

NIGEL TOMS

General Manager Risk and Assurance at Watercare

MSc ACMA CMIRM **CMInstD**

RiskNZ Risk Professional of the Year 2021

Water and wastewater services for the Auckland Region

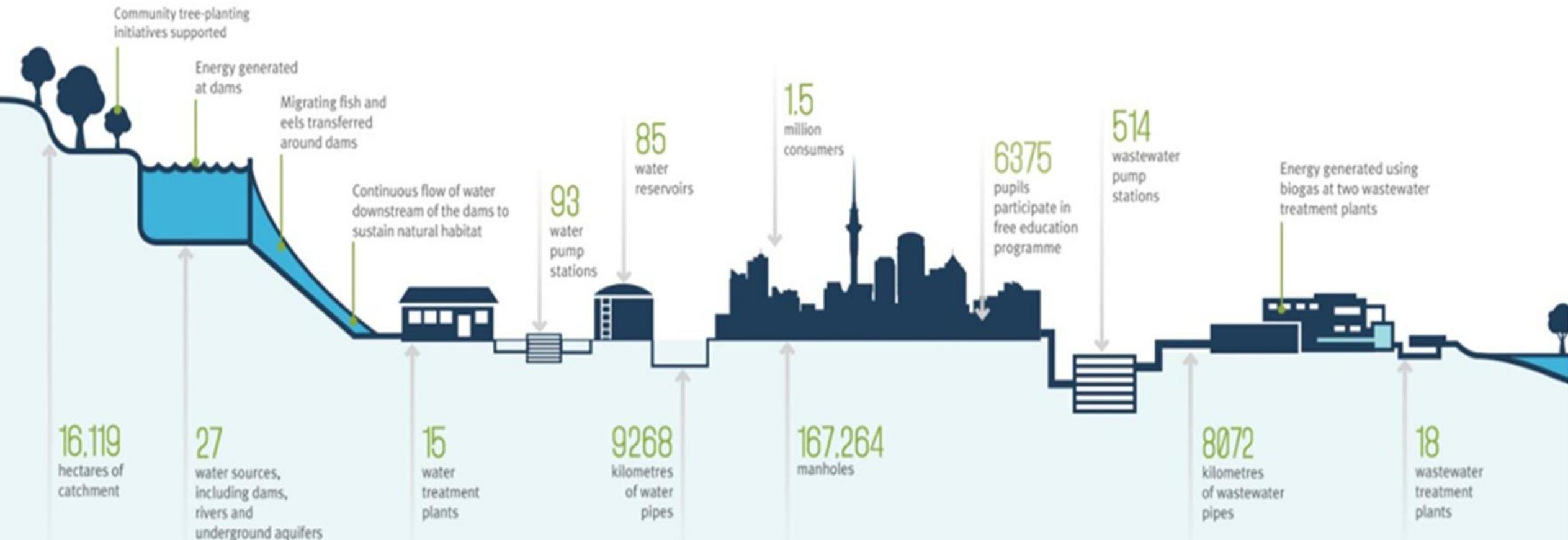
Asset Value: \$18b+

Revenue: \$970m

Operating Costs: \$330m

Annual Capital Programme: \$1b+

An overview of Watercare's assets and operations





DENTAL CENTRE

6800 BATTERY
Day or night!
Holler for a Marshall

Improving your water network
Huia No.1 Watermain
replacement project
Watercare

EMERGENCY
CIVIL ENGINEERING

Watercare

WARNING
NOTICE

Mirepool



PRESENTATION TOPICS

- ▶ Understand the role of the risk function in governance and board decision-making
- ▶ Practical strategies to improve risk Board literacy
- ▶ Approaches to communicating risk to boards
- ▶ Risk appetite supporting balanced decision-making



6'

5'

4'

CHAIR

**LAWYER
(VAMPIRE)**

FINANCIAL

ENGINEER

STAKEHOLDER

**CULTURAL
GUARDIAN**

BOARD RISK RESPONSIBILITIES

Accountability

Boards are accountable for overseeing risk and ensuring effective governance.

Establishing and Overseeing Risk Management Frameworks

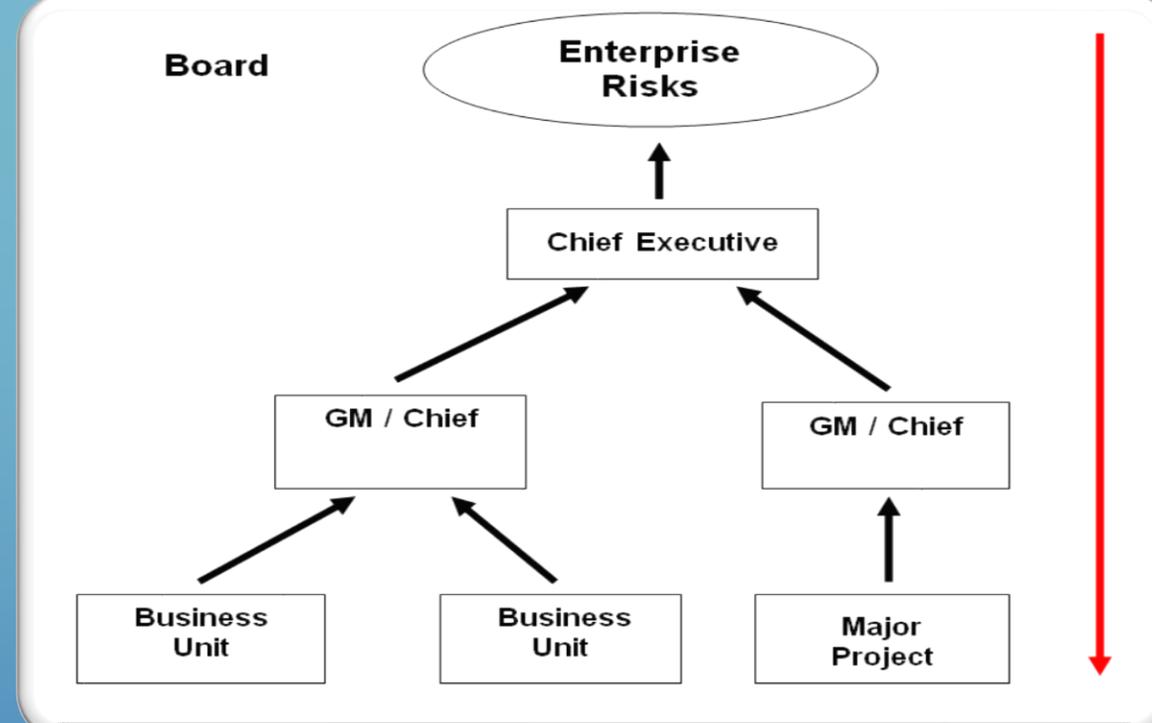
Boards are responsible for ensuring that **appropriate risk management and compliance frameworks** are in place and functioning effectively.

Strategic Risk Oversight

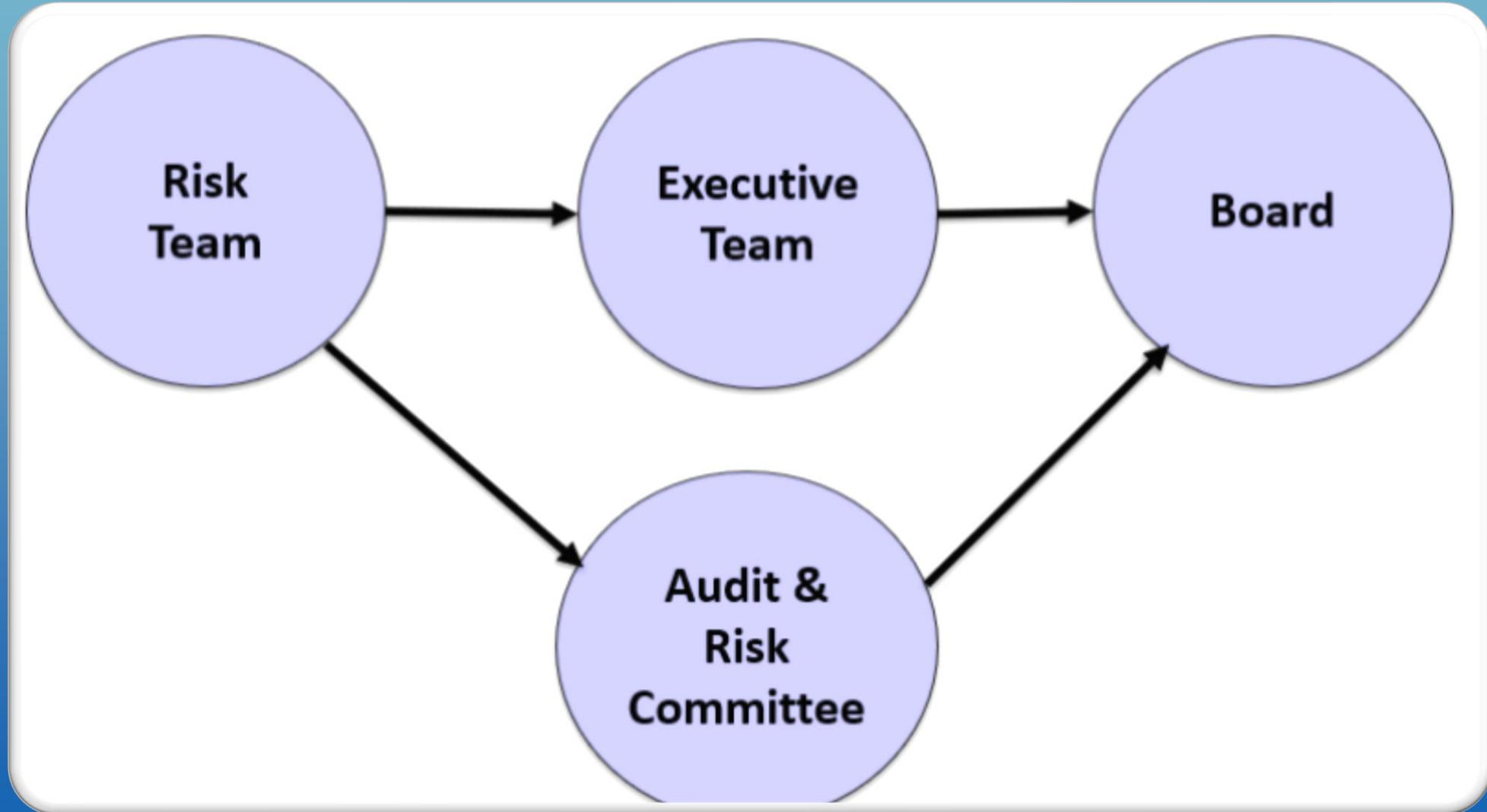
Boards must actively oversee the identification and management of strategic and emerging risks

ROLE OF THE RISK FUNCTION

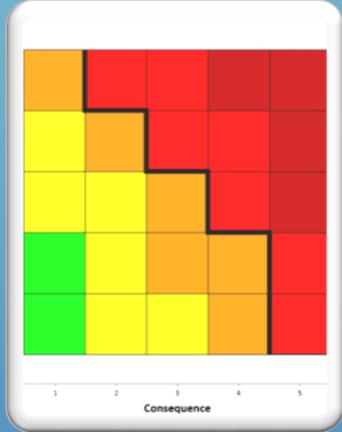
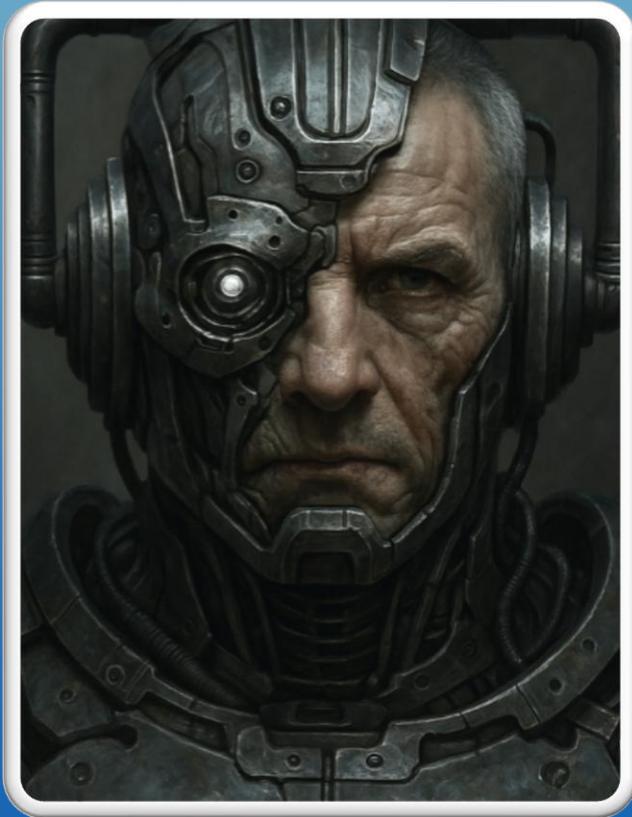
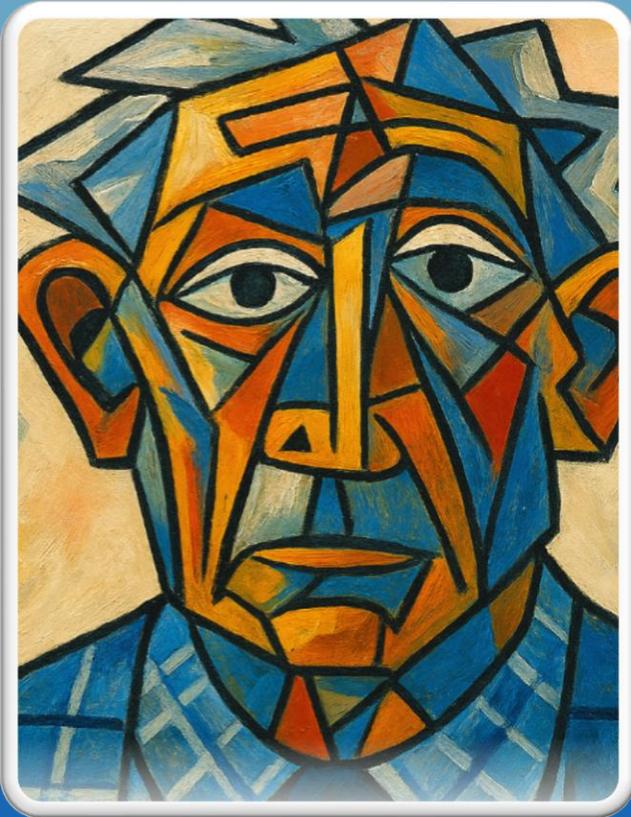
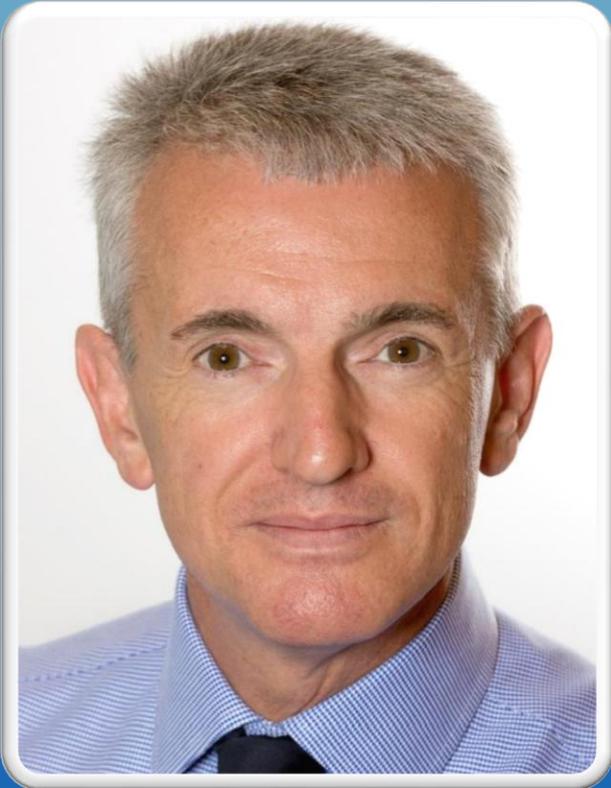
- ▶ **Strategic Adviser to the Board** – Aid informed risk taking
- ▶ **Risk Policy** – Responsibilities (Board)
- ▶ **Risk Framework** – consistent approach to managing and escalating risks (CE)
- ▶ **Risk Process & Register** – processes and systems to manage & record risks
- ▶ **Enterprise Risk** – identification and reporting



ROUTES TO THE BOARD



TESTING ENTERPRISE RISKS WITH THE EXECUTIVE – BIGGEST RISKS FACING THE BUSINESS



PRACTICAL STRATEGIES TO IMPROVE BOARD LITERACY

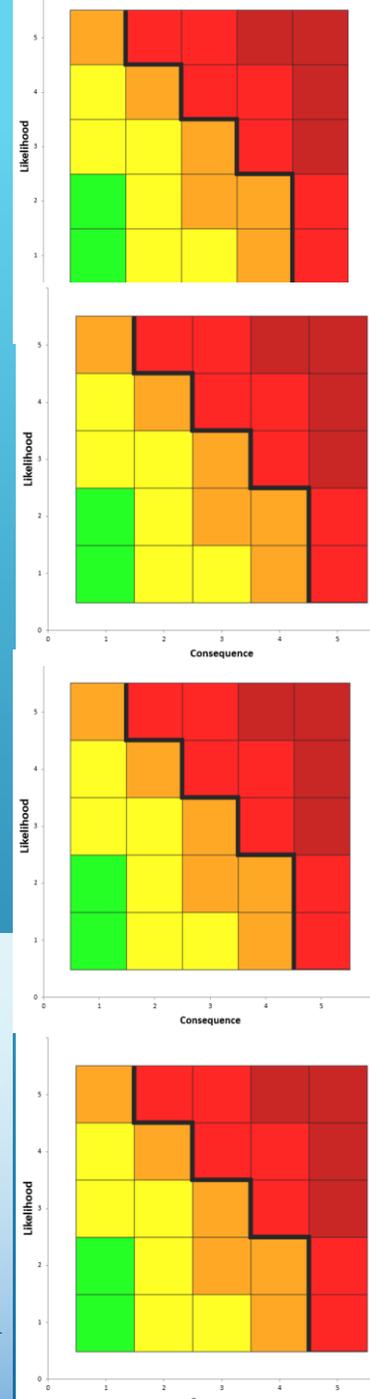
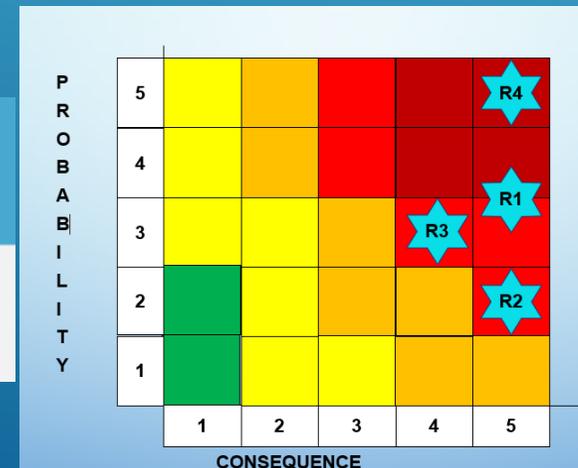
- ▶ Direct contact – try to meet with individual Board members to get their background, experience and any risk related requirements (new)
- ▶ Review critical/enterprise level challenges:
 - Critical assets
 - Single points of failure in critical systems
 - Major areas of risk across the business
- ▶ Engage wherever Risks are identified by the Board:
 - Offer to run Risk workshops to consider high / complex risks
 - Offer Board risk training



PRACTICAL STRATEGIES TO COMMUNICATE RISK TO THE BOARD

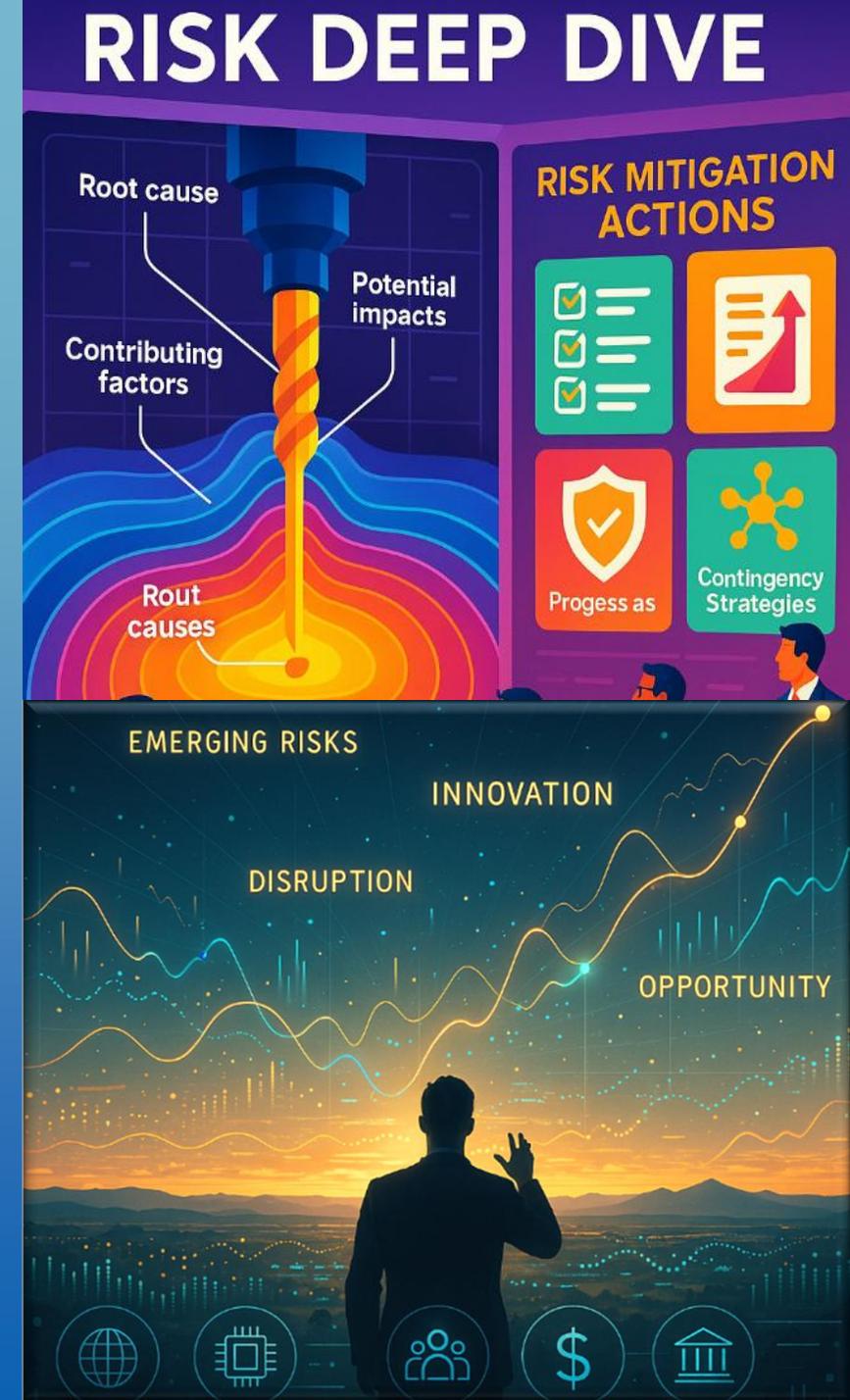
- ▶ Avoid using risk registers – for enterprise risks provide a simplified high level view
- ▶ Consider 4 to 6 key areas that represent the business
 - ▶ Financial, compliance, service delivery, customer, stakeholder, infrastructure
 - ▶ For each consider top 3 to 5 risks
 - ▶ Clear risk descriptions
 - ▶ Mitigation actions planned / underway
 - ▶ Progress

Causes:	Consequences:
Mitigation Actions (by who, and when):	



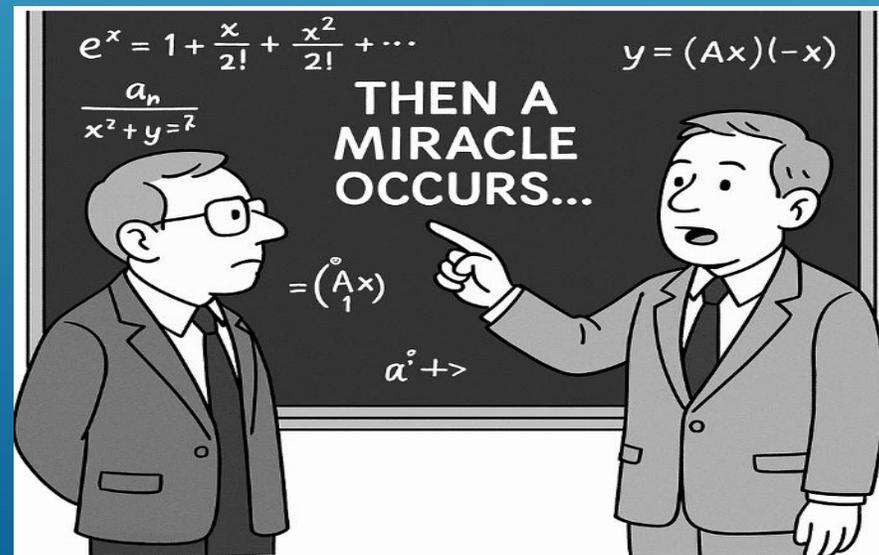
COMMUNICATING RISK TO THE BOARD

- ▶ Deep dives into a specific risks – **audit and risk committee** (more time)
- ▶ Horizon scanning – 2 types:
 - ▶ Internal horizon scanning – no surprises, highlighting emerging issues – factual, not alarmist
 - ▶ External horizon scanning – review of reports and studies. AI can help review reports and look for common risk areas for your industry
- ▶ Correlation – consistency with other reports to the Board
 - ▶ Business cases requesting funding for mitigation actions relate to the enterprise risks
 - ▶ Business cases explain the risk being mitigated and the key risks to delivering mitigation projects



KEY BOARD RISK REQUIREMENT

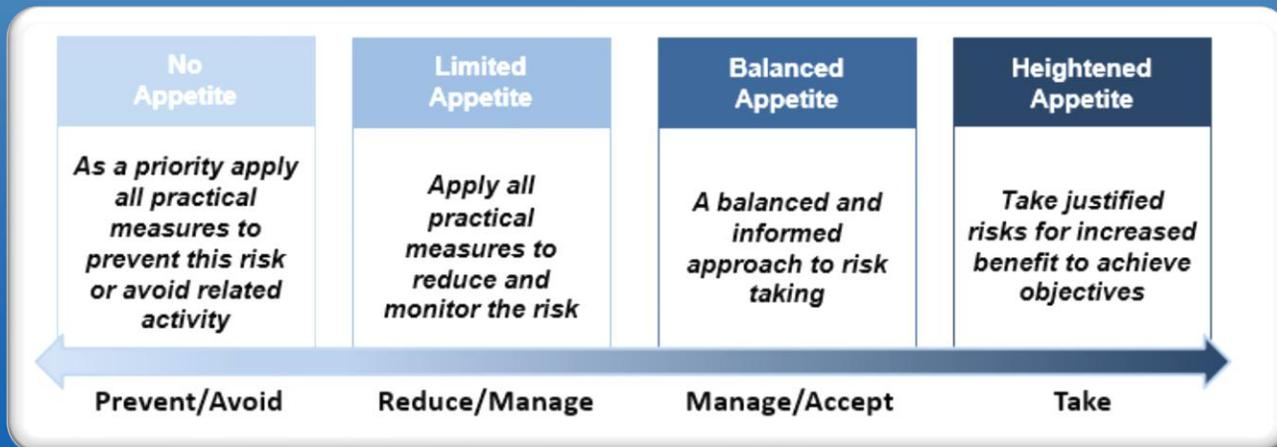
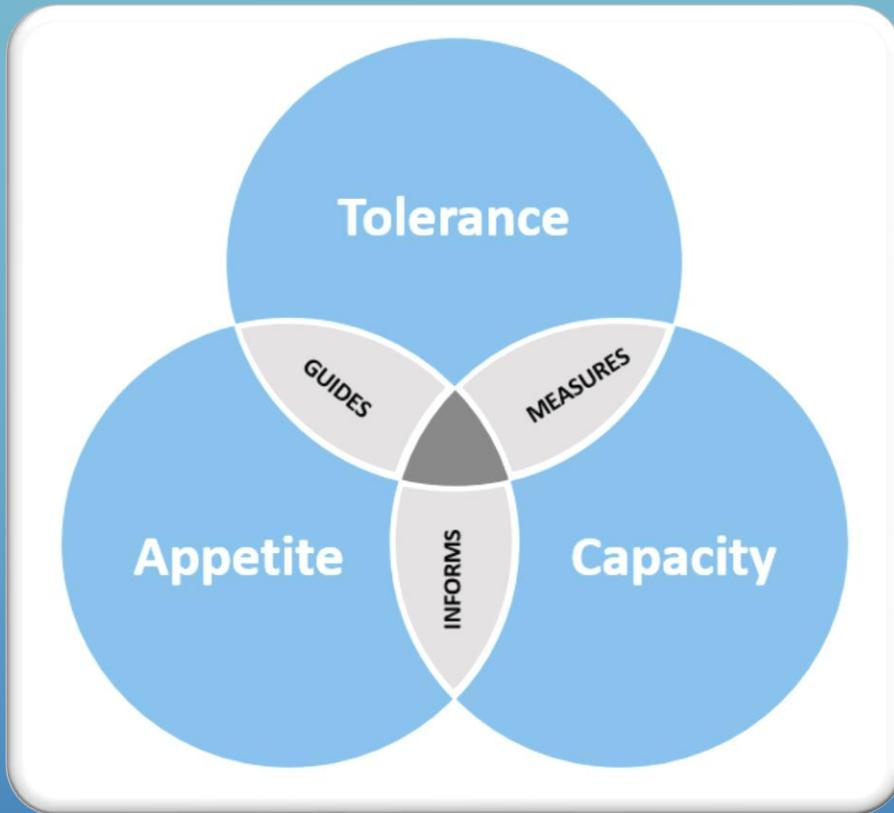
High Risk 6 months	3 years	Acceptable Risk 3.5 years onwards
Risk remains	Interim operational actions or continuity plans	Mitigation action e.g. asset upgrades



"I think you should be more explicit here in step two."

RISK APPETITE

- ▶ The most challenging area to develop, suggested approach:
 - ▶ Risk Team develop first draft
 - ▶ Test with executive
 - ▶ Present to Board for review
 - ▶ Operationalise against risk register scores
 - ▶ **Provides guard rails**



Where beneficial consider further development

SUMMARY

Board responsibilities for risk are clear

Risk Team initial actions – Policy/Framework/Risk Register clear

First engage with the Executive to ensure Enterprise Risks representative

Enterprise Risk reviews provide Board exposure

OFFER to engage across a range of other risks across the business

Boards require interim actions if risk mitigations will take years to implement – affords opportunity to engage on continuity and contingency plans

Develop risk appetite in stages – wide range of views on usefulness

QUESTIONS



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