Appendix 5 (of the adopted Risk Management Framework) Risk Appetite Statements be reviewed and approved by Council. The Committee believed the Council should discuss and approve the overall risk appetite statements that the organisation can bear in a given risk profile.

In order to achieve objectives Council will need to take risks. The risks need to be evaluated per the risk appetite statements (**Attachment A**).

Discussion/Ngā kōrerorero

Councils are conservative in nature so it is likely the risk appetite will not be high. The table below gives some examples of the risk types that have been identified and the level of risk that has been proposed for each risk type.

Risk Type	Examples	Level of Risk Acceptable
Financial	<ul style="list-style-type: none"> - Fraud - Inability to secure funding - Inadequate procurement practices - Inadequate budgeting - Lack of Internal control 	No appetite
Health and Safety	<ul style="list-style-type: none"> - Failure to provide a safe work environment - Non-reporting of incidents/accidents - Inadequate focus on health and safety 	No appetite
Human Resources	<ul style="list-style-type: none"> - Ability to restructure - Effective employment relations - Staff engagement - Human resource planning 	Moderate
Legislative	<ul style="list-style-type: none"> - Failure to comply with legislative compliance - Lack of internal controls 	No appetite
Operations and Service Delivery	<ul style="list-style-type: none"> - Poor operations or customer service 	Low
Reputational	<ul style="list-style-type: none"> - Ineffective relationship with our community - Ineffective relationship with iwi 	Low
Information technology	<ul style="list-style-type: none"> - Inadequate management of technology systems - Viruses, hacking, unauthorised access to system - Poor staff knowledge of systems 	No appetite
Information management	<ul style="list-style-type: none"> - Inability to find records - Poor staff knowledge of policies and information 	Low
Environmental	<ul style="list-style-type: none"> - Waste and refuse not managed effectively - Emergency/disaster management not effective - Public health outbreak-water 	Low
Property Assets	<ul style="list-style-type: none"> - Facilities do not meet requirements - Failure to deliver on key projects - Inadequate asset management - Inadequate insurance cover 	Low

Attachments/Ngā tapiritanga

	Title
A	Risk Framework - Appendix 5 Risk Appetite Statements