

Report 17.60
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Committee Finance, Risk and Assurance Committee
Author Mike Timmer, Treasurer

Summary Risk Report

1. Purpose

To update the Committee on changes to the risk register over the December quarter. To provide a presentation to the Committee on Environment Management's risk management as part of the on-going reporting by each group within GWRC.

2. Background

Each quarter, the risks at group level are considered and reported to the Chief Executive.

This process involves adding new risks, archiving old risks if they are no longer relevant, reviewing the controls (risk mitigation/modifying management strategies) and checking that the scoring of the risk reflects its current state.

Each group's risks are reviewed by the Chief Executive, in conjunction with the General Managers and the General Manager Corporate Services/CFO, at the quarterly review meetings.

3. Comment on risks changes during the quarter

There were no risks removed from the register and one new risk was added to the register during the December quarter. The risk added was:

- Inability to adequately respond to another significant seismic event damaging Shed 39 given high probability of another event.

The logic driving this is heightened possibility of further aftershocks and the limited space available to relocate to.

There was a change in scoring to one risk in the register:

- Fare revenue risk under gross contracts.

The risk was reviewed and the residual risk increased from low risk to medium risk. The reason for this was the move to a gross revenue contract with Transdev.

A review of the cash handling processes was recently undertaken by PwC to ensure that Transdev had appropriate processes and controls in place. Overall it recommended some changes which at time of finalising the report had been implemented.

Details are contained in **Attachment 1**.

4. Environment Management presentation

Environment Management will attend the meeting and provide insight into the topical and emerging risks for them (**Attachment 3**).

5. Definition of report heading

A brief description of the Council's risk report columns (**Attachment 2**) and what they mean is as follows:

Overall ranking: by residual risk score: Residual risk is the risk that remains after controls have been applied and is discussed further below. A lower number means it has a higher residual risk relative to others. Thus the first listed risk is presently the 21st highest/most important risk to the organisation.

Risk ID: This is a unique system number assigned to a risk.

Description: Brief description of the risk.

Inherent Risk level: The risk is assessed/scored and placed into a classification category (Very High, High, Medium, or Low) before any controls are in place or put it another way, without them working.

Controls: These are processes which mitigate/modify a risk. They reduce the likelihood of occurrence of a risk or reduce the consequences when it occurs or both.

Residual Risk level: This is the risk classification category after the controls have been put in place and are working as expected.

Risk Owner/Business Unit: The person/group responsible for the risk. There is also a person assigned to each control which is not normally the risk owner.

Comment/Details: This provides a discussion around the risk.

Risk Category: This is a category/(ies) of risk that the risk belongs to. Each category has a risk appetite which measures Council's propensity to accept risk. Health & safety to staff and contractors, Legislative and regulatory and Environment damage are areas where we have a low appetite to risk.

6. Risk Appetite - discussion

Elimination or reduction of risk is achieved via controls. Controls either reduce the likelihood of a risk occurring or reduce the consequences when an event occurs.

The question facing an organisation is how much resources are directed to controls, generally the more resources spent on controls the greater is the impact on reducing the likelihood and consequence of a risk.

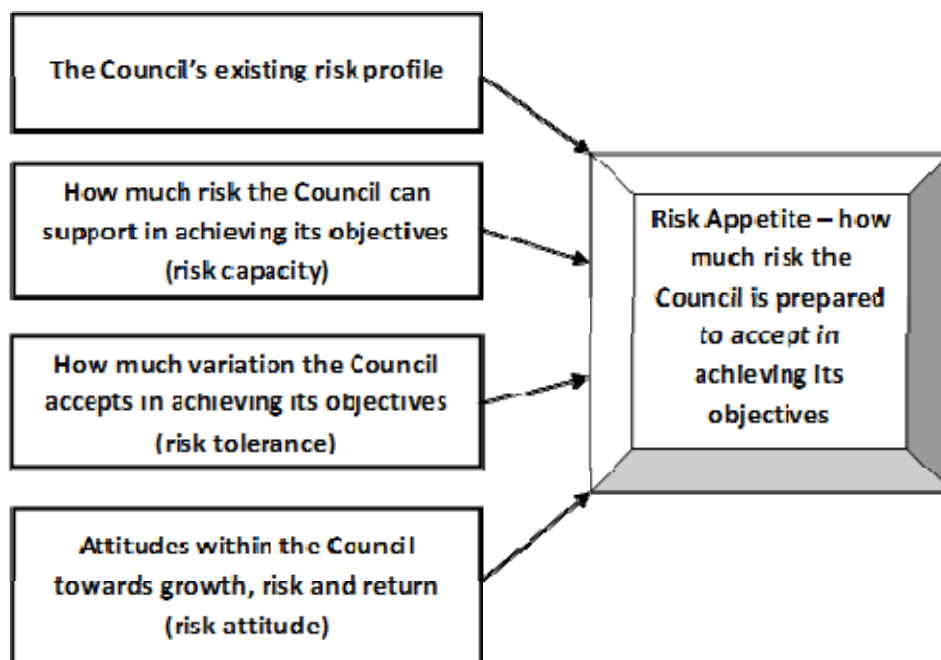
In risk scoring terms what level of risk do we accept is it a medium risk residual score or do we accept a low risk score?

In some instances it just might be that we do not proceed with the activity causing the risk, we eliminate the activity, or we might transfer the risk to others e.g. insurance.

In order to answer the question as to what level of risk we are prepared to accept we look to our Risk Management Policy.

Extracted below is a section on Risk Appetite.

The inputs to the Council's risk appetite are shown below:



6.1 Considerations that determine the Council's risk appetite

Council generally has an averse to balanced risk appetite. The Council's lowest risk appetite relates to, health and safety, legislative and regulatory compliance, and environmental damage, with a marginally higher risk appetite towards other risk categories. This is further discussed under figure 3.

6.2 Risk identification

Comprehensive risk identification is crucial to the overall effectiveness of risk management.

The identified risks will determine the ‘what’, ‘why’, and ‘how’ things can happen as a basis for further analysis. There are many sources of risk the Council is exposed to and they are categorised, see below, which also includes the Councils risk appetite for each source. Appendix 2 of the Policy expands on the sources of risk.

Source of risk	Risk appetite*		
	Averse	Balanced	Tolerant
Loss, failure or damage to assets		X	
Services being severely curtailed		X	
Health & safety to staff and contractors	X		
Financial, macroeconomic risk		X	
Subsidiary companies and Trusts		X	
Legislative and regulatory	X		
Political		X	
Projects		X	
Environmental damage	X		
Human Resources		X	

Figure 3 –Sources of risk – incorporating risk appetite

* Averse means being unwilling to take on anything other than small risks. Balanced means having an appetite between averse and tolerant (i.e. a flexible approach). Tolerant means being willing to take on significant risks to exploit opportunities despite potentially major consequences if the risk is realised.

7. The decision-making process and significance

No decision is being sought in this report.

7.1 Engagement

Engagement on this matter is unnecessary.

8. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

Report approved by:

Mike Timmer
Treasurer

Dave Humm
GM Corporate Services/CFO

Attachment 1: Changes to risks the register in December Quarter 2016

Attachment 2: Top ten risks

Attachment 3: Risk management in the Environment Management Group