NZ Transport Agency Risk management framework 2010–2013

NZ TRANSPORT AGENCY
WAKA KOTAHI

New Zealand Government

More information …

Published September 2010

ISBN: 978-0-478-37113-0

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This document is available on the NZTA's website at www.nzta.govt.nz.

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A Introduction from the Chief Executive

Like all organisations, the NZ Transport Agency (NZTA) works in an uncertain environment. This uncertainty poses the risk that we may not achieve our objectives or we may fail to recognise and take opportunities to do things more efficiently or effectively.

An important lesson from international and national business failures during the economic downturn of 2008-09 was the recognition that risk management is one of the three key levers to achieve sustainable business performance and shareholder value. These levers are:

1. Revenue/funds (adequate to meet demand).
2. Productivity (efficiency, cost-benefit, spending less).
3. Risk management.

Essentially, effective risk management increases the probability of success and reduces the probability of failure. It also reduces uncertainty associated with achieving our objectives.

Traditionally risk management was considered largely in terms of compliance and insurance. Following the economic crises of the past decade, it is being seen in a more positive light as a means to add value to an organisation. Risk management has moved from an operational focus on value preservation to a strategic focus on value generation.

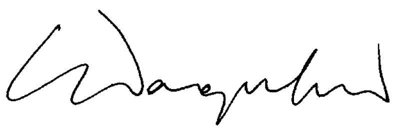
So what value does risk management generate for our business? Its primary value is that it provides better information with which to make better business decisions.

We need to take a structured approach to implementing enterprise risk management, know what our risks are and take actions to address the highest risks, ie those risks with the greatest potential to prevent us achieving our objectives. In this way we generate value for the NZTA by:

- minimising costs through ensuring our business processes are efficient, effective and compliant with legislation and regulations
- ensuring successful delivery of change
- protecting our business assets
- making better decisions through better understanding of the risks involved
- generating value through taking opportunities to improve the way we do business
- achieving high levels of customer and stakeholder satisfaction.

Risk management is about optimising risk within tolerable limits – it is not simply a matter of minimising risk regardless of cost. We need to weigh up the costs and benefits of managing a risk and put our resources where they can make the biggest positive difference for us.

Each one of us has a responsibility to manage risk – including the senior leadership team and me - and I look forward to the NZTA achieving the significant benefits of excellent risk management as this framework becomes embedded in 'the way we do things around here'.



Geoff Dangerfield

Chief Executive

B Purpose and scope

The NZTA definition of risk is 'the effect of uncertainty on achieving objectives'. This uncertainty may be either negative or positive, ie a threat to the achievement of NZTA objectives, or an opportunity to achieve objectives more quickly, efficiently or effectively.

In general terms, risk management is the combination of specialist and general activities undertaken to methodically address risks.

This risk management framework sets out the NZTA's arrangements for ensuring that robust, reliable risk management occurs throughout the organisation, and meets the Board's risk management governance obligations.

The purpose of this framework is to:

- describe the components of the NZTA enterprise risk management system
- assure the Board that the NZTA has got the necessary arrangements in place to ensure that effective risk management is implemented at all levels, and across all activities, of the organisation. This is also known as enterprise risk management
- inform NZTA employees of the organisation's arrangements and expectations in regard to risk management.

The NZTA has a statutory obligation to achieve the objectives set out in s43 of the Land Transport Management Amendment Act 2008 ie, 'to undertake its functions in a way that contributes to the aim of achieving an affordable, integrated, safe, responsive and sustainable land transport system.'

Effective enterprise risk management directly contributes to meeting these statutory objectives by reducing the threats to success and realising opportunities to obtain success. It also provides organisational resilience in responding to, managing and recovering from emergency situations.

The NZTA risk management framework recognises that risks may have short, medium and/or long-term impacts on the organisation, requiring different management approaches. Strategic risks are associated with achieving the organisation's longer-term (3+ years) strategic objectives. Tactical risks are associated with the organisation's shorter-term (1-3 years) tactics to implement its strategic aims, while operational risks are associated with the routine activities of 'business as usual'.

The NZTA risk management framework is aligned with the AS/NZS ISO 31000:2009 International Standard: *Risk management: principles and guidelines* and represents current best practice.

This framework is approved by the NZTA Board and applies to:

- all NZTA staff and managers
- all NZTA business and project activities, including all outsourced work and contractors.

Section C below describes the features of an effective enterprise risk management system.

Figure 1 on page 5 provides an overview of the NZTA enterprise risk management framework, each component of which is described in more detail in the following pages.

C Features of an effective enterprise risk management system

It is important for all NZTA staff and stakeholders to have a shared understanding of what an effective enterprise risk management system looks like, ie what the organisation is aiming to achieve in regard to risk management and how it will know when it has achieved it.

This section of the framework sets out the features of an effective enterprise risk management system. The NZTA is committed to ensuring that each of these features is promoted and implemented.

C1 Principles of risk management

The NZTA acknowledges that for risk management to be effective, the following principles from the ISO 31000:2009 risk management standard need to be complied with.

C1.1 Risk management creates and protects value

- by contributing to achievement of objectives and improving performance, eg via legislative and regulatory compliance, use of reliable and accurate information for decision-making, effective project management, operational efficiency and robust governance.

C1.2 Risk management is an integral part of all organisational processes

- including governance, strategic planning, project management, change management and business as usual activities.

C1.3 Risk management is part of decision-making

- by helping decision-makers at all levels in the organisation to accurately assess situations, make informed choices, prioritise actions and select the most appropriate course of action.

C1.4 Risk management explicitly addresses uncertainty

- by identifying and describing the nature and source of that uncertainty.

C1.5 Risk management is systematic, structured and timely

- to ensure consistent, comparable and reliable results which contribute to efficiency.

C1.6 Risk management is based on the best available information

- including historical data, experience, stakeholder feedback, observation, evidence, forecasts, expert judgement
- while taking into account any limitations of the data or modelling used, or possible divergence of expert opinion.

C1.7 Risk management is tailored

- to align with the organisation's external and internal context and risk profile
- to be relevant - it is not a one size fits all.

C1.8 Risk management is transparent and inclusive

- to ensure that the views of all stakeholders are taken into account in the process of identifying, assessing and treating risks
- to ensure that risk management remains relevant and up-to-date.

C1.9 Risk management is dynamic, iterative and responsive to change

- to ensure that risk management senses and responds to changes in the external and internal context, including changes in knowledge. New risks emerge, current risks change and others disappear.

C1.10 Risk management facilitates continual improvement of the organisation

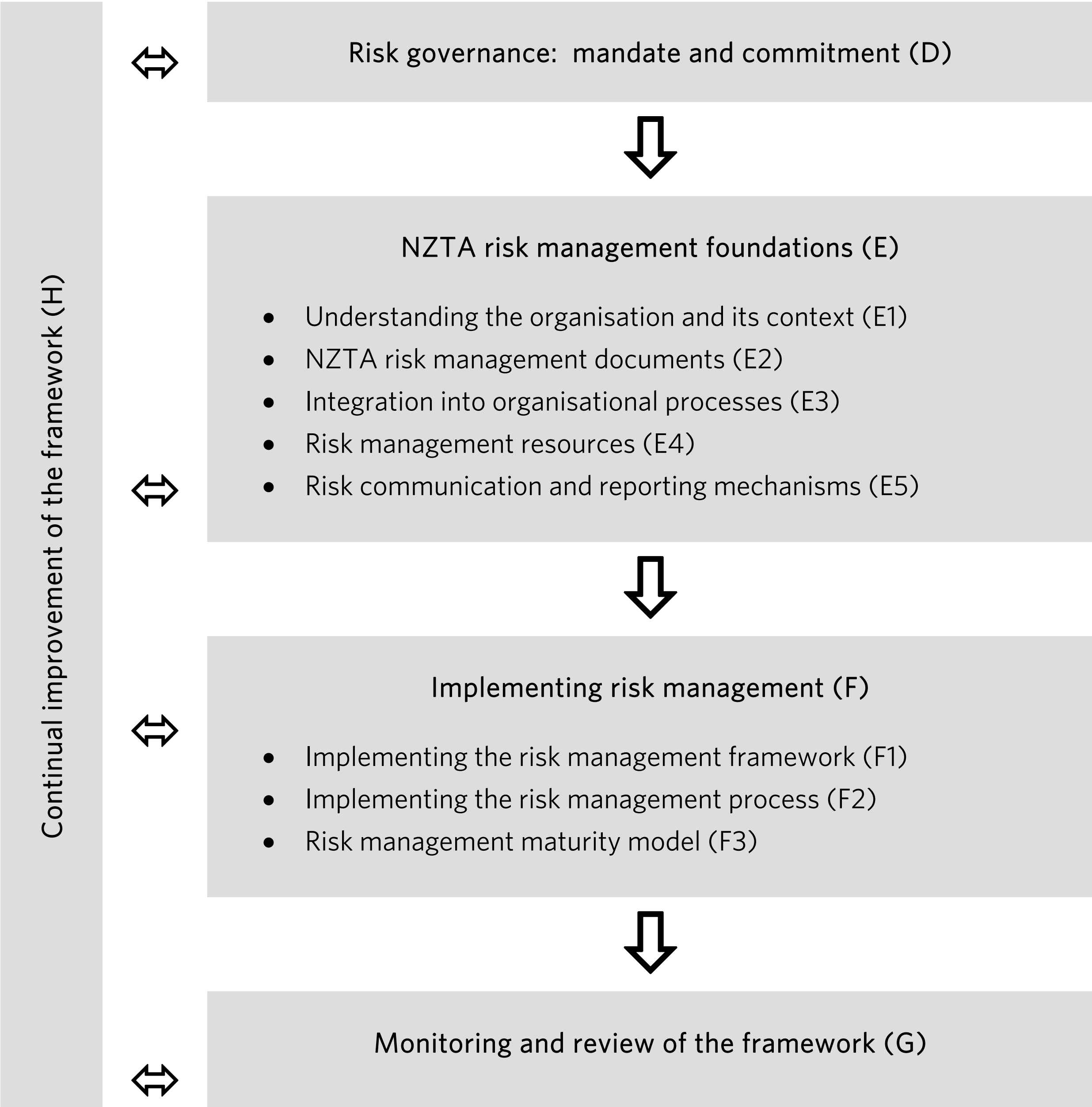
- by implementing risk treatments which improve the organisation's capability of achieving its goals
- by building the organisation's capacity to recognise and reduce risk in both the present and the future.

C2 Risk management maturity model

- The NZTA risk management maturity model (see Appendix 1) illustrates the different stages of maturity of risk management in an organisation. This diagram summarises what effective (synergised) risk management looks like.
- At any one time, different parts of the organisation may be at different maturity stages. All parts of the NZTA should be moving towards greater maturity as it is at the synergised level of maturity that the greatest benefits of risk management are gained and the greatest value added to the organisation.
- It is possible for areas to go backwards in maturity level if there are changes in personnel and knowledge of the NZTA risk management systems and processes.
- Overall the NZTA is working to achieve – as a minimum - the managed level of maturity in all parts of the organisation as soon as possible, with a move to the synergised level by 2012.

Figure 1: NZTA enterprise risk management framework

Adapted from AS/NZS ISO 31000:2009 *Risk management: principles and guidelines.* Letters refer to the relevant section of this framework which provides more detail.



D Risk governance - mandate and commitment

The mandate for risk management comes from the NZTA Board and Senior Leadership Team (SLT). The continuous engagement and support of these groups is critically important – without it, risk management fails. These governance groups understand this and are committed to ensuring sustainable and effective risk management in the NZTA.

This commitment must be mirrored by NZTA management and staff at all levels in the organisation.

The NZTA Board and SLT lead this commitment by:

- endorsing and implementing the NZTA risk management framework, strategy, and policy and ensuring that these are updated to remain relevant
- understanding the value added by risk management and communicating this to staff and stakeholders
- aligning risk management activities with the achievement of organisational objectives
- ensuring legislative and regulatory compliance
- assigning accountabilities and responsibilities for risk management at appropriate levels within the organisation
- ensuring independence of the Audit, Risk and Assurance team such that risks can be raised to the highest level without fear of punitive outcome
- allocating the necessary resources to risk management, eg expert advice, education, facilitation, coordination
- challenging executive and management decisions and proposals
- creating an organisational culture which encourages transparent identification and open discussion of risks, ie threats and opportunities
- monitoring the effectiveness of NZTA risk management and ensuring actions are taken to continually improve it.

E NZTA risk management foundations (E)

There are five foundations which must be in place as pre-requisites and/or corequisites for implementing successful risk management. These foundations are described below.

E1 Understanding the organisation and its context

The environment within which the NZTA operates has potentially significant impact on its ability to achieve its objectives. The environment also sets some parameters for the way risk management must be implemented, eg legislative requirements, ministerial directives.

To fully understand the risk exposure of an organisation, a thorough knowledge of the organisation and the environment in which it operates is required.

The NZTA risk management framework has been designed to be effective within its specific internal and external environments which are summarised below.

E1.1 External environment context

Some features of the external environment (ie environmental features outside the NZTA's control) within which NZTA operates are as follows:

Social	• Respect for people regardless of age, gender, race, physical and mental health, religion, wealth. • Focus on supporting healthy and safe communities.
Political	• The Minister of Transport sets expectations for the performance of the NZTA. • The Ministry of Transport has reporting requirements which must be met. • As a Crown entity the NZTA operates within the State Services Commission standards of integrity and conduct. • Strong media interest in the NZTA as a publicly funded organisation.
Cultural	• The NZTA recognises, understands and respects the rights of Māori under the Treaty of Waitangi and subsequent legislation. • The NZTA seeks to understand and accommodate where possible the views of all cultures in NZ and with whom the NZTA is doing business.
Legal and regulatory	• The NZTA functions in accordance with the requirements of multiple acts of legislation, but of particular importance are the Land Transport Management Act 2003 and the Resource Management Act 1991.
By-laws	• NZTA business complies with local authority by-laws including the need to obtain consents for changes to land use.
Financial	• NZTA business is impacted on by interest rates, currency exchange rates, international markets and product price fluctuations.
Technological	• The NZTA operates in a highly technological business and needs to keep abreast of national and international transport related innovations and trends.

Economic	• Recessions and upturns in the economy affect availability and costs of contractors and construction project managers, procurement etc.
Natural environment	• New Zealand's relatively high potential for events such as floods, earthquakes and land slips require a strong focus on emergency management, disaster recovery and business continuity. • The NZTA is aware of the importance of natural environments and seeks to minimise the impact of its activities on these.
Competitors	• Competitors' strengths and weaknesses may pose threats or offer opportunities to the NZTA.
International	• Impact of political unrest or economic growth/decline in other countries has the potential to impact on NZTA business. • Benchmarking with other national transport agencies can be used to identify opportunities.
External stakeholders	• NZTA business is subject to stakeholder perceptions, values and demands. Stakeholders include customers, road users, transport providers, contractors, consultants, Ministry of Transport, Minister of Transport.

E1.2 Internal environment context

The NZTA's internal environment (ie environmental features within its control) includes the following:

Governance and structure	• Clear lines of responsibility and accountability exist for achieving NZTA objectives and there is regular reporting on progress.
Objectives	• The *Government policy statement on land transport funding* is the primary source of NZTA objectives and the organisation's risks are associated with not achieving these on time and on budget.
Policies and procedures	• Implementation of policies and procedures is an important risk control. • NZTA policy manuals specify responsibilities for actions which must be taken by staff and managers across the organisation to ensure regulatory and legislative compliance, and monitoring of contractors' and suppliers' performance. • The NZTA internal audit programme audits compliance with policies relating to high risks.
Resources	• NZTA has allocated sufficient personnel to support and encourage effective risk management. • NZTA is committed to implementing effective risk management software. • Staff will need to attend risk management education and implement risk management within their areas.

Information systems	• The NZTA's information systems remain under development to achieve a single unified system across the organisation. • Relevant organisational information is an essential requirement for effective risk management and the NZTA acknowledges that risk management may be compromised to some extent while the planned information system improvements are being implemented and accurate, timely information is not always available.
Culture	• The NZTA is a relatively new agency and is working towards developing a fully cohesive culture. • The NZTA's geographic dispersion across New Zealand, physical separation of NZTA offices within cities, and widely disparate activities within the business pose risks of duplication, gaps and inconsistency in information and activities.
Contractual relationships	• Much of the NZTA's highway activity is contracted out through project management consultants who oversee contracted construction work. • High volume counter transactions are managed through an extensive agent network. • This adds significant complexity to the NZTA's risk management environment through the vicarious liability that the NZTA holds for work done under its responsibility as principal.
Capability	• Workforce numbers, skill, turnover and availability significantly impact on the NZTA's ability to function efficiently and effectively.
Organisational factors	• NZTA culture, structure, staff morale, business goals and objectives, projects, business processes and funding mechanisms all have significant potential to impact on the NZTA's achievement of its goals. • The three themes of the NZTA Organisational Development Strategy are mirrored in the NZTA's approach to risk management: – Developing our people (to implement risk management). – Working with others (to ensure risk management is fully integrated across the organisation). – Building one Agency (by centralising the risk management function).

E2 NZTA risk management documents

A suite of four documents exists to describe the NZTA's risk management system and processes. These are the foundation documents for risk management within NZTA. Appendix 2 illustrates the organisational coverage of these documents.

Document	Purpose	Endorsed by
Risk management framework (reviewed at least three-yearly)	**Why and how the NZTA ensures effective risk management.** To describe the rationale for risk management and the NZTA foundations and arrangements for ensuring that effective risk management is implemented at all levels throughout the organisation.	Audit, Risk and Assurance Committee and Senior Leadership Team
Risk management strategy (reviewed annually as part of the business planning process)	**What risk management strategies NZTA will implement.** To define the NZTA vision for risk management. To specify NZTA commitment to providing an organisational environment that supports effective risk management. To specify NZTA risk appetite.	Senior Leadership Team
Risk management policy (reviewed at least three-yearly)	**How the risk management framework and strategy will be implemented and Who is responsible for various aspects of implementation.** To specify: • the responsibilities and accountabilities of staff and managers for implementing risk management within their area of control • the linkages between and within NZTA groups and business processes to ensure that risk management is fully integrated into all business activities, while avoiding duplication and gaps • how risk management performance – at individual, group and organisational levels - will be measured and reported • communication mechanisms for: – involving key stakeholders in NZTA risk management – complying with legal, regulatory and governance reporting requirements – communicating and escalating risks.	Senior Leadership Team
Risk management manual (updated as needed)	**How to manage risk.** To provide detailed guidance, tools and templates (eg risk treatment plan template) to NZTA staff, line managers, project managers and contractors to assist them to implement effective and efficient risk management consistently across the organisation.	Chief of Assurance and Risk

In addition, all other NZTA policies, manuals and templates serve to mitigate risk by specifying the organisation's requirements for the management of a range of different risks, eg health and safety, people management, security, business continuity, finance, information services, procurement, asset management and contract management.

E3 Integration into organisational processes

Effective risk management must be embedded in NZTA systems and processes to ensure that it is part of 'the way we do business'. In particular risk management must be embedded in the following key organisational processes:

E3.1 Annual strategic and business planning processes

- Risk identification occurs at the beginning of the annual strategic and business planning cycle to inform planning and budgeting for the following financial year.
- Risks which might threaten or enhance the achievement of business objectives are identified as part of the business planning process, and risk treatment plans are developed to manage these risks (refer to the *Risk management manual* for a detailed description of risk treatment plans).
- Each business plan (at national, NZTA group and regional levels) has an accompanying risk treatment plan.

E3.2 Annual budgeting and capital planning processes

Costs of implementing the annual risk treatment plans need to be considered and incorporated into the annual budgeting processes to ensure the necessary resources are available to implement the risk treatment plan.

E3.3 Project management

All projects include risk management, and escalation of risks as required.

E3.4 Development and review of policies and procedures

NZTA policies and procedures specify the organisation's approach and expected actions to manage a variety of risks associated with legislative compliance and regulation, including health and safety, people management, financial management, asset management, contract management and procurement.

E3.5 Contract management

Contract management is a key process for managing the risks associated with outsourcing work. It is therefore essential to have good risk management processes embedded into contract management, and escalation of risks as required

E3.6 Procurement and asset management

Both the procurement and asset management processes expose the NZTA to significant risk in terms of money spent for value gained/retained. The risk management process ensures that these risks are identified and managed.

E3.7 People management processes

Risk management responsibilities are:

- included in all NZTA position descriptions
- included in the NZTA induction process

- included in NZTA education programmes
- assessed in individual staff performance reviews.

E3.8 NZTA performance reporting processes

Progress in implementing NZTA and group risk treatment plans is reported as part of the NZTA performance reporting process.

E4 Risk management resources

The NZTA allocates the resources necessary to ensure organisational risk management capability.

E4.1 Personnel with relevant knowledge, skills and experience

- Chief of Assurance and Risk.
- Assurance and Risk: Risk Management Specialist.
- Information Services: Assurance and Risk Management Specialist (other groups may employ similar roles in future).
- Internal auditors.
- Health and Safety Coordinator.
- NZTA Risk Management Steering Group (refer to Appendix 3 for the terms of reference).

E4.2 Specialised risk control functions within our management systems including:

- Insurance.
- Internal audit.
- Health and safety management.
- Hazard management.
- Business continuity/emergency response planning.
- Security systems – for buildings and information.
- HNO quality assurance.
- Contracting.

E4.3 Risk management system support including:

- Risk management documents.
- Tools and templates.
- Risk management software.
- Information management systems.
- Reference materials.
- Education.

E5 Risk communication and reporting mechanisms

Robust risk communication and reporting mechanisms are necessary to encourage and support accountability and ownership of risk, as well as building stakeholder confidence that the organisation is identifying and addressing its risks.

E5.1 Internal communication and reporting

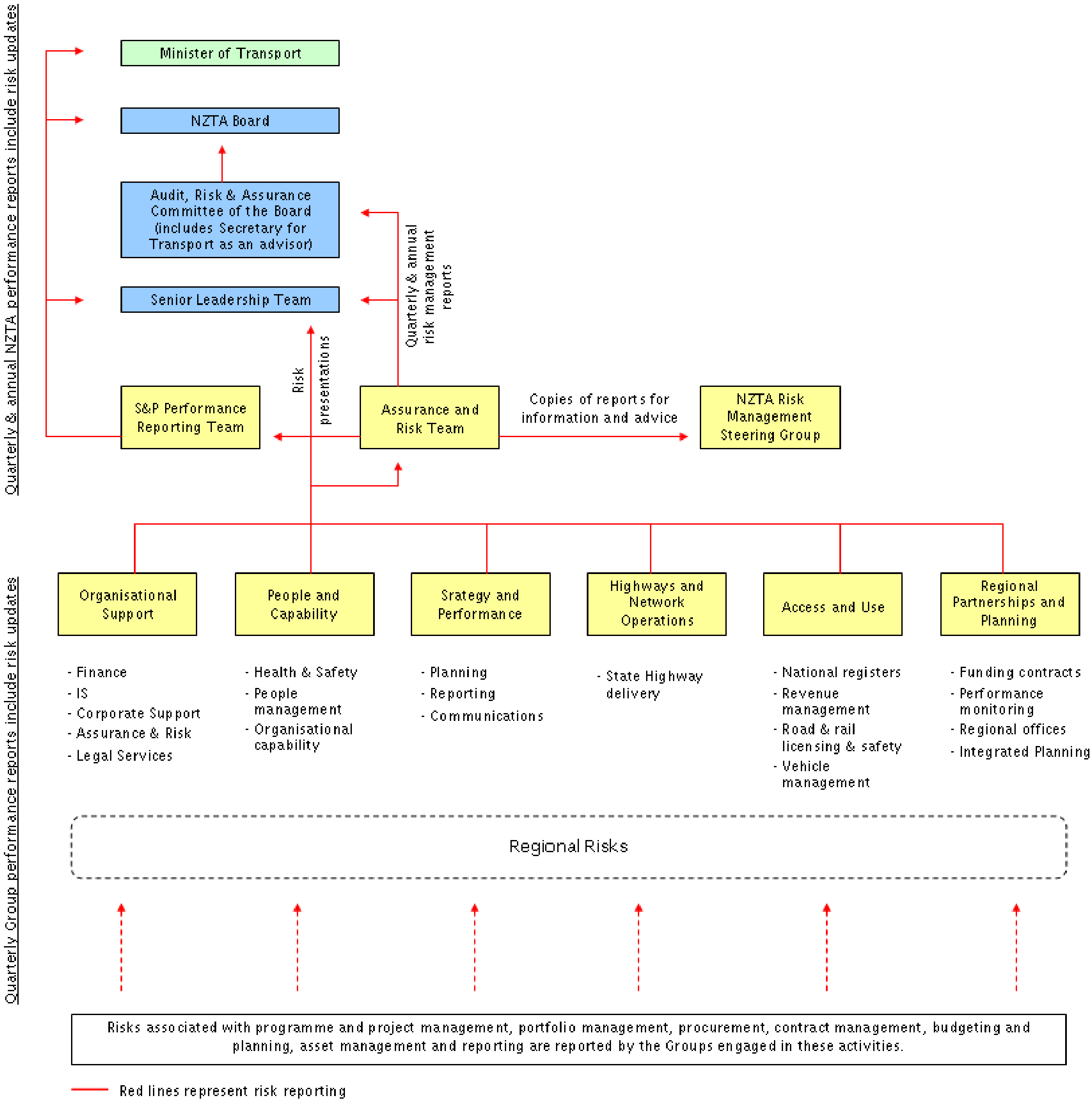
- Clear responsibilities and accountabilities for risk management are stated in position descriptions, policy documents, delegations of authority and performance review templates.
- Quarterly risk reports are provided to the Senior Leadership Team and the Audit, Risk and Assurance Board Committee.
- Quarterly Senior Leadership Team reviews identify emerging and decreasing risks.
- The Chief of Assurance and Risk informs the Audit, Risk and Assurance Board Committee of any new or emerging risks of potential significant impact to the achievement of business objectives.
- The NZTA is committed to having a workplace where risks are openly discussed within the team, and escalated to managers as needed.

E5.2 External communication and reporting

- Reports are made to the relevant external agencies to comply with legislative, regulatory and governance requirements, eg health and safety serious harm reports to Department of Labour.
- Quarterly NZTA risk reports are provided to the Minister and Ministry of Transport.
- Communications with stakeholders in the event of a crisis or contingency actions are made through the media and the NZTA internet site.

Figure 2 below illustrates the NZTA risk reporting structure.

NZTA Risk Reporting Structure



F Implementing risk management

F1 Implementing the risk management framework

The actions required to implement this risk management framework are specified in the NZTA risk management strategy and the NZTA risk management policy.

F2 Implementing the risk management process

The risk management process (see Appendix 4) specifies the co-ordinated activities involved in managing risk i.e. how to put the theory into practice.

A simplified list of risk management process components is the 7Rs and 4Ts[1]:

- Recognition or identification of risks.
- Ranking or evaluation of risks.
- Responding to risks.
  - Tolerate.
  - Treat.
  - Transfer.
  - Terminate.
- Resourcing controls.
- Reaction planning (emergency response).
- Reporting and monitoring risk performance.
- Reviewing risk management effectiveness.

For opportunity risks, an additional option is to exploit the risk.

The NZTA Risk Management Policy and Manual describe in detail how to implement each step in the risk management process.

G Monitoring and review of the risk management framework

This risk management framework has been developed at a point in time. As the organisation, its personnel and its objectives change, it is important that the framework remains relevant and continues to work effectively in line with expectations.

It is also important to learn from our risk management experience.

For these reasons the framework will be monitored and reviewed regularly. Any gaps or duplication of activity will be documented and remediated.

The involvement of the NZTA internal audit function is important, and it is essential that the independence and objectivity of internal audit are not compromised.

[1] From *A structured approach to enterprise risk management (ERM)* and the requirements of ISO 31000, AIRMIC, Alarm, IRM 2010.

Table 1 NZTA risk management framework monitoring regime

	Actions	By whom	Timeframes
G1	To report on the following indicators: • % of required risk treatment plans (as specified in the NZTA *Risk management policy*) documented and held on central record (target = 100%). • % of managers who have attended/completed risk management education sessions (target = 100% within two years)..	Risk management specialist	Quarterly
G2	To provide evidence that risk treatments are successful in reducing / managing NZTA risk levels, and that emerging risks are identified as soon as possible	Risk management specialist	Quarterly
G3	To audit compliance with the *Risk management policy* so that any changes needed can be made as part of the policy review process.	Assurance and Risk team	Annually
G4	To review the effectiveness of the NZTA *Risk management framework.*	Risk Management Steering Group	Annually in July
G5	To present an annual report on NZTA risk management performance and effectiveness to SLT and the Audit, Risk and Assurance Committee (include: learning from experience; insurance cover; emergency and business continuity preparedness; legislative compliance; changes to internal and external context and any risk management responses to these).	Assurance and Risk team	Annually in August
G6	To evaluate the NZTA culture of risk awareness.	Risk management specialist	Three-yearly

Note: These measures may change as the organisation's level of risk maturity evolves.

H Continual improvement of the risk management framework

The NZTA risk management framework is reviewed at least annually (see G5 above) to identify whether changes are needed to make it more effective in achieving increasing maturity of risk management in the organisation. These changes are made as needed.

I Further information

The NZTA risk management framework has been written with the aim of ensuring that staff, managers, Board members and the public understand the NZTA approach to, and mechanisms for, effective risk management.

If you have any queries about any aspect of risk management please contact Barbara Crawford, Risk Management Specialist, Assurance and Risk ext. 6286.

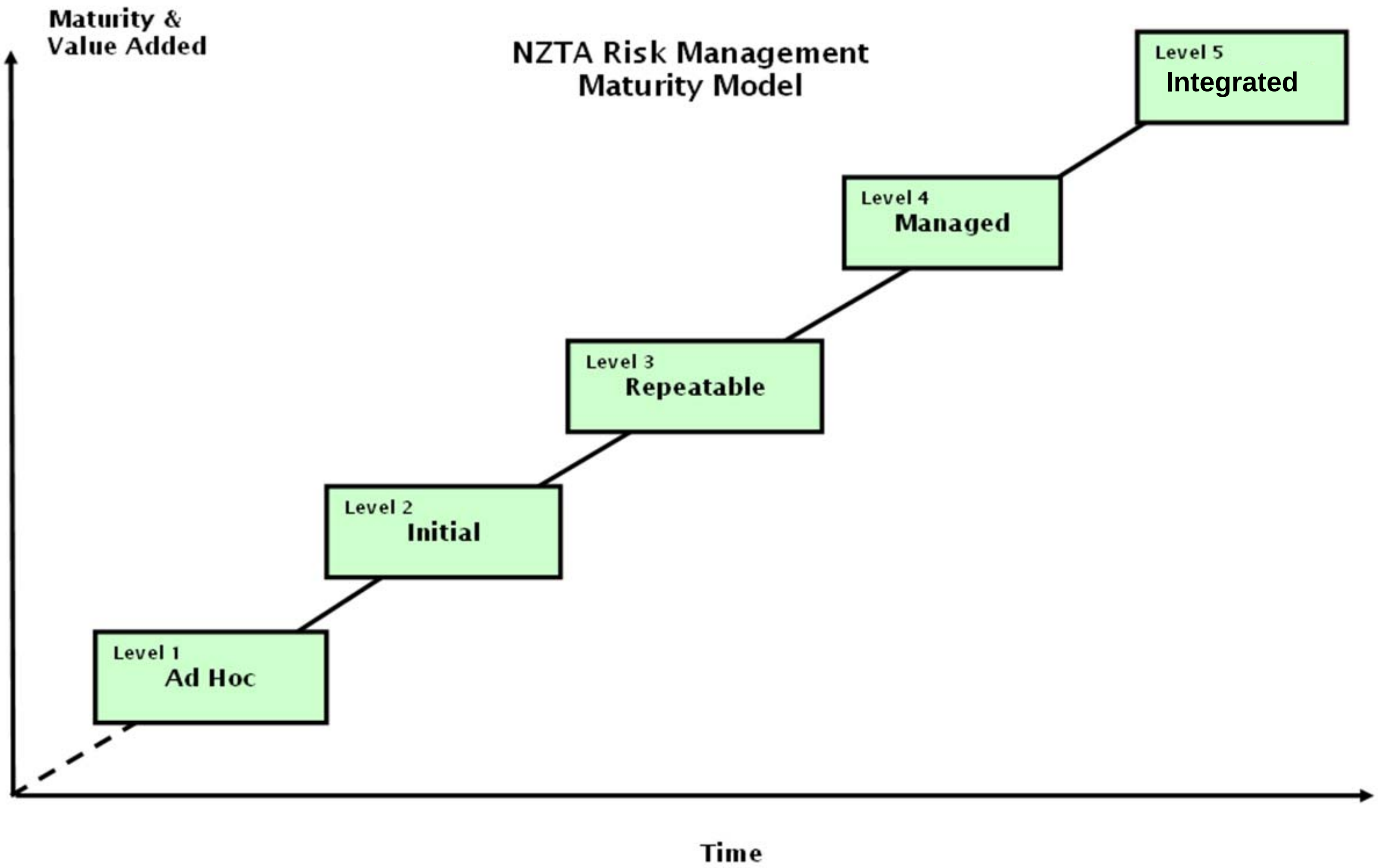
J References

AS/NZS 4360:2004 *Risk management.*

AS/NZS ISO 31000:2009 *Risk management: Principles and guidelines.*

A structured approach to enterprise risk management (ERM) and the requirements of ISO 31000, AIRMIC, Alarm, IRM 2010.

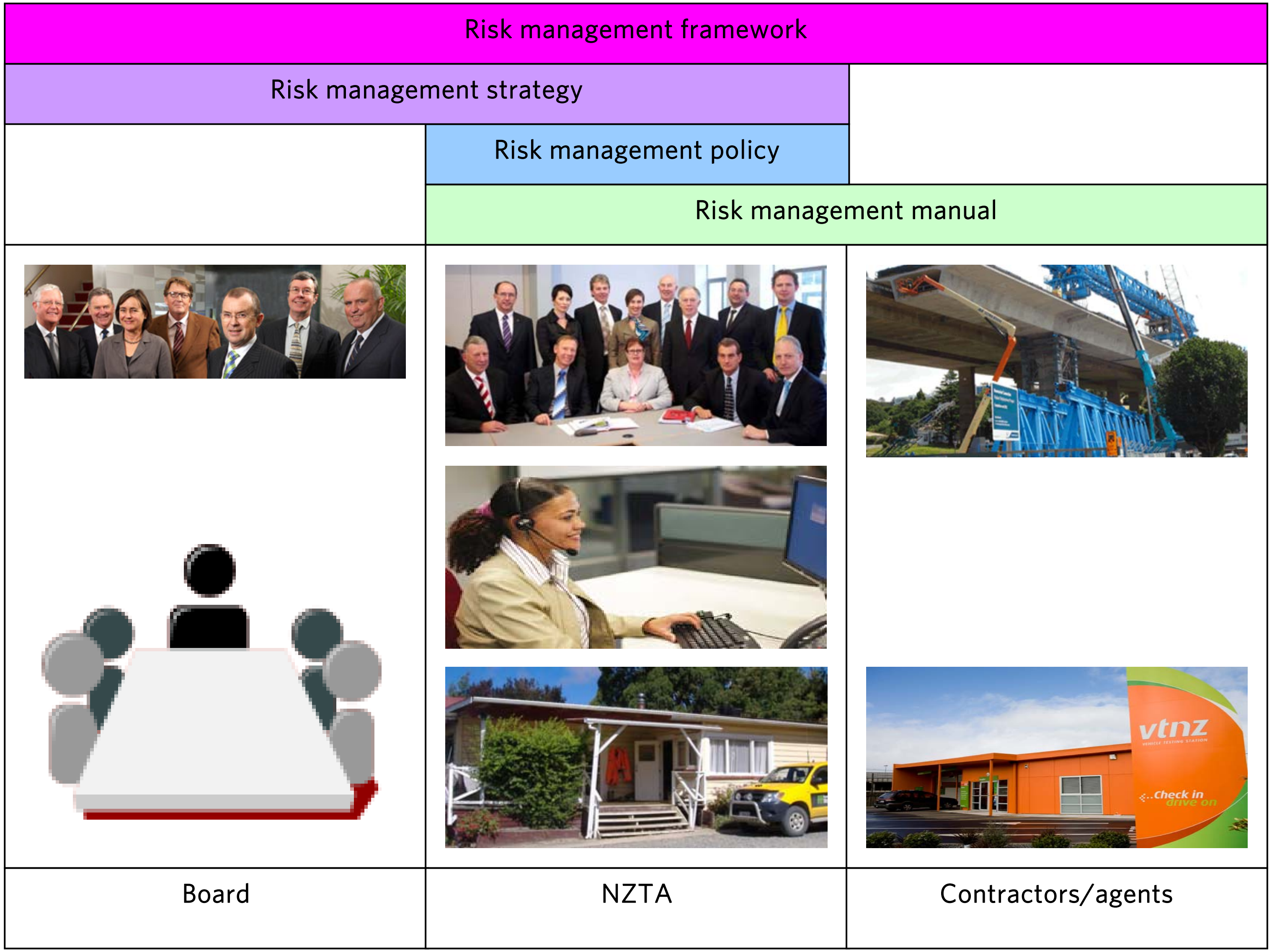
Appendix 1: NZTA risk management maturity model



NZTA risk management maturity model

Maturity level	Leadership	Culture	Risk management procedures	Capability	Integration	Monitoring
Ad hoc 1	Senior leaders address high level risks as they arise. Short-term RM focus. Reactive RM.	Perception that notifying a risk is a sign of failure. RM seen as a cost, not a benefit.	No standardised RM procedures. Ad hoc approaches applied on a case-by-case basis.	No understanding or experience of risk management and its link to the achievement of business objectives.	RM is seen as an 'extra' which must be done in response to a crisis situation.	No monitoring or reporting of risks.
Initial 2	Board mandate for risk management. One senior leader has responsibility for RM. Specific risks discussed at senior leadership meetings.	Recognition that some risks exist and need to be addressed. Risks are discussed informally and escalated as deemed appropriate by the individual.	RM procedures are beginning to be identified and are communicated verbally. High reliance on the knowledge of individuals.	External expert RM advice obtained. Some RM education may be provided to senior leaders. Heavy reliance on historical practice.	RM is seen as an additional requirement to business as usual.	RM reports provided to Board annually or six-monthly. These are narrative and based on the knowledge of key individuals.
Repeatable 3	Senior leaders regularly review risk reports. Strong focus on compliance risks. Medium-term RM focus.	Growing awareness of risk. Increasing willingness to use formal channels to notify and escalate risks. Low morale of risk champions.	RM policy and procedures documented but only partial/ inconsistent implementation. Some RM tools and templates developed.	One or more in-house RM experts appointed. RM education sessions provided to some staff and managers. RM expertise limited to a few.	RM is applied primarily to projects.	Compliance with RM policy is variable across the organisation. Risk reporting remains largely qualitative.
Managed 4	Organisational risks are identified and a plan is developed to address these. Each senior leader actively promotes risk management within their areas as a means to achieve business goals and to add value.	Risks are regularly identified by staff and managers and escalated as required. There are no surprises. RM still seen as an add-on to business as usual. Longer-term RM focus implemented.	RM policy and procedures are regularly reviewed to incorporate best practice RM. Appropriate RM tools and templates are available to staff. RM implementation plan exists. All key risks recorded in one repository.	Adequate in-house RM support appointed. RM responsibilities are documented in all position descriptions. All new staff receive key RM information. RM education sessions regularly available.	RM is applied vertically through the line management structure. Silo thinking results in duplication of effort to address the same risk separately in different areas. Silo responses to risks may negatively impact on other services.	Compliance with RM procedures is monitored and actions taken to address non-compliance. Achievement of risk plans is reported at least quarterly. Some quantitative RM analysis occurs.
Integrated 5	Board and senior leaders model best practice RM. RM is not a separate agenda item but incorporated into 'the way we do business'. Customer and supplier input sought. Proactive approach.	RM is central to business as usual. All decision-making involves explicit consideration of risks. Increasing focus on opportunities, process improvement, innovation and adaptability.	RM framework and strategy documented and known to staff. RM procedures are continuously improved based on benchmarking/learning from other organisations.	Most staff and managers are competent in RM. External advisors may be used under the initiative of in-house personnel. RM success is celebrated.	RM occurs across hierarchies and organisation boundaries. RM is applied to key business processes operating across the organisation.	Full qualitative and quantitative RM trend analysis occurs. Effectiveness of RM is monitored and informs future RM. RM failures reviewed to identify learnings.

Appendix 2: NZTA risk management documents



Appendix 3: NZTA Risk Management Steering Group terms of reference

Purpose

The role of the steering group is to assist the Assurance and Risk Group to fulfil its responsibilities for establishing effective risk management processes associated with NZTA's activities.

Key accountabilities

- Provide advice on operational aspects of risk management, to ensure the NZTA's risk framework, policy and practices comply with the relevant external standards and are workable and achievable.
- To maintain oversight of the NZTA's risk profile and the organisation's effectiveness in managing and reducing risk.
- To participate in the assessment of risk management software packages.
- To monitor the effectiveness of the NZTA risk management framework.

Sponsor

Chief of Assurance and Risk

Authority

The steering group shall have access to all risk management information necessary to fulfil its oversight responsibilities.

Key relationships

Chief of Assurance and Risk

Composition and structure

Chair (inc any special powers)	Risk management specialist
Size and membership	Regional Partnerships and Planning – level 3 manager Regional Director Highway and Networks Operations – level 3 manager Strategy and Performance – level 3 manager Access and Use – level 3 manager People and Capability – level 3 manager Chief Financial Officer Chief Information Officer Health and Safety Manager Corporate Services representative Legal Services representative

Attendance	Quorum of three plus risk management specialists and/or Chief of Assurance and Risk.
Appointment procedures	Appointments by nomination of Group or section managers on the basis of skills, knowledge and experience.
Term	24 months.
Steering group review and performance evaluation	Annual review and evaluation of Steering Group performance and Terms of Reference. Next review June 2010.
Resources available	Team administrator for Legal Services/Assurance and Risk to take minutes. The steering group has the authority to: • contact or interview any staff member in regard to risk management • obtain any risk related document • seek advice required to discharge its functions.
Meetings timing and frequency	Quarterly meetings to occur after the submission of each quarterly risk report to the Senior Leadership Team: October, February, April, July. Agenda to be distributed one week in advance of the meeting. Minutes to be distributed within one week of the meeting.
Reporting	Minutes of all meetings reported to Chief of Assurance and Risk with recommendations as appropriate.

Appendix 4: Risk management process

From AS/NZS 4360: *2004 Risk management standard*. Refer to NZTA Risk management policy and manual for implementation detail.