

Report 12.501
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Committee Audit, Risk & Assurance Committee
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Risk Update

1. Purpose

At the last meeting of the Audit, Risk and Assurance Committee the question was raised: “What would it take to reduce the High Risk residual score in the two highest scoring Council risks?”

2. The decision-making process and significance

No decision is being sought in this report.

3. Background

The two risks in question that scored High Risk before controls were implemented (inherent risk) and after controls (residual risk) were applied are:

1. Emergency Management (EM) unable to cope with a major disaster.

Detailed description of the risk: EM is overwhelmed by the scale of disaster, inability to mobilise resources namely, staff (numbers), facilities (adequacy), and infrastructure (availability/adequacy).

2. Water Development - Source water availability reduced by external and unexpected effects.

Detailed description Source water from rivers/aquifers is reduced by external and unexpected effects such as climate change or SYM (sustainable yield model) modelling development, resulting in breach of security of supply standard and the need to urgently bring forward new source development.

4. Comment

Emergency management risk

The Emergency management residual risk in Quantate is driven by scoring the Financial Consequences criteria* at the highest level, i.e. in the Extreme category:

“The cost of unplanned expenditure or loss of income or cash over \$15 million”

This is the driver for the residual risk not reducing, even after the following controls are implemented (as even with the controls this score does not come down):

- *Memo of understanding with other Councils*
- *Wellington Regional Civil Defence Emergency Plan*

The owner of the risk had suggested that once Greater Wellington occupies a ‘safe’ building in which the Emergency Co-ordination Centre can be accommodated the risk will reduce.

The risk will likely be reduced in terms of our ability to respond. The question of whether the financial risk will reduce because of it remains, the answer is probably not.

The fact remains that a major disaster will be a costly exercise, no matter how prepared we are. Our ability to cope cannot be easily controlled due to the unknown nature and scope of such an event.

Recall there are presently 4 criteria to score a risk against namely: The Likelihood of Occurrence and 3 consequences: Operational Capability, Stakeholder Reputation, and Financial Impact.

We are considering reviewing this risk as the financial consequences of a seismic event may well exceed \$15 million, but it is GW’s ability to respond to a seismic event that is the risk, not the event itself.

Water source risk

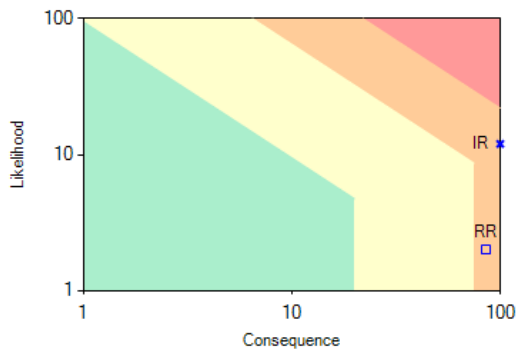
This residual risk is being influenced by the Operational Capability criteria which is being scored at the highest level i.e. Diversion >12 months. The detailed explanation of the criteria is:

- *Event results in management diversion from strategic objectives for a period of > 12 months and/or delivery of LTP outcomes across work area significantly affected for greater than six months.*
- *Critically detrimental effects on stakeholders.*
- *Long term loss of capability (>12 months) and/or severe staff morale problems may likely arise leading to loss of a significant number of key senior staff, impacting on skills, knowledge and expertise.*

This is the driver for the residual risk not reducing after the following controls are implemented:

- *Capital development plan*
- *Triennial Long Term Plan*

While the controls have reduced the likelihood and the financial consequences, the operational capability risk still remains at an elevated level meaning the overall risk cannot move out of the high level. The chart of this risk is shown below graphically:



The IR x – represents the Inherent risk score point, and the RR x – represents the Residual risk score point.

The red area represents Very High risk, orange represents High risk, yellow represents Medium risk and green represents Low risk.

Clearly having a greater number of water sources at our disposal would reduce this risk, but that comes at considerable cost. Thus in the short to medium term GW has effectively decided to live with the level of residual risk.

5. Recommendations

That the Committee:

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

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