


Hot Topics in Risk Management in Local Government - Three Different Councils, Three Different Approaches to Risk Management. Geoff Foster, Manukau City Council




Manukau City Council's Approach to Risk Management

Case Study

SOLGM
‘Hot topics in Risk Management
in Local Government Seminar’
19 September 2008

Presented by :
Geoff Foster,
Chief Advisor, Risk and Assurance
Manukau City Council

Knowledge and Understanding Maateuranga me te moohiotanga Achievement Whainga ki toona tutukitanga Accountability Whakatau tika



Introduction/Context

- ▶ Risk and Assurance unit set-up July 2006
- ▶ Key Objectives –
 - Quality risk management and assurance advice
 - Cost effectively identify, manage, monitor and report risk
 - Develop (for organisation) stronger focus on effective risk management
- ▶ Risk Framework for Manukau City Council

The Manukau City Council Risk Framework



- ▶ Link to Organisational Governance
- ▶ Internal Governance
- ▶ Risk Management Principles and Practices
- ▶ Assurance and Risk Mitigation Initiatives

Link to Organisational Governance



- ▶ Audit and Risk Sub-Committee (composition; terms of reference; reporting lines and practices etc).
 - Five elected members
 - Integrity of statutory reporting
 - Effectiveness, independence and objectivity of external and internal audit
 - Risk management and internal control systems

Internal Governance



- ▶ Risk and Assurance Unit Charter/Terms of Reference
- ▶ Internal reporting practices (CEO/ELT)
- ▶ Manukau City Council risk management policy
- ▶ Protocols for communicating key risk events to CEO, ELT, Council etc.

Risk Management Principles and Practices



- ▶ Risk Profiles
-
- ▶ Links and align to organisational objectives
 - ▶ Key risks to organisation – identify; assess; mitigate; monitor; report.
 - ▶ Promote managerial judgement and action.
 - ▶ Two levels (organisation-wide; directorate level).
 - ▶ Use AS/NZ 4360 principles

Assurance and Risk Mitigation Initiatives



- ▶ Audit, review and assurance programmes
- ▶ Ad hoc reviews and investigations
- ▶ Action plans for unacceptable risk

Risk Profiles – An Overview



- ▶ **Purpose**
 - Tool used on an ongoing basis to identify, assess, manage, monitor and report key risks
 - Key risks are defined as “those key elements of the organisation/business that it must get right (or alternatively cannot afford to get wrong) in order to achieve its objectives.
- ▶ **Risk Criteria**

Would there be a significant impact on –

 - Service delivery
 - Financial result/position
 - Manukau City Council's (organisation's) reputation

Risk Profiles – An Overview cont.



► Ownership

- Organisational Risk Profile – CEO in conjunction with Executive Team Members
- Business Units – relevant director and business unit manager

► Monitoring

Profile (including action plans) are live documents reviewed, re-assessed and updated on regular basis


Steps in Establishing Risk Profiles



Link to the organisational context and objectives

- | | |
|------------------------------|---|
| ► Step 1 – ‘inherent risk’ | <u>Identify</u> key areas of risk |
| ► Step 2 – ‘residual risk’ | <u>Analyse</u> and <u>assess</u> the current status of risk |
| ► Step 3 – ‘acceptable risk’ | <u>Establish</u> required treatment and action plan(s) |
| ► Step 4 – ‘risk management’ | <u>Monitor</u> and review risk on an on-going basis |

Hot Topics in Risk Management in Local Government - Three Different Councils, Three Different Approaches to Risk Management. Geoff Foster, Manukau City Council



Examples

- ▶ Organisational Risk Profile Summary
- ▶ Category 11. Recruiting and retaining key skilled staff

Risk Category/Description	Current Residual Risk Status (Red; Amber; Green) July 2008	Previous Mar 2008
1. Working relationship between CEO / ELT officers and elected members.	G	G
2. Level of customer and / or stakeholder satisfaction with delivery of core council services and operations.	A	A
3. Communication with major ratepayer groups or with those who may significantly influence their views.	G	G
4. Relationships with key external agencies.	A	A
5. Relationships with CCO boards / senior management teams.	G	G
6. Optimising receipt of income from key revenue and collection streams.	A	A
7. Expenditure management and control processes.	G	G
8. Optimising resources, processes and priorities between policy & strategy, service delivery and support functions.	A	A
9. Major planning, design and development initiatives (both individually and collectively) fit with, and properly deliver, the agreed vision and 'brand' for the city.	A	A
10. Management of major projects.	G	G
11. Recruiting and retaining key skilled staff.	A	A
12. Effective, and properly integrated, business information systems.	A	A
13. Health and safety practices.	A	A
14. Systemic compliance with key legislative, regulatory and accreditation requirements.	A	A
15. Protection of major infrastructural assets.	G	G
16. Establishing and maintaining effective business continuity, and civil defence emergency response processes.	A	A

Hot Topics in Risk Management in Local Government - Three Different Councils, Three Different Approaches to Risk Management. Geoff Foster, Manukau City Council

ORGANISATIONAL RISK PROFILE (as at July 2008)				
Risk Category/Description	Current Risk Mitigations/Controls	Weaknesses/Gaps	Residual Risk Status (Red; Amber; Green)	Action Plan(s)
<p>11. Recruiting and retaining key skilled staff – by the use of effective recruitment, remuneration, succession planning and personal development strategies and practices.</p>	<ul style="list-style-type: none"> Stable and experienced senior management team in place. Orientation programme in place. Comprehensive learning and development programme in place. Preferred supplier appointed to provide consistency and focus to recruitment processes. Effective industrial relations partnerships in place. Effective 'recruitment brand' in place for general recruitment efforts. HR relationship managers and advisors located within directorates to provide focused services. 	<ul style="list-style-type: none"> A small number of key business functions remain either understaffed or potentially exposed to key senior people leaving – eg building regulatory, roading engineers. Succession planning strategy and processes not properly established across the organisation. Royal Commission outcomes have potential for significant impact on recruitment, retention and overall staff performance. Finance and Environment directorate restructures need to be completed and embedded. 	A	<ul style="list-style-type: none"> ELT 'Resource Consents' project will better define staffing requirements in that area. HR 'people pack' and reporting to directorates to become more focused. Action items arising from 'staff engagement survey' to be addressed at both directorate and corporate level. A consistent organisational strategy and response to Royal Commission risks and potential scenarios needs to be developed and communicated to staff. Succession planning needs to be better addressed by each directorate and as an organisation as a whole.

Key Success Factors



1. Top down approach
2. Establish a risk framework that works for you.
3. Clear objectives
4. Use the principles of AS/NZS 4360
5. Understand the governance roles
6. Keep simple
7. Use a framework and tools that encourage and facilitate risk thinking and debate (not a tick the boxes approach).
8. "Risk Awareness" requires a culture change

Hot Topics in Risk Management in Local Government - Three Different Councils, Three Different Approaches to Risk Management. Geoff Foster, Manukau City Council

