



AGENDA

Audit and Risk Sub-committee Meeting

**I hereby give notice that a Meeting of the Audit and Risk
Subcommittee will be held on:**

Date: Thursday, 20 May 2021

Time: 1.30pm

**Location: Council Chamber
Ground Floor, 175 Rimu Road
Paraparaumu**

**Mark de Haast
Group Manager Corporate Services**

Kapiti Coast District Council

Notice is hereby given that a meeting of the Audit and Risk Subcommittee will be held in the Council Chamber, Ground Floor, 175 Rimu Road, Paraparaumu, on Thursday 20 May 2021, 1.30pm.

Audit and Risk Subcommittee Members

Mr Bryan Jackson	Chair
Cr Angela Buswell	Deputy
Mayor K Gurunathan	Member
Deputy Mayor Janet Holborow	Member
Cr Gwynn Compton	Member
Mr Gary Simpson	Independent

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1 WELCOME**2 COUNCIL BLESSING**

“As we deliberate on the issues before us, we trust that we will reflect positively on the communities we serve. Let us all seek to be effective and just, so that with courage, vision and energy, we provide positive leadership in a spirit of harmony and compassion.”

I a mātou e whiriwhiri ana i ngā take kei mua i ō mātou aroaro, e pono ana mātou ka kaha tonu ki te whakapau mahara huapai mō ngā hapori e mahi nei mātou. Me kaha hoki mātou katoa kia whaihua, kia tōtika tā mātou mahi, ā, mā te māia, te tiro whakamua me te hihiri ka taea te arahi i roto i te kotahitanga me te aroha.

3 APOLOGIES**4 DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA**

Notification from Elected Members of:

4.1 – any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting, and

4.2 – any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968

5 PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA**6 MEMBERS' BUSINESS**

- (a) Public Speaking Time Responses
- (b) Leave of Absence
- (c) Matters of an Urgent Nature (advice to be provided to the Chair prior to the commencement of the meeting)

7 UPDATES

Nil

8 REPORTS

8.1 PROGRESS UPDATE REGARDING AUDIT CONTROL FINDINGS 2019/20

Author: Anelise Horn, Manager Financial Accounting

Authoriser: Mark de Haast, Group Manager Corporate Services

PURPOSE OF REPORT

- 1 This report provides the Audit and Risk Subcommittee with a progress update regards Ernst & Young's Report on Control Findings for the year ended 30 June 2020.

DELEGATION

- 2 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1.
 - *Reviewing and maintaining the internal control framework.*
 - *Obtaining from external auditors any information relevant to the Council's financial statements and assessing whether appropriate action has been taken by management in response to the above.*

BACKGROUND

- 3 In accordance with New Zealand Auditing Standards, Ernst & Young (Audit) performed a review of the design and operating effectiveness of the Council's significant financial reporting processes as part of their audit for the year ended 30 June 2020.
- 4 Control risk matters and/or issues are classified as high, moderate or low. Control risk definitions are as follows:
 - **High Risk** – matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
 - **Moderate Risk** – matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should normally be taken within six months.
 - **Low Risk** – A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6 -12 months.
- 5 Audit identified ten control risk issues for the year ended 30 June 2020, ranging from low to moderate risk rankings. The table at the end of the report, details the year to date progress against these control findings.
- 6 In keeping with standard practice, Audit will consider whether these control findings can be closed-out, as part of their audit for the year ended 30 June 2021.

CONSIDERATIONS

Policy considerations

- 7 There are no policy implications arising from this report.

Legal considerations

- 8 There are no legal considerations arising from this report.

Financial considerations

- 9 Financial issues have been covered as part of this report.

Tāngata whenua considerations

- 10 There are no tāngata whenua considerations arising from this report.

SIGNIFICANCE AND ENGAGEMENT**Significance policy**

- 11 This matter has a low level of significance under the Council's Significance and Engagement Policy.

Publicity

- 12 There are no publicity considerations.

RECOMMENDATIONS

- 13 That the Audit and Risk Subcommittee notes the progress update in regards to Ernst & Young's Report on Control findings for the year ended 30 June 2020 and that Ernst & Young will re-assess these as part of their audit for the year ended 30 June 2021.

APPENDICES

Nil

Summary of Control Findings for the year ended 30 June 2020

1. Payroll review controls (Moderate)	
Target date for completion and current status	30/06/21 Completed
Ernst & Young Audit Observation and Implication	<p>Through our review of the controls in place for monitoring payroll expenses and changes to payroll static data we noted the controls functioned appropriately for most of the year. However; during the Covid-19 lockdown period, the review elements of the fortnightly payrun process function did not operate as they ordinarily would. For example, during this period whilst the Payrun reports such as the variance report and the reports identifying changes to payroll static data were produced, these were not reviewed.</p> <p>Implication - The absence of regular reviews of payroll masterfile data and changes to that data can increase the risk of errors going undetected.</p>
EY Audit Recommendation	We recommend that management consider how payroll static data and changes to this could continue to be reviewed effectively in remote working scenarios.
Action Plan	<p>We accept the findings and recommendation from audit.</p> <p>Covid-19 lock down restrictions presented a challenge for remote payroll operations due to the reliance on paper documentation. Variance reports and reports identifying changes made to static payroll data were reviewed and checked by Payroll Officers but not signed off by the Manager as an electronic approval process was not in place.</p> <p>Manager review and sign off re-commenced under restricted access (Level 3) and full return to the office (Level 2).</p> <p>A new electronic folder (with controlled access) has been set up which will, in the future, enable checking and sign off by the Manager without the reliance on paper reports.</p> <p>Responsibility: Organisational Development Manager</p>
Progress Update	The electronic verification and approval process has been put in place and is used when the Manager is absent from the office. This process appears to be working effectively.

2. Service requests – Accuracy of response and resolution times (Moderate)	
Target date for completion and current status	30/06/2021 Ongoing
Ernst & Young Audit Observation and Implication	<p>One of Council's key activities is managing, and responding to, requests for service that ratepayers make of Council. KCDC uses the MagiQ system to record and monitor these requests. When a member of the community makes a request the time of the request, actions taken to respond to and resolve the request, and the time these actions were taken are all recorded in the system. This data then forms the basis for reporting a number of performance measures which relate to how quickly Council have either responded to, or resolved, requests for service relating to a particular area of operations.</p> <p>In completing our testing of performance reporting information, we identified multiple instances where the response and resolution times used as a basis for calculating measures were inconsistent with the times indicated on job sheets that were completed for those jobs by the staff attending to the request.</p> <p>This was observed for water supply, waste water and stormwater when measuring response or resolution times to urgent and non-urgent requests.</p> <p>This is primarily the result of the resolution time captured in the system reflecting the time service was restored based on discussion with the staff that have completed the task. However; this was not supported by the information in the job sheets. This was most prevalent for the first nine months of the 2020 financial year. From March 2020 onwards management implement a new process whereby job sheets are stamped with the time service was restored or the issue was resolved.</p> <p>Implication - Since a number of performance measures require reporting of response or resolution times discrepancies in the time recorded will lead to incorrect metrics being reported. Whilst this has implications for Council's non-financial performance reporting it also impacts management's ability to understand the team's responsiveness to ratepayer requests and any resourcing or process issues that may need to be remedied to allow timely responses to requests.</p>
EY Audit Recommendation	Council continue to follow the new process that provides greater clarity of resolution times. Once the new process has been operating for a notable period of time consideration should be given to the extent that it has remediated the original underlying issue.
Action Plan	<p>We accept the findings and recommendation from audit.</p> <p>Mid-way through the 2020/21 financial year we will run reports and test a sample of service requests to assess the extent that the underlying issues have been remediated.</p> <p>Responsibility: Group Manager, Infrastructure</p>
Progress Update	The new process for capturing resolution times on job sheets and in MagiQ has improved accuracy of the reported data and is continuing. An internal audit step is also part of the process, which involves a team leader checking the accuracy of the data after it is inputted to MagiQ from the job sheets. A report for the first six months of the 2020/21 year revealed only a small number of anomalies which appear to relate to keying errors resulting from the manual data collection and entry process. These anomalies are able to be identified through an additional check at month-end and at year-end to ensure the data is clean for the annual report. A more sustainable solution would require automation of the process (e.g. use of handheld devices on site to time-stamp actions) to reduce risk of human error and improve on-site efficiency.

3. Service requests - Monitoring of roading requests for service (Moderate)	
Target date for completion and current status	30/06/2021 On-going
Ernst & Young Audit Observation and Implication	For the access and transport measure relating to the Council's response time to requests for service for roads and footpaths Council were unable to accurately split the requests for roads and footpaths service that have been responded to within the target timeframes (urgent and non-urgent). Implication - Because requests for service in MagiQ are unable to be split between those relating to roads and footpaths, Council is unable to report an outturn for the year against this target and instead an overall result is included in the Annual Report.
EY Audit Recommendation	We recommend that a system based tagging process is set-up to record the needed information.
Action Plan	We will investigate whether it is possible for our road maintenance contractor to reconfigure their systems to allow us to report more accurately on the KPI for the 2020/21 financial year. If this proves difficult to do, our position will be to continue reporting overall performance against contracted timeframes, and then amend the KPI through the Long Term Plan process to ensure that it can be reported on accurately (whilst adhering to the DIA requirements). Responsibility: Group Manager, Infrastructure
Progress Update	We are continuing to report the combined road and footpath measures, whilst altering our systems to allow us to report individually against roads and footpaths, as per the DIA measure. This new system will be in place by 30 June 2021.

4. Approval of expenditure (Low)	
Target date for completion and current status	31/06/2021 On-going
Ernst & Young Audit Observation and Implication	<p>KCDC's General Expenses policy states "one-up authorisation must be given to the person who will benefit or might be perceived to benefit from the expenditure."</p> <p>We noted six instances where an expense claim was either authorised by a person who was not one up from the individual that incurred the costs or not one up from the most senior individual that benefited or might be perceived to have benefited from the expenditure. In all of these instances we are satisfied that the expenditure was appropriate but improvements could be made regarding how the relevant controls were executed.</p> <p>Implication –This may increase the risk that inappropriate expenditure goes undetected. This policy also serves to safeguard staff in instances where they may be perceived to have benefited from Council expenditure and an independent member of staff has concurred with their judgement that the costs are appropriate.</p>
EY Audit Recommendation	We recommend that expenses incurred are approved in a manner that is in line with KCDC's policies.
Action Plan	<p>We accept the findings and recommendation from audit.</p> <p>Council recently upgraded our Electronic Purchase Order (EPO) module within our ERP system (MagiQ). The new module provides us with better reporting functionality and visibility into purchase orders (including initiators and authorisers).</p> <p>During the role-out of the EPO system upgrade in August 2020, we provided training to staff on the functionality of the new module, and at the same time re-emphasised financial delegation responsibilities and the "one-up" authorisation principle. We will continue communicating this principle to staff.</p> <p>As a long term solution, we will be investigating the system controls within MagiQ, and consider re-configuration of the EPO approval structure within the system to align with Council's financial delegation policy.</p> <p>Responsibility: Manager, Financial Accounting</p>
Progress Update	We have considered the Office of the Auditor General (OAG) good practice guide on "Controlling sensitive expenditure" published in October 2020 and based on that changed the "one up" authoriser for certain officials. Finance continues to communicate the "one-up" authorisation principle to the business.

5. Incorrect calculation of annual leave entitlement for an employee (Low)	
Target date for completion and current status	31/12/2021 Completed
Ernst & Young Audit Observation and Implication	<p>Our review of the annual leave calculations for a sample employee have identified an instance where one employee's annual leave entitlement of five weeks was recorded as four weeks in the Chris21 payroll system. We understand this employee joined the Council during the year on a fixed contract basis and the discrepancy noted is due to a data entry error.</p> <p>At present we understand other than the review of the variance report identifying differences between pay periods, there is no control in place to check for the data inputted into the system are accurate.</p> <p>Implication - There is the risk that annual leave entitlements reflected in the system do not align with contractual leave entitlements which could lead to future disputes and underpay for affected employees.</p>
EY Audit Recommendation	Employee details in Chris21 should be reviewed on a regular basis to ensure data input into the payroll system is consistent with underlying employment records. KCDC should ensure that personnel records reflect all key information such as date of hire, remuneration, annual leave and other benefits, and all employment arrangements are maintained under employment laws and regulations.
Action Plan	<p>We accept the findings and recommendation from audit.</p> <p>This error was caused due to a one-off manual adjustment within the payroll system, as the leave groups set up within the system at that time did not cater for the particular employee scenario.</p> <p>As part of continuous improvement initiatives in our payroll system and to complement the enhancements we are making organisationally to our leave provisions, a new leave group has since been set up which will be able to manage this type of scenario in the future without the need for manual intervention.</p> <p>Responsibility: Organisational Development Manager</p>
Progress Update	Leave fields have been updated and are in use within the payroll system. They appear to be working effectively and will be reviewed with the next payroll system upgrade in new financial year.

6. Incorrect capitalisation of expenditure (Low)	
Target date for completion and current status	30/06/2021 On-going
Ernst & Young Audit Observation and Implication	<p>Our review of capital costs identified two transactions that were incorrectly capitalised. These transactions related to costs incurred for a storage unit rental to store items that were removed from a property when performing improvements and the cost for a prize draw as part of the project at Mahara Place in Waikanae. The capitalisation of these costs was not in accordance with PBE IPSAS 17 <i>Property, Plant and Equipment</i> however, we note that the dollar value of the identified costs was not material.</p> <p>Implication - Costs inappropriately capitalised carry the risk that asset values on the balance sheet may be overvalued. This will also further impact the corresponding expenditure and future depreciation values of these assets.</p>
EY Audit Recommendation	We recommend that management ensure that all capitalised expenditure is appropriately reviewed so as to be consistent with KCDC's accounting policy and the accounting standards.
Action Plan	<p>We accept the findings and recommendation from audit.</p> <p>Finance is currently working with the organisational development team to roll-out Finance specific training for new and existing employees. In addition to this, we are providing refresher training to Activity Managers regarding operational vs capital expenditure for projects.</p> <p>The Finance Business Analyst team will review capital project transactions on a timely basis, to further ensure operational expenditure has not been incorrectly coded and are meeting accounting standards. A final review for compliance will be done by the Finance Business Analyst – Fixed assets before capitalising costs to Property, Plant and Equipment.</p> <p>Responsibility: Manager, Financial Planning and Performance</p>
Progress Update	The Finance team has worked closely with the organisational development team in rolling-out two rounds of Finance specific training to new and existing managers up to December 2020 that covered and explained the difference between operational and capital expenditure.

7. Inaccurate data used to calculate certain service request measures (Low)	
Target date for completion and current status	30/06//2021 On-going
Ernst & Young Audit Observation and Implication	<p>When reviewing the calculations supporting the reported results for a number of service request measures, we noted inaccurate data such as duplicate or negative requests being included in the calculations skewing the median or average response and resolution times reported. We also noted an instance where there was missing information that hadn't been included in the calculation. Below is summary of the measures affected:</p> <ul style="list-style-type: none"> • Water: urgent – included 4 negative service restored times, meaning that the service was restored before the request was raised. • Water: non-urgent - included 12 negative response times and 2 private requests that do not relate to the KCDC water system. • Wastewater: dry weather overflows – there was 1 item missing from the overflow report, which have not been manually flagged as an overflow. <p>We are also aware that service requests are going to be monitored on a quarterly basis going forward to identify issues earlier. This will involve a new duplicate request list being generated and sent to Activity Managers to resolve.</p> <p>Implication - The implications of the above findings are that the reported measures may not be accurate. Although in the current year these matters did not impact whether the targets were achieved or not there is the risk that inaccurate reporting occurs in future years that leads to an incorrect result.</p>
EY Audit Recommendation	We recommend that management continue to make improvements to cleanse the data and perform regular checks that the data is free of duplicate requests and inaccurate entries
Action Plan	<p>We accept the findings and recommendation from audit.</p> <p>Duplicate requests are now being reported and cleansed regularly and this will need to continue. There appears to be some instances where service requests were classified incorrectly. Mid-way through the 2020/21 financial year we will run reports and test a sample of service requests to identify and correct any inaccuracies.</p> <p>Responsibility:</p> <p>Group Manager, Infrastructure Services</p>
Progress Update	We are altering our systems to allow us to report as per the DIA measure. This new system will be in place by 30 June 2021.

8. Review of manual journals (Low)	
Target date for completion and current status	30/06/2021 Completed
Ernst & Young Audit Observation and Implication	<p>Manual journals are predominantly used to record payroll related transactions to MagiQ as there is no automatic interface between MagiQ and the payroll system. Council also use manual journals to record month end accruals and prepayments. We note whilst manual journals have enough documentation to support the business reason for the transaction, there is currently no review or approvals of manual journals.</p> <p>Implication - Manual journals are inherently more risky than standardised transactions posted through Council's sub-ledgers. Without some form of review of manual journals, either individually or in aggregate, there is a higher risk of errors going undetected.</p>
EY Audit Recommendation	While we did not identify any issues with journals posted during the period, we recommend that all manual journals are reviewed and signed off as approved by a person other than the preparer. This could be completed for individual journals or periodically for groups of journals.
Action Plan	<p>We accept the findings and recommendation from audit.</p> <p>Council's current ERP system (MagiQ) does not have a journal approval workflow that allows electronic sign off or approval of manual journal entries before they are posted in the system.</p> <p>During the year, finance has developed a manual review process of monthly manual journal entries and has tested and refined the process during April and May 2020. On a sample basis, the review focus on the validity, accuracy and rational of journal entries as well as the appropriate support.</p> <p>This manual review process will be rolled out as part of our monthly reconciliation and review processes for the 2020/21 financial year.</p> <p>Responsibility: Manager, Financial Accounting</p>
Progress Update	As part of the monthly reconciliation and review process a sample of journal entries are reviewed by the Financial Accountant – Financial reporting and Team leader Financial Analysis, Planning and Performance to ensure accuracy and completeness of the documentation supporting the business reason for the transaction. The completion of this review is signed off by the Manager, Financial Accounting.

9. Incorrect pay to Elected Member (Low)	
Target date for completion and current status	30/06/2021 Completed
Ernst & Young Audit Observation and Implication	<p>We are required to assess whether the remuneration paid to elected members is in accordance with the Local Government Members determination. Through our review of a sample of elected members we noted a member who held a chair of a community board role stepped down during the year but continued to be paid the chairperson remuneration for a short period of time. At the same time the member who took on the role was underpaid for the same period. This matter was subsequently identified by Council staff and rectified appropriately.</p> <p>Implication - Timely identification of elected members role changes is important in order to make sure remuneration paid is in accordance with the remuneration determination.</p>
EY Audit Recommendation	We recommend that KCDC monitor the status of all its Elected Members to ensure that it is consistent with approved remuneration thresholds in accordance with the Local Government remuneration requirements.
Action Plan	<p>We accept the findings and recommendation from audit.</p> <p>The error occurred due to information not reaching the payroll team in time for the processing of the next pay-run. The overpayment and underpayment was identified shortly afterwards and has since been rectified in subsequent pay runs.</p> <p>Going forward, Democracy services will ensure that any changes in Elected Member positions will be received in writing (e-mail) and conveyed to payroll before the relevant payroll cut off dates.</p> <p>Responsibility: Manager, Democracy Services</p>
Progress Update	Payroll cut off dates have been re-communicated to the democracy services team, as well as the importance of communicating any changes in elected members payments to payroll within the relevant pay-run period.

10. Corporate policies due for review (Low)	
Target date for completion and current status	31/12/2020 Completed
Ernst & Young Audit Observation and Implication	<p>We observed various employee manuals and policy documents were last updated over 4 years ago. Specifically, we noted the below policies are currently overdue for review and update:</p> <ul style="list-style-type: none"> a. Receipt of gifts and hospitality b. Rewards and recognition policy c. Mitigation of fraud d. Employee code of conduct e. Elected member code of conduct <p>We understand that KCDC are looking at implementing better monitoring framework of corporate policies to ensure they are updated in a timely manner. Currently there are updated policies in draft version. We expect this point to be closed in the next financial year.</p> <p>Implication - Policies and other guidance documents should be updated on a regular basis to ensure any changes in circumstances that require additional guidance are incorporated on a timely basis.</p>
EY Audit Recommendation	We recommend that corporate policies be monitored and updated on a regular basis.
Action Plan	<p>We accept the findings and recommendation from audit.</p> <p>The internal policy register has been re-established to support the monitoring, review and update of corporate policies. This includes regular reporting to SLT on progress. Of those previous out-of-date policies identified above, all five have been updated.</p> <p>Responsibility: Manager, Research and Policy</p>
Progress Update	The review and update of the above policies was completed. Work will continue to support the ongoing review and update of internal policies.

8.2 QUARTERLY TREASURY COMPLIANCE REPORT

Author: Anelise Horn, Manager Financial Accounting

Authoriser: Mark de Haast, Group Manager Corporate Services

PURPOSE OF REPORT

- 1 This report provides confirmation to the Audit and Risk Subcommittee of the Council's compliance with its Treasury Management Policy (Policy) for the quarter ended 31 March 2021.

DELEGATION

- 2 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1.

Ensuring that the Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.

BACKGROUND

- 3 The Policy sets out a framework for the Council to manage its borrowing and investment activities in accordance with the Council's objectives and incorporates legislative requirements.
- 4 The Policy mandates regular treasury reporting to management and the Strategy and Operations Committee, as well as quarterly compliance reporting to the Audit and Risk Subcommittee.
- 5 In order to assess the effectiveness of the Council's treasury management activities and compliance to the Policy, certain performance measures and parameters have been prescribed. These are:
 - cash/debt position;
 - liquidity/funding control limits;
 - interest rate risk control limits;
 - counterparty credit risk;
 - specific borrowing limits; and
 - risk management performance.

DISCUSSION

Cash/Debt Position

- 6 Table 1 below shows the Council's net debt position as at 31 March 2021 against the 2020/21 full year budget and the prior year closing balance.

Table 1	March YTD Actual	Full Year Budget	Full year 2019/20
	\$000's	\$000's	\$000's
External debt	230,000	207,028	210,000
less borrower notes	(4,040)	(3,312)	(3,360)
less cash and cash	(76,689)	(40,200)	(50,944)
Net debt	149,271	163,516	155,696

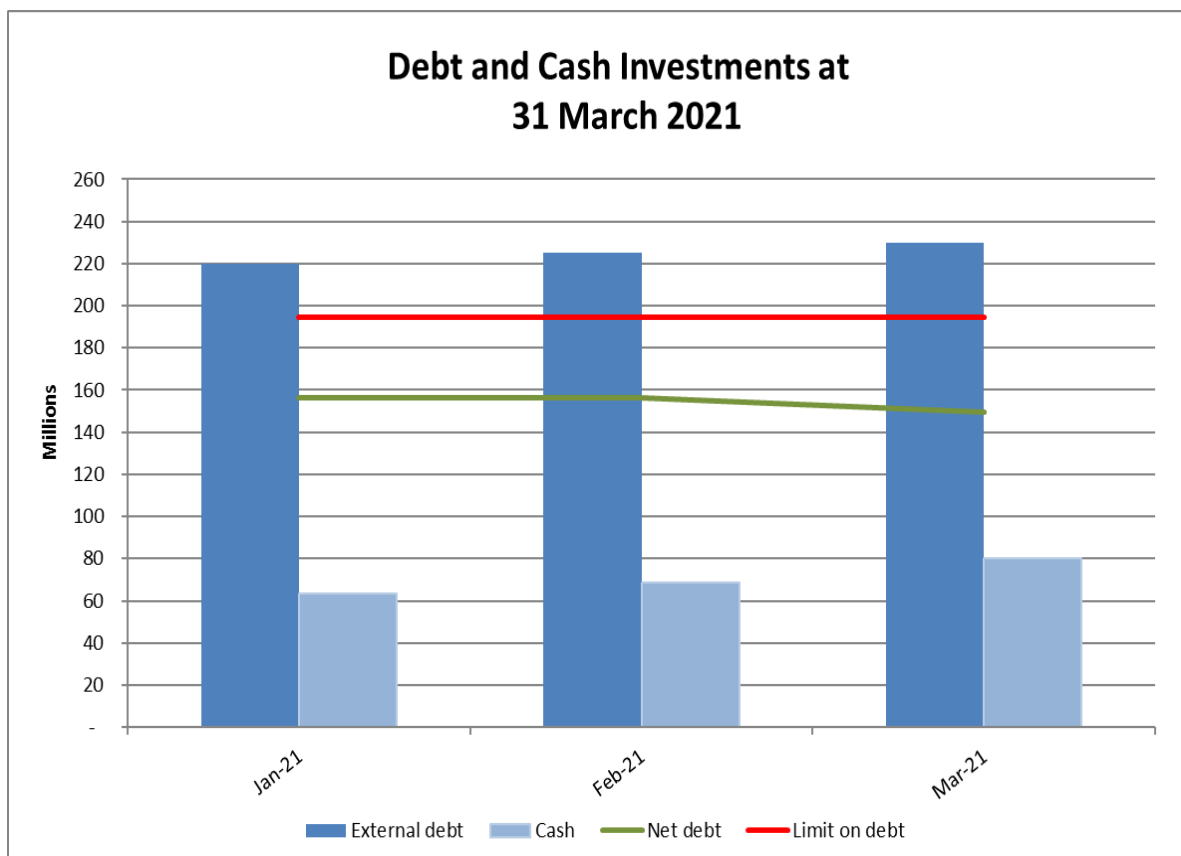
- 7 During the past three months, the Council has issued \$10 million of new debt, bringing the total amount of debt drawn the past nine months to \$40 million.
- 8 \$35 million was issued to pre-fund debt maturities (\$5 million of the May 2021, \$10 million of the October 2021 and \$20 million of the May 2022) and \$5 million to prefund the 20/21 Capex programme. As part of the Council's prefunding programme, all prefunding is placed on term deposit, at the most favourable market rates available at that time.
- 9 \$20 million of debt matured during October 2020 that was refinanced using term deposits.
- 10 The table below shows (a) the movement in the Council's external debt balance and (b) the movement in the Council's pre-funding programme by debt maturity, for the nine months ended 31 March 2021.

Borrowings	Gross borrowings \$000	Pre-funding borrowings				20/21 Capex programme \$000
		TD Oct 2020 \$000	TD May 2021 \$000	TD Oct 2021 \$000	TD May 2022 \$000	
Opening balance 1 July	210,000	20,000	15,000	10,000		
New Long term debt issued YTD	40,000	-	5,000	10,000	20,000	5,000
Matured Long term debt	(20,000)	(20,000)	-	-		
Total	230,000	-	20,000	20,000	20,000	5,000

- 11 As at 31 March 2021 the Council had \$80.73 million of cash, borrower notes and term deposits on hand. This is broken down as follows:

Term deposits, cash & borrower notes	Term deposits to prefund borrowings \$000	Prefunding capex \$000	Borrower notes \$000	Cash \$000	Total \$000
LGFA debt maturing May 2021	20,000	-	-	-	20,000
LGFA debt maturing Oct 2021	20,000	-	-	-	20,000
LGFA debt maturing May 2022	20,000				20,000
Prefund 20/21 CAPEX		5,000			5,000
Surplus cash	-	-	-	11,689	11,689
Borrower notes held	-	-	4,040	-	4,040
Total	60,000	5,000	4,040	11,689	80,729

- 12 For the three months ended 31 March 2021, the Council has not breached its net debt upper limit, as shown in the chart below:

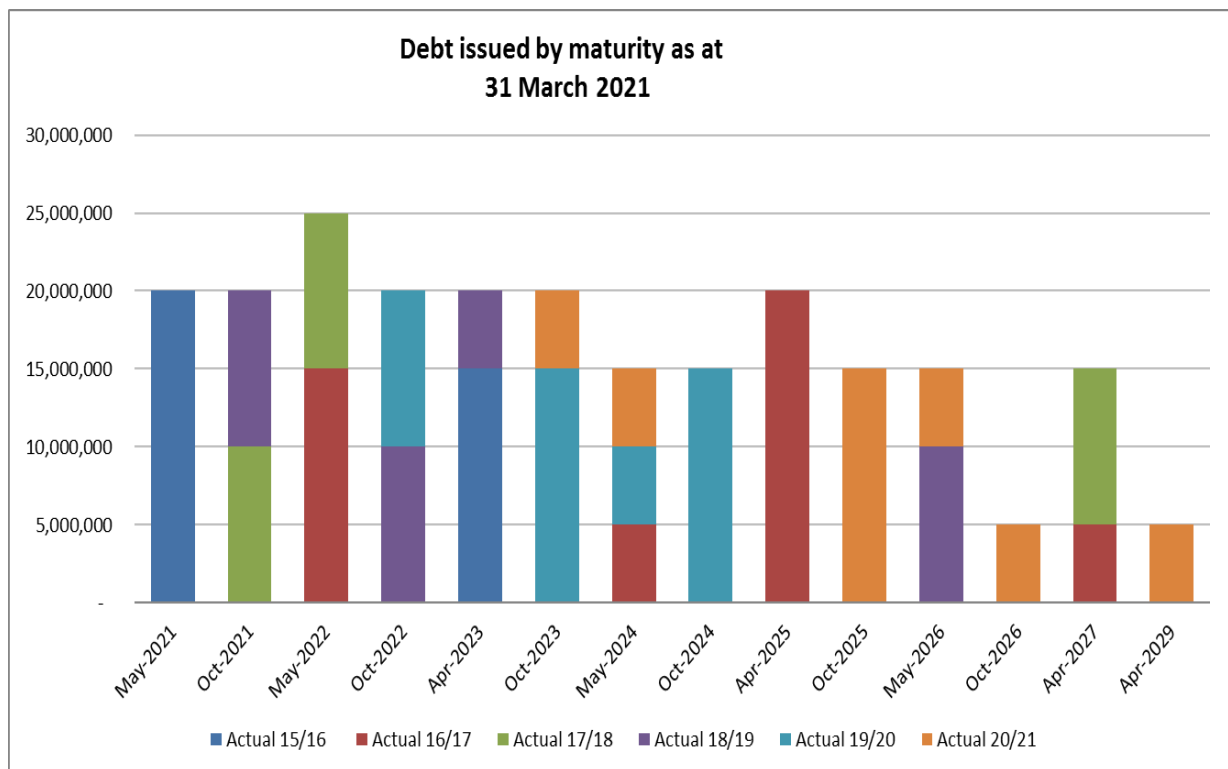


- 13 The Council is targeting through its current financial strategy, to keep net borrowings below 200% of total operating income of the current financial year. At 31 March 2021, the Council's net borrowings are forecast to be 178% of total operating income at the 30 June 2021.

Liquidity/Funding control limits

- 14 Liquidity and funding management focuses on reducing the concentration of risk at any point so that the overall borrowings cost is not increased unnecessarily and/or the desired maturity profile is not compromised due to market conditions. This risk is managed by spreading and smoothing debt maturities and establishing maturity compliance buckets.
- 15 Since October 2015 the Council's treasury strategy has included a debt pre-funding programme. The Policy allows pre-funding of the Council debt maturities up to 18 months in advance, including re-financing. Market conditions have been favourable for this approach, where the Council draws down debt early and is able to invest the funds on term deposit for a slight positive net return.
- 16 The strength of the Council's debt pre-funding programme was again highlighted by the Council's independent Credit Rating Agency, Standard & Poor's (S&P), during their July 2020 review. This has resulted in the Council's credit rating remaining at AA with a stable outlook for the following year. S&P noted that the Council's liquidity coverage remains exceptional.

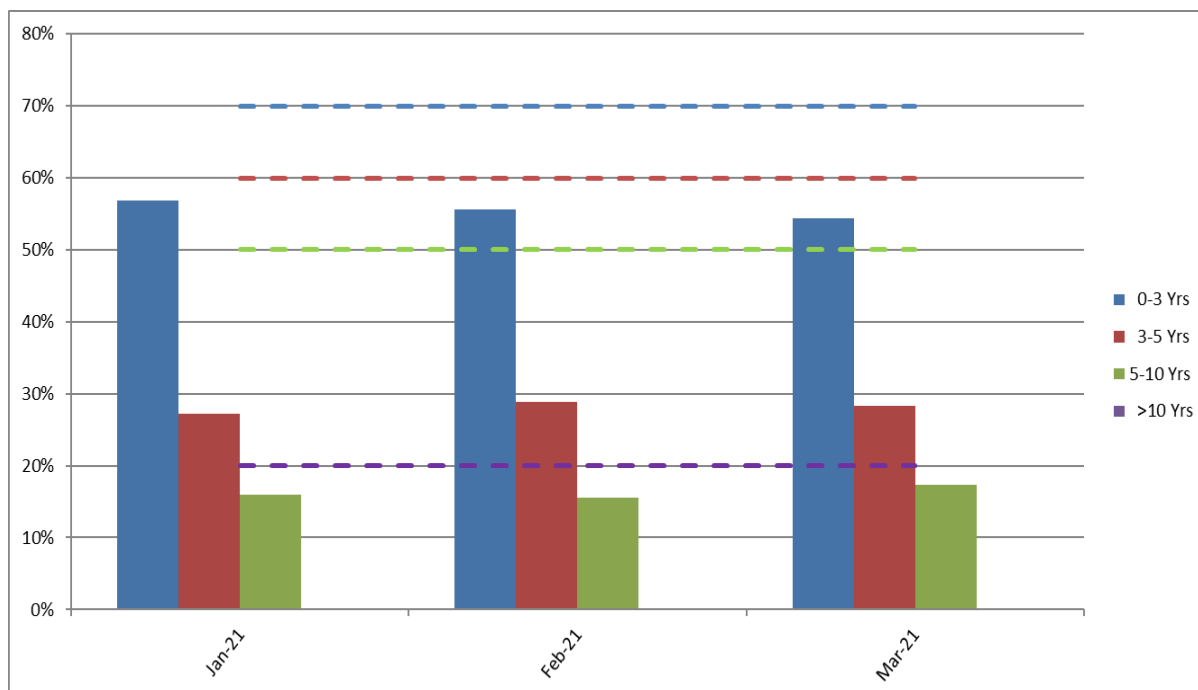
- 17 The following chart presents the Council's debt maturity dates in relation to the financial year in which the debt was issued. This demonstrates that since 2016/17, the Council has actively reduced risk concentration by spreading debt maturity dates and debt maturity values.



- 18 Debt maturities must fall within maturity compliance buckets. These maturity buckets are as follows:

Maturity Period	Minimum	Maximum
0 to 3 years	10%	70%
3 to 5 years	10%	60%
5 to 10 years	10%	50%
10 years plus	0%	20%

- 19 For the three months ended 31 March 2021, the Council has been fully compliant with its debt maturity limits, as shown by the chart below. The upper limits, as shown by dashed lines, relate to the bars of the same colour. For example, the 0 to 3 year upper limit of 70% is in blue. Actual maturities in the 0-3 year bucket are represented by the blue bars. The Council has no long term debt maturing in ten years' time or beyond.



Interest rate risk control limits

- 20 The Council issues all debt on a floating rate basis, as lower interest rates are realised this way, and uses fixed interest rate swaps (hedges) to minimise exposure at any one time to interest rate fluctuations. This ensures more certainty of interest rate costs when setting our Annual Plan and Long Term Plan budgets.
- 21 Without such hedging, the Council would have difficulty absorbing adverse interest rate movements. A 1% increase in interest rates on \$230 million of external debt would equate to additional interest expense of \$2.3 million per annum. Conversely, fixing interest rates does however reduce the Council's ability to benefit from falling and/or more favourable interest rate movements.
- 22 The objectives of any treasury strategy are therefore to smooth out the effects of interest rate movements, while being aware of the direction of the market, and to be able to respond accordingly.
- 23 The Policy sets out the following interest rate limits:

Major control limit where the total notional amount of all interest rate risk management instruments (i.e. interest rate swaps) must not exceed the Council's total actual debt, and;

Fixed/Floating Risk Control limit, that specifies that at least 55% of the Council's borrowings must be fixed, up to a maximum of 100%.

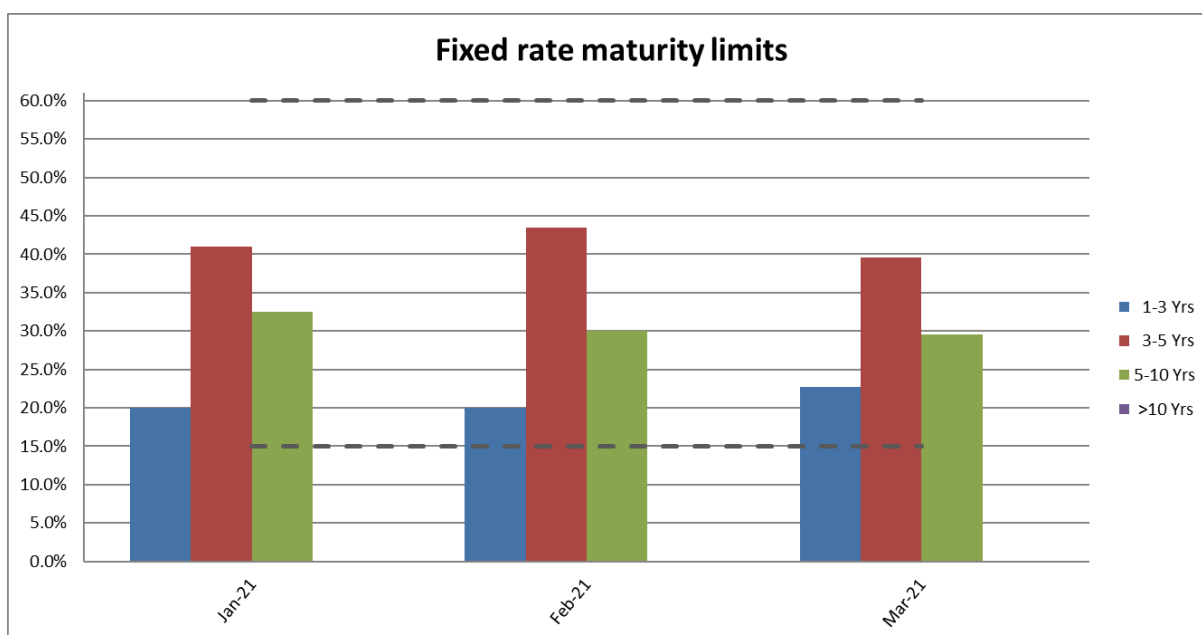
- 24 The Council has been fully compliant for the three months ended 31 March 2021, as shown by the table below.

\$000's	Jan-21	Feb-21	Mar-21
External debt	220,000	225,000	230,000
Swaps (fixed	200,000	200,000	220,000
Fixed %	90.9%	88.9%	95.7%
Unfixed debt	20,000	25,000	10,000

- 25 Similar to debt maturities, hedging instrument maturities must also fall within maturity compliance buckets. These maturity compliance buckets are as follows:

Period	Minimum	Maximum
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 to 10 years	15%	60%
10 years plus	0%	20%

- 26 The Council has been fully compliant for the three months ended 31 March 2021, as shown by the following chart. Note that maturities falling within 1 year are not included.



Counterparty Credit Risk

- 27 The policy sets maximum limits on transactions with counterparties. The purpose of this is to ensure the Council does not concentrate its investments or risk management instruments with a single party.

- 28 The policy sets the gross counterparty limits as follows:

Counterparty/Issuer	Minimum Standard and Poor's long term	Investments maximum per counterparty	Risk management instruments maximum per counterparty	Borrowing maximum per counterparty
NZ Government	N/A	Unlimited	None	Unlimited
LGFA	AA-/A-1	\$20m	None	Unlimited
NZ Registered Bank	A+/A-1	60% of total investments or \$25m; whichever is greater	50% of total instruments or \$80m; whichever is greater	\$50m

- 29 The Council was in full compliance with all counterparty credit limits for the three months ended 31 March 2021. The tables below show the Council's investments and risk management instruments holdings per counterparty for this period.

Term deposits

Counter party	Jan-2021		Feb-2021		Mar-2021		Comply
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	15,000	27.27%	15,000	25.00%	15,000	23.08%	✓
NZ Registerd Bank 2	20,000	36.36%	20,000	33.33%	20,000	30.77%	✓
NZ Registerd Bank 3	20,000	36.36%	20,000	33.33%	20,000	30.77%	✓
NZ Registerd Bank 4	-	0.00%	5,000	8.33%	10,000	15.38%	✓
	55,000	100%	60,000	100%	65,000	100%	

*Policy Limit: 60% of total investments or \$25 million; whichever is greater

Interest rate swaps

Counter party	Jan-2021		Feb-2021		Mar-2021		Comply
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	50,000	25.00%	50,000	25.00%	55,000	25.00%	✓
NZ Registerd Bank 2	86,000	43.00%	86,000	43.00%	96,000	43.64%	✓
NZ Registerd Bank 3	64,000	32.00%	64,000	32.00%	69,000	31.36%	✓
	200,000	100%	200,000	100%	220,000	100%	

*Policy Limit: 50% of total instruments or \$80 million; whichever is greater

Specific Borrowing Limits

- 30 In managing debt, the Council is required to adhere to the specific borrowing limits. The Net External debt/Total operating Income limit was updated during the Policy review in August 2020 to align with the new interim LGFA borrowing covenants in response to COVID-19.
- 31 Excluding economic stimulus initiatives driven by central government, the Council remains committed to complying with its financial strategy limit of not exceeding 200% of total operating income for 2020/21.

- 32 The Council fully complied with these limits for the three months ended 31 March 2021 (or a period as otherwise specified) and the results are shown below:

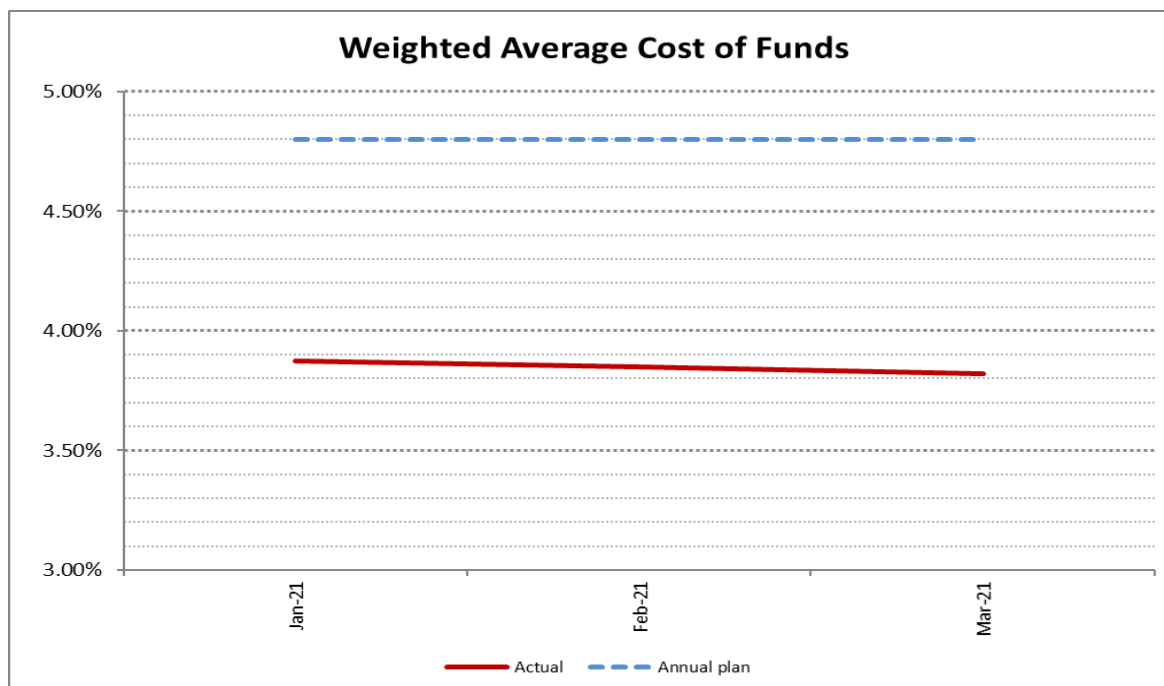
Borrowing limit	Policy limit	2020/21	Comply
Net interest expense/Total Operating Income	< 20%	8.3%	✓
Liquidity ((total debt +total committed facilities +cash on hand)/total debt))	> 110%	142.0%	✓
Net External Debt/Total Operating Income (forecast)	< 300%	178.0%	✓

Risk Management Performance

- 33 The following table shows the Council's interest income and expense for the period ended 31 March 2021 together with the weighted average cost of borrowing (WACB), compared to year to date budget and full year forecast.

	March YTD Actual \$000	YTD Budget \$000	Variance (Fav/UnFav) \$000	Full year Forecast \$000
Interest Expense	6,285	6,522	237	8,357
Income	(857)	(1,010)	(153)	(1,049)
Net Interest Cost	5,428	5,511	84	7,308
Weighted Average Cost of Borrowings	3.86%	4.80%	0.94%	3.77%

- 34 The Council has been effective in its treasury management with its weighted average cost of funds being 0.94% lower than planned as at the 31 March 2021.
- 35 The following graph shows the cost of borrowing each month.



CONSIDERATIONS**Policy considerations**

36 There are no policy considerations in addition to those already noted in this report.

Legal considerations

37 There are no legal considerations arising from this report.

Financial considerations

38 There are no financial considerations in addition to those already noted in this report.

Tāngata whenua considerations

39 There are no tāngata whenua considerations arising directly from this report.

SIGNIFICANCE AND ENGAGEMENT**Significance policy**

40 This matter has a low level of significance under the Council's Significance and Engagement Policy.

Publicity

41 There are no publicity considerations arising from this report.

RECOMMENDATIONS

42 That the Audit and Risk Subcommittee notes the Council's full compliance with its Treasury Management Policy for the three months ended 31 March 2021.

APPENDICES

Nil

8.3 HEALTH AND SAFETY QUARTERLY REPORT: 1 JANUARY 2021 - 31 MARCH 2021

Author: Dianne Andrew, Organisational Development Manager

Authoriser: Wayne Maxwell, Chief Executive

PURPOSE OF REPORT

- 1 This report presents a Health and Safety report for the period 1 January – 31 March 2021.

DELEGATION

- 2 The Audit and Risk Sub Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1:
- *Ensuring that the Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation;*
 - *Assisting elected members in the discharge of their responsibilities by ensuring compliance procedures are in place for all statutory requirements relating to their role;*
 - *Governance role in regards to the Health and Safety Leadership Charter and Health and Safety Plan.*

BACKGROUND

- 3 The quarterly Health & Safety Performance Report is intended to provide the Council with insight into initiatives and activities, and their progress, as part of our Council's commitment to providing a safe and healthy place to work. The contents and any subsequent discussions arising from this report can support Officers to meet their due diligence obligations under the Health & Safety at Work Act (HSWA) 2015.
- 4 Between July and September 2017 the Simpson Grierson Health and Safety team were engaged to review how the Council was progressing with changes and planned initiatives following the introduction of the Health and Safety at Work Act (HSWA) 2015. The findings were presented back to the Audit and Risk Committee in November 2017. This review identified areas for improvement, in particular some process improvements to further strengthen Council's ability to more effectively monitor and verify.
- 5 The draft Health and Safety Plan 2018 – 2020 adopted by the Senior Leadership Team has been updated and extended to cover the period 2020 – 2023 to enable Covid-19 lockdown delays and interruptions to be included.
- 6 A draft of the Health and Safety Plan 2020-2023 will be provided to this Sub Committee following adoption by the Senior Leadership Team.
- 7 Progress on the 2020 – 2023 Health and Safety Plan will be incorporated into quarterly reports going forward.

ISSUES AND OPTIONS**Issues**

- 8 Progress on the initial Health and Safety 2018-2020 Plan initiatives continue to progress however the alert level 4 and alert level 3 restrictions severely disrupted planned health and safety related initiatives and training. Several time lines continue to require extensions and this will be updated through the regular reporting cycle.
- 9 Disruptions as a result of previous and future Covid-19 alert level resurgence and/or restrictions will be factored into the draft 2020 – 2023 Health and Safety Plan.

CONSIDERATIONS**Policy considerations**

10 There are no Policy considerations arising from this report.

Legal considerations

11 There are no legal considerations arising from this report.

Financial considerations

12 Budget has been provided for implementation of the action plan initiatives as part of the 2018-38 Long Term Plan.

Tāngata whenua considerations

13 There are no Tāngata whenua considerations arising from this report.

SIGNIFICANCE AND ENGAGEMENT**Significance policy**

14 This report does not trigger the Council's Significance and Engagement Policy.

Publicity

15 There are no publicity considerations.

RECOMMENDATIONS

16 That the Audit and Risk Sub Committee notes the Health and Safety Quarterly Report for the period 1 January 2021 – 31 March 2021 attached as Appendix One to this Report.

APPENDICES

1. Health and Safety Quarterly Report - 1 January 2021 - 31 March 2021 [↓](#)

Appendix One

KĀPITI COAST DISTRICT COUNCIL
Health and Safety Quarterly Report to the Audit and Risk Sub Committee
1 January 2021 – 31 March 2021

The 2020 – 2023 Health and Safety Plan is drafted and awaiting formal signoff following consultation. Time frame for being submitted to Audit and Risk Sub Committee is planned to coincide with the April – June Quarterly Report. The draft plan retains alignment to the recently introduced WorkSafe NZ SafePlus model of 'what good looks like', the framework of which sets out ten performance requirements, under the three themes of Leadership, Worker Engagement, and Risk Management. The plan will continue to build on the three current high-level areas of Leadership; Health and Safety Management Systems, and Contractor Management, with the underlying focus on:

- skill and capability of our people
- managing our critical risks, and
- leadership and engagement

Lag performance indicators are a measure of adverse events that have occurred and been reported. Compared to the same period last year, the total number of health and safety incidents reported this quarter are very similar (53 compared to 54) however it should be noted that for the period 3 December 2020 – 19 March 2021 the Finance, ICT and Organisational Development teams were primarily working from home due to the delay in moving into the new Takiri South building and this may have impacted on incident frequency and/or reporting.

LEAD INDICATORS

1. CORPORATE HEALTH AND SAFETY TRAINING SUMMARY

Training Type	Training Course Name	Scheduled	Status
Task Related	<ul style="list-style-type: none"> Breathing Apparatus Chlorine Maintenance Dangerous Goods Confined Spaces Chemical Awareness Approved Chemical Handler 	Nil this quarter	Historically these courses have been delivered on an 'as needs' basis. Going forward, dates will be scheduled and delivered in bulk to provide consolidated renewal dates for each key area.
Role Related	<ul style="list-style-type: none"> Electrical Competency GrowSafe 	March 2021 Deferred to 15 April 2021	
Critical Risk Related	<ul style="list-style-type: none"> AA Safe Driving Assessment – Phase 1: Regular Drivers of Council vehicles 	Phase 1 – on line assessments commenced September 2020 Phase 1 – practical assessments	Phase 1- on line assessments completed by December 2020 Phase 1- practical assessments completed by end April 2021

Appendix One

	<ul style="list-style-type: none"> AA Safe Driving Assessment - Phase 2: other staff 	<p>commenced November 2020</p> <p>Phase 2 – on line assessments commenced November 2020</p>	<p>Ongoing with requirement to complete within 2 months of notification</p>
General - Health and Safety Related	<ul style="list-style-type: none"> Comprehensive First Aid (add in dates for full and half days) Noise Monitoring (water Treatment Plants and Operations) Hearing Tests 	<p>February 2021</p> <p>5 yearly cycle commenced October – December 2020</p> <p>Annual cycle October - December</p>	<p>February 2021</p> <p>Completed December 2020</p> <p>Completed December 2020</p>

2. EMERGENCY EVACUATIONS AND DRILLS

- The Council has 12 buildings which all have emergency evacuation plans in place. Ten of these buildings have their evacuation plans approved and lodged with Fire and Emergency NZ as required by the nature of their operation. All ten* buildings are required to carry out six monthly emergency evacuation drills.
- One* six monthly emergency evacuation drill is overdue as at 31 March 2021 and this relates to the Otaki Civic Theatre which is closed for refurbishment until April 2021. No emergency evacuation drills will be happening until after the building has re-opened.
- The emergency evacuation drill scheduled for the Civic Building* in February required rescheduling.
- The Council has two buildings which do not require six monthly evacuation drills and instead require procedures to be in place, checked and reviewed which is occurring.

3. EMPLOYEE HEALTH AND SAFETY INDUCTIONS

- 25 new employees commenced this quarter. Documentation returns appear slow this quarter with several outstanding returns despite inductions being completed.
- Finance, ICT and Organisational Development teams (approximately 56 staff) moved into the new Takiri South building during this quarter and all staff have completed building health and safety inductions.

4. WELLNESS INITIATIVES

Wellness Initiative	Staff recipients
Eye Examinations	15
Ergonomic Work Assessments	9
EAP Services hours utilized	31
Flu vaccinations were scheduled to be completed by May 2021 but now on hold until further notice due to national Covid-19 vaccination rollout program.	

Appendix One

5. DRUG AND ALCOHOL MANAGEMENT

- Drug and Alcohol Tests pre-employment continue to be undertaken by all preferred applicants.
- Reasonable cause testing continues to be undertaken as a mandatory requirement where any incident involves the use of machinery or vehicles and a worker's actions or lack of action may have contributed.
- No Reasonable Cause tests were conducted during this quarter.

6. STANDARD OPERATING PROCEDURES (SOPS)

- Operational activity SOPs continue to be maintained as work in progress/continuous improvement,

7. CONTRACTOR MANAGEMENT – MAJOR WORKS*

- As at 31 March 2021 a total of 190 Contractors were listed as 'current approved' on the Contractor Register.
- 8 contractors were newly added and 24 had their approval renewed this quarter.

*Major Works refers to contractors undertaking work other than office/administrative based work.

8. RISK MANAGEMENT

- The 2018-2020 work program identified three organizational critical risk priority areas: Asbestos Management, Hazardous Substance Management, and Driving. Work on each area has progressed to the point where processes, procedures and plans to mitigate and more effectively manage these risks are now in place. This does not mean they should be 'removed' as organizational critical risks as these areas will still remain critical risks for our organization.
- Driving: Job specific training for specialist vehicle drivers (pump trucks, bulldozers etc.) remains in place. 35 drivers identified as higher risk due to their roles regular requirement to drive a Council vehicle have now completed both the on line assessment and the on-road assessment.
- As at 31 March there were 50 Care Register entries, with no new additions this quarter. Although no new entries this quarter, work continues on managing/reviewing high risk existing entries.
- A project to complete an overall review of all risk assessments and safety plans for Council Operations staff working at parks and reserves has been deferred due to Operations resource unavailability. Rescheduling for the overall project is yet to be confirmed however ongoing risk assessments and safety plans are monitored and updated on a case by case basis.
- Occupational noise monitoring across Infrastructure Operations and Water Treatment Plants staff has been completed and will now become part of the 5 yearly cycle. Where circumstances change and different equipment / new machinery is introduced to these areas, assessments may be done within the 5 yearly cycle as required.

9. HEALTH AND SAFETY COMMITTEE (HSC)

- Monthly meetings were held in February and March 2021. No meeting was scheduled in January 2021 due to the Christmas holiday period.
- A voting process was completed in March for a new Aquatics Health & Safety Representative.
- The committee is currently working on the key focus areas for the 3-year Health and Safety Plan (2020-2023).

10. SLT INITIATIVES

- SLT undertook a site Visit to Otaki Library 5 February 2021. Further health and safety site visits have been scheduled for 2021 and include the Operations Depot, Coastlands Aquatic Centre, Animal Management/EOC and Otaki Pool.
- SLT continues to maintain a focus on wellbeing, including psychological wellbeing as a result of previous lockdowns and future planning for Covid related contingencies and potential impacts amongst our staff.
- SLT continues to monitor and review leave usage which has resulted in the implementation of a new leave provision to enable staff to care for their dependants.

11. HEALTH AND SAFETY POLICY REVIEW

- An updated Health and Safety Risk Management Policy and an Accidents and Incidents Management Policy is awaiting formal sign off/approval. Emergency Preparedness and Business Continuity policies remain under constant review and monitoring.
- The wider health and safety policy related review work program continues to be a work in progress using a continuous improvement approach to enable best opportunities for checking fit for purpose post covid-19 lockdowns.

Appendix One

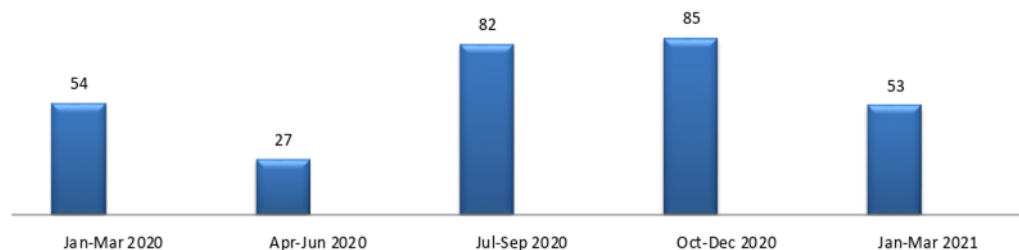
- The Health and Safety Toolkit on HubKap continues to be maintained under business-as-usual continuous improvement.

LAG INDICATORS**12. INCIDENTS, INJURIES, ILLNESSES AND NEAR MISSES 1 JANUARY – 31 MARCH 2021**

Group	Incident/Injury or Illness	Notifiable* Incident/Injury or Illness	Near Miss	Total
Chief Executive including Org Dev	0	0	0	0
Corporate Services	0	0	0	0
Infrastructure Services	8	0	0	8
People and Partnerships	2	0	0	2
Place and Space	7	0	0	7
Regulatory Services	1	0	1	2
Strategy, Growth & Recovery	0	0	0	0
Third Party	31	0	3	34
Contractor	0	0	0	0
Total	49	0	4	53

* Notifiable Incident: an unplanned or uncontrolled incident in relation to a workplace that exposes the health and safety of workers or others to a serious risk, arising from immediate or imminent exposure.

* Notifiable Injury or illness: suffers a serious injury or illness as a result of work or workplace, for example requires immediate qualified medical assistance or admittance to hospital, or treatment from a registered medical practitioner within 48 hours of exposure to a substance.

Total Council Reported Incidents

- Of the 53 total incidents:
 - 6 worker injuries: including sprain/strain (4), cuts/abrasion (2).
 - 13 worker non –injuries including near miss (1), 3rd party behaviour / mental stress (5), vehicle and mobile plant events (5), other (2)
 - 34 third party incidents
 - 0 contractor events

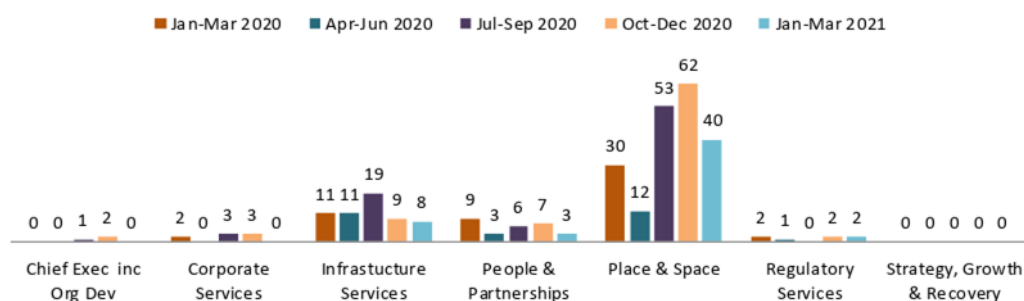
Appendix One

Total Third Party Reported Incidents



- *Third Party is defined as a person who does not hold employee status or contractor worker status*
- *Third Party events are associated primarily with Council's recreational public buildings i.e. Aquatics centres and Libraries.*

Total Reported Incidents by Group



8.4 RISK MANAGEMENT - BUSINESS ASSURANCE UPDATE

Author: Sharon Foss, Business Improvement Manager

Authoriser: Mark de Haast, Group Manager Corporate Services

PURPOSE OF REPORT

- 1 This report updates the Audit and Risk Subcommittee on the on-going implementation of the Enterprise Risk Management (ERM) framework.

DELEGATION

- 2 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1.

Ensuring that Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.

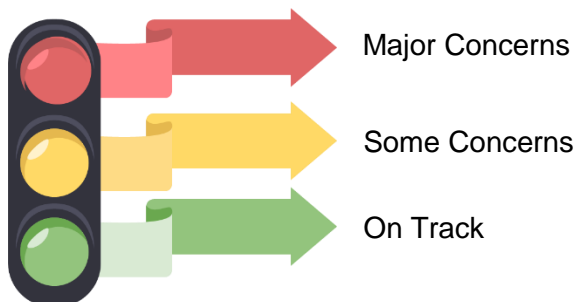
BACKGROUND

- 3 The key elements of the Enterprise Risk Management Framework include risk management; corporate business continuity management, procurement improvement programme; and business risk and assurance.
- 4 The main work streams are:
- regular risk discussions with staff and managers and embed the day-to-day management of risks in work streams such as: projects, activity delivery, and asset management;
 - communicate and report risk up to Council/Committees;
 - have a Business Continuity Management System for effective response to a range of potential business disruptions;
 - provide fraud awareness training;
 - provide business assurance oversight and complete business assurance work; and
 - improve the understanding and tools to support good procurement practices.
- 5 Risk is defined as the effect of uncertainty on expected results and is managed on a continual basis. The intended outcomes from performing this risk management programme well will assure:
- stakeholders, external auditors, the Council and management that the real risks are being identified and managed effectively. Risks can be negative or positive:
 - a negative risk is a threat and/or potential problem. It creates concern or uncertainty around our delivery of overall programmes, projects, strategies, or other expectations that can result in major health and safety, financial, fraud, operational and reputational impacts. Identifying negative risks before they occur means that we can take measures to mitigate or remove the threat, so that it does not materialise.
 - a positive risk is an opportunity which has a positive impact on our objectives. When these are identified the appropriate action is to make use of the opportunity and leverage them to cause them to occur. For example, ensuring that everything is looked at and actions are put in place to make risks as small as possible might highlight the value of using new technology to increase quality assurance and improve service delivery.
 - better decision making throughout the business through greater awareness of the real risks and how these are going to be addressed; and
 - clarification and socialisation of the Council's risk appetite and tolerance.



Enterprise Risk Management Progress Update


Corporate Risk Profile – Summary Update

- 6 The corporate risk profile is managed by a risk register and presented in the associated Corporate Risk Summary attached as Appendix 1 to this report. This Summary lists the risk controls along with the additional treatments planned to reach the target risk level. The risk action status is categorised as follows:



- 7 Engagement on the corporate risk profile is through quarterly conversations with managers. The focus is on identifying, managing and communicating the very highest strategic and operational risks that the Council faces. Our approach to how we assess risk is illustrated in every risk and also in the diagrams in Appendix 2 to this report. Important matters to note when reading the diagrams are that:
- 7.1 Likelihood is how likely the risk is to materialise and is rated as rare, unlikely, possible, likely and almost certain.
 - 7.2 Consequence is the impact on Council - not just financial, but also health and safety, fraud, operational and reputational.
 - 7.3 This assessment tool is subjective and is used as a prompt for a risk comparison and ranking mechanism.
- 8 The overall risk management culture and practice continues to improve and the risk conversations widen. The concept of risk acceptance is being further embedded across the organisation, i.e. certain moderate level risks may be tolerated by the business in the context of the costs or impracticalities to further mitigate the risk.
- 9 In summary our Corporate Risk Status is healthy. Of the 20 risks presented in Appendix One to this report, only one has some concern. The other 19 are on track. Matters for your particular attention in the Corporate Risk Summary attached at Appendix 1 to this report are noted below:

Action Status	Risk Status	Risk Reference and Comment
Major Concerns		There are no risks with major concerns.
Some Concerns		<p>One risk is recorded with the status of some concerns.</p> <p>Risk 9 <u>Paraparaumu Wastewater Treatment Plant – difficulties with consent process.</u></p> <p>Due to the lack of availability for Iwi to engage we were unable to progress the original consent process and had to develop an alternative consenting strategy. Progress is now underway. GWRC has confirmed acceptance of a shortened application period. We have commissioned Iwi's preferred consultant to work on the consent and agreed support with</p>

Action Status	Risk Status	Risk Reference and Comment
		Iwi for alternative consenting approach. Further work with GWRC is underway on their application.
On Track		<p>The comments for and/or presentation of four risks in this report have been refreshed as noted below:</p> <p>Risk 3 - <u>Asset investment decisions are less than desirable resulting in poor management of council owned assets.</u> This Risk differs from that presented to the 12 November 2020 Audit and Risk Sub-Committee meeting. The refreshed wording reflects a merge of two asset related risks previously reported separately: Asset investments are less than desirable, and Poor management of council owned assets.</p> <p>Risk 6 - <u>Central Government changes to 3-waters services (drinking water, wastewater and stormwater) creates uncertainty.</u> This Risk is a new entry. This follows the 12 November 2020 audit and Risk Sub-Committee decision to treat the Government changes to regulation and supply arrangements for what is known as the 3-waters services as a separate risk.</p> <p>Risk 12 - <u>LGA wellbeing policies: expectations not met.</u> The wording of this risk has been changed to match previous entries in the 13 August 2020 Audit and Risk Sub-Committee agendas.</p> <p>Risk 17 - <u>Customer Focus. Customer needs not fully met in the absence of a coordinated approach to increasing customer focus in Council's everyday work.</u> This Risk has been changed to remove the reference to Open for Business.</p>

Procurement Improvement Programme

- 10 With the Council-wide Procurement Strategy as the foundation, progress towards better procurement maturity is well in hand. Work has continued to uplift procurement capability and provide procurement support across the organisation.

Risk and Assurance

11 Initial planning for a Council-wide six-month assurance work programme is underway. This, and the associated priorities, will be developed for approval by the Senior Leadership Team by Quarter One of the 2021/22 financial year.

12 There are two critical components of this assurance programme that will be key to the success of implementing this approach and “bringing to life” the elements of risk management:

12.1 Embed a continuous control approach of:

Prevent ➡ Detect ➡ Respond ➡ Recover

12.2 Apply the PriceWaterhouseCoopers (PWC) “four lines of defence” model to how staff think about and manage organisational risks.

1 st line of Defence	➡	Internal Controls built into Core Business Processes
2 nd line of Defence	➡	Management Self-checking / Compliance Monitoring
3 rd line of Defence	➡	Internal Audit (assurance work programme)
4 th line of Defence	➡	External Audit

Considerations**Policy considerations**

13 There are no further policy implications arising from this report.

Legal considerations

14 There are no further legal considerations arising from this report.

Financial considerations

15 The work described above is planned to be funded from the 2020/21 Annual Plan budget by way of prioritised spending.

Tāngata whenua considerations

16 There has been no direct engagement with tāngata whenua regarding this report.

Strategic considerations

17 This enterprise risk management framework contributes to ensuring that the Council is continuing to improve its financial position against financial constraints.

SIGNIFICANCE AND ENGAGEMENT

18 This matter has a low level of significance under the Council Policy.

RECOMMENDATIONS

19 That the Audit and Risk Subcommittee receives and notes this report, including Appendices 1 and 2 to this report.

APPENDICES

1. Corporate Risk Summary [↓](#)
2. Risk Matrix [↓](#)

Corporate Risk Summary as at May 2021



	Risk	Impacts	Risk Level Current Target		Risk Controls / Treatments to reach Target Risk Level	Treatments Update	Treatment Status
1	Natural hazards exacerbated due to - global warming: sea level rise / climate change; and Earthquakes. SLT	<ul style="list-style-type: none">Erosion.Properties are flooded or abandoned.Early stormwater asset replacements.Higher capital costs for resilient assets.Greater costs.Building consent liabilities.Environmental non-compliances due to discharges during more frequent extreme weather events.Increase in wastewater overflow incidents.Economic Development and other Impacts on local business and/or wider community.Massive disruption to core infrastructure.	Extreme	High	<u>Maintain current controls:</u> <ul style="list-style-type: none">30-year asset management plans include risk and targeted asset upgrades, seawall and other protective measures.Proactive coastal hazards and climate change planning.Stormwater Plan.Ensure future development takes into account expected sea level rise.Wellington Region Climate Change Working Group (Note: the name will change to Wellington Region Climate Change Forum from 1 July 2021).Regional Growth Fund Strategy.Self-insurance fund (\$250k Capex and \$150k Opex per annum). <u>Action additional treatments:</u> <ul style="list-style-type: none">Establish sufficient resource to lead strategy development.Ensure that key data that informs regulatory work and the District Plan is updated.Include risk assessments for natural hazards in the District Plan to support land use planning.Ensure appropriate recognition of the risk across key Council strategies and activity management plans and the impact on the business and wider community.Resilience work and community engagement.Establish a community-led coastal adaptation programme.	<p>Proactively engaging with key community groups such as Low Carbon Kapiti and Kapiti Climate Change Group.</p> <p>Council appointed Former NZ Prime Minister and current Waikanae resident, Rt. Hon James Bolger ONZ PC, as Chair of the Community Assessment Panel (CAP) set up to support Takutai Kāpiti, a community-led coastal adaption project. The CAP's role is to gather information and advice from the community, technical experts and iwi and report back to Council with recommendations on the best options for our response to climate change</p> <p>Progressing development of a project plan for a community led coastal adaptation programme – scheduled to be complete by June 2021.</p> <p>Continued to explore projects necessary to reach targeted CO2 emissions reduction by 2021/22.</p> <p>Continued, using our 3-Waters funding allocation, the work programme to update the flood maps that inform regulatory work and District Plan.</p>	<div></div> On track

Risk Assessment Matrix



		Likelihood				
		Rare	Unlikely	Possible	Likely	Almost Certain
		1	2	3	4	5
Consequence	Catastrophic	100 Moderate	200 High	300 High	400 Extreme	500 Extreme
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2	Infrastructure service disruption. Infrastructure Services Corporate Services	<ul style="list-style-type: none">Loss of core infrastructure and services for extended periods likely to occur in an extreme natural event or pandemic due to lack of resilience and inadequate insurance arrangements.May impact usability of buildings in the district.Injuries, fatalities.Significant impact on the ability of business and the wider community to operate effectively.Lack of resilience.Uncertainty with Central Government assurance of 60% loss funding.	Extreme	Moderate	<u>Maintain current controls:</u> <ul style="list-style-type: none">AON / Tonkin Taylor / GNSR vulnerability / resilience modelling report.Self-insurance fund (\$250k Capex and \$150k Opex) per annum).Asset replacement programme & condition assessments.Insurance programme.Redundant network.Embedded water storage. <u>Action additional treatments:</u> <ul style="list-style-type: none">Waikanae Water Treatment Plant Clarifier Project.Strategy development and review to include climate change vision and actions.Emergency recovery plan is incorporated within the wider Wellington Regional Civil Defence Emergency response.	Central Government continue to be inactive regards their initial review into their 60% loss contribution for underground assets. No change is assumed at this stage. Syndicate insurance programme successfully renewed for a further 12 months to 1 May 2022. Finalising actions identified to improve the delivery of essential infrastructure services.	<div></div> On track																																														
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3 Asset investment decisions are less than desirable resulting in poor management of council owned assets. Infrastructure Services Corporate Services Strategy, Growth & Recovery Place and Space Note: This Risk differs from that presented to the 12 November 2020 Audit and Risk Sub-Committee meeting. The refreshed wording reflects a merge of two asset related risks previously reported separately: - Asset investments are less than desirable, and - Poor management of council owned assets.	<ul style="list-style-type: none"> Less than desirable asset investment decisions can result in poor District outcomes, council asset management practices and outcomes possible financial losses and/or failure to achieve KPIs. Infrastructure and Financial Strategies not achieved. Reputational damage. Higher priority issues are unresolved. Deliverables / KPIs not met. Costs. Penalties / Non-compliance. Social, environmental harm. 	Extreme	Moderate	Maintain current controls: <ul style="list-style-type: none"> Infrastructure and Financial Strategies. Apply a strategic asset management approach. Accurate asset information and intelligence lead asset management decisions. Capture assets using software: <ul style="list-style-type: none"> SPM (property and parks assets), RAMM (roading assets), and INFONET (3-Waters). Asset maturity programme - training and updates. Asset and activity management plans and associated regular reviews and audit processes. SLT / Council reviews and approvals. Business cases required. Action additional treatments: <ul style="list-style-type: none"> Asset management decisions and property acquisitions and disposal align with land use and regulatory approach. Land audits. Business intelligence reporting and appropriate reports include a risk disclosure / declaration. 	Continue the asset management maturity improvement programme and use of the asset management software systems that are in place. This ensures much more accurate asset information and intelligence lead asset management decisions. Associated initiatives include: <ul style="list-style-type: none"> Progressing the project to ensure Infrastructure Services asset management and activity planning complies with: <ul style="list-style-type: none"> Council May 2019 directives / resolutions - carbon neutrality by 20205, climate change emergency declaration and that "climate crisis issues in general be considered as part of all future decision making, reports and recommendations to Council"; and guidance from central government, Office of the Auditor General, Audit NZ and SOLGM. The completed Asset Management Plans will go before Council for adoption after the Long Term Plan is adopted.	 On track																																												
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4	Iwi relationships – lack of mutual understanding and agreement between Iwi and Council. People and Partnerships	<ul style="list-style-type: none">Lack of mutual understanding and agreement between Iwi and Council.Reputational damage.Additional time and cost in meeting statutory and Memorandum of Partnership obligations.Delays and or misalignment on key initiatives.	High	Low	<u>Maintain current controls:</u> <ul style="list-style-type: none">Regular and/or proactive communications between Council and Iwi partners.Council funding for Iwi capacity.Te Whakaminenga o Kapiti work programme.Partnership requirements reflected in Activity Management Plans. <u>Action additional treatments:</u> <ul style="list-style-type: none">Ongoing conversation with Iwi partners about partnership needs and aspirationsEstablish a staff capability development programme on enhancing Te Ao Maori and Council's obligation to Maori.Collaborate with Iwi through Te Whakaminenga o Kāpiti to ensure the Iwi perspective of risk is incorporated.	<p>Staff have started work on a formal response to the partnership review that Te Ati Awa ki Whakarongotai Charitable Trust presented to a group of Councillors and staff. This response will go to Council by the end of the financial year.</p> <p>Good progress being made with conversations with Iwi partners – eg. housing and growth strategy.</p> <p>The draft 2021-41 Long Term Plan being publicly consulted on includes increased Council funding for Iwi Capacity.</p>	<div></div> On track
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5 Central and regional government policy and legislation creates uncertainty. SLT	<ul style="list-style-type: none"> Unforeseen district impacts / opportunities brought about by new Government policies and legislation. Financial impacts. Government intervention. Delays in projects and programmes. Redesign. Priority change. Resourcing. Dissatisfaction. Council blamed for effects on stakeholders such as e.g. uncertainty for development community. 	High	Moderate	<u>Maintain current controls:</u> <ul style="list-style-type: none"> Monitor policy / legislative announcements. Prepare submissions to advocate on behalf of the community. Clear communication across the organisation. <u>Action additional treatments:</u> <ul style="list-style-type: none"> Advocacy to be presented and approved by Council and/or Committee. Form and strengthen good relationships, and actively collaborate, with Central and Regional Government to influence decisions. 	<p>We are actively monitoring and following Central Government policy / legislative announcements. At present there are a range of policy reforms that are likely to affect traditional Council roles and functions.</p> <p><u>Earthquake-prone Buildings:</u> MBIE changed their methodology guidance to establish whether a building or part of a building was likely to be earthquake-prone part way through the process of Council identifying potentially earthquake prone buildings.</p> <p><u>The 3-Waters Reforms:</u> Refer to Risk 6 below for further discussion.</p> <p><u>Review into the Future for Local Government:</u> This independent review will look into the future for local government and how councils can maintain and improve the wellbeing the communities they serve.</p> <p><u>Resource Management Act (RMA) 1991 reform:</u> The RMA will be repealed and replaced with two new laws this parliamentary term.</p> <ul style="list-style-type: none"> A Natural and Built Environments Act to provide for land use and environmental regulation. This will include stronger national direction and replacing council district plans with a single combined plan for each region. A Strategic Planning Act to set long-term strategic goals and facilitate decision making across the resource management system. This will include long-term regional spatial plans developed at a regional level. 	 On track																																										
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6	<p>Central Government changes to 3-waters services (drinking water, wastewater and stormwater) creates uncertainty.</p> <p>SLT</p> <p>Note: This Risk is a new entry. This follows the 12 November 2020 audit and Risk Sub-Committee decision to treat the Government changes to regulation and supply arrangements for what is known as the 3-waters services as a separate risk.</p>	<ul style="list-style-type: none">Unforeseen district impacts / opportunities brought about by the new legislation.Financial impacts.Government intervention.Delays in projects and programmes.Redesign.Priority change.Resourcing.Dissatisfaction. Council blamed for effects on stakeholders such as e.g. uncertainty for development community.	High	Moderate	<p><u>Maintain current controls:</u></p> <ul style="list-style-type: none">Monitor policy / legislative announcements.Prepare submissions to advocate on behalf of the community.Clear communication across the organisation. <p><u>Action additional treatments:</u></p> <ul style="list-style-type: none">Monitor policy and legislative announcements.Advocacy to be presented and approved by Council and/or Committee.Form and strengthen good relationships, and actively collaborate, with Central and Regional Government to influence decisions.	<p>Actions related to the central government report on the 3-waters regulatory review are progressing.</p> <p>The regulator has been established and the first reading of the proposed new regulations has been held.</p> <p>Council is participating in the initial stage of the Government's 3-Waters Services Reforms programme. This means we can explore the local impacts of a proposal to amalgamate water, wastewater and possibly stormwater assets and services.</p> <p>We have received \$3.1million of a \$6.2million grant to further strengthen water, wastewater and stormwater infrastructure and services across the district. A percentage of that funding will be allocated against the delivery of the water safety and resilience works programme.</p> <p>Our current programme is to set up a 3-Waters Transition Plan based on the Government timeframes and commitments which will include drinking water, wastewater and stormwater* (*final confirmation pending).</p> <p>Potential to seek stimulus funding for external assistance.</p> <p>The Transition Plan will include a more detailed risk assessment that looks at all those parameters.</p> <p>Further information from Department of Internal Affairs and potential structure to be released in mid-June 2021.</p>	<div></div> <p>On track</p>																																														
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7 Difficult to recruit and retain staff. Organisational Development Regulatory.	<ul style="list-style-type: none"> Loss of and/or difficulties recruiting and retaining staff due to attractive work and/or salaries elsewhere and industry staffing fluctuations. Additional costs e.g. consultants. Delays in critical work programmes and/or associated poor decision making. Loss of IANZ accreditation due to shortage of building staff. Poor staff morale due to not enough staff, and high workload/stress. Corporate loss of institutional and intellectual knowledge. 	High	Moderate	Maintain current controls: <ul style="list-style-type: none"> Gallup staff engagement survey. Employ contractors / consultants to backfill vacancies. Succession planning. Workforce planning. Talent management. Short term workload management. Job grade / pay structure reviews. Adjust forward work programmes to align with capability and capacity. Action additional treatments: <ul style="list-style-type: none"> Professional Development. Leadership training and leadership development. Monitoring staff workloads and remuneration trends. Continuous review on agile ways to recognise contributions e.g. flexible working. Work programme associated with Gallup staff engagement survey – this includes ongoing delivery of our Council-wide 2020 Gallup staff culture workshops that complement our 'Purpose' workshops. 	SOLGM recognise that there are widespread industry skills shortages, particularly in the RMA and Building areas. For the latter this is a particular challenge for our Building Consent Authority with the upcoming IANZ accreditation this calendar year. Continuing strong competition from larger metropolitan Councils and central government who are recruiting staff with the same depth and breadth of specialist skills. Continued to scope the requirements of workforce planning. This work improves our understanding of the cost to replace staff and supports our readiness to respond to upcoming changes in the local government sector.	 On track																																										
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8	Fraudulent activity. Corporate Services	<ul style="list-style-type: none">Fraudulent activity could occur undetected due to inadequate monitoring, lack of strong physical and process controls resulting in financial loss, business interruption and reputational damage.Financial loss.Business interruption.Reputational damage.	High	Low	<u>Maintain current controls:</u> <ul style="list-style-type: none">Fraud management framework.Mitigation of Fraud Policy.Maintain fraud awareness.Protected disclosures.Employee screening.Statutory year end audits.Enterprise risk management.Internal controls. <u>Action additional treatments:</u> <ul style="list-style-type: none">Fraud awareness training.Internal audit programme (as resources allow).Conflict of Interest declaration processes.	<p>The Mitigation of Fraud Policy has been reviewed and updated.</p> <p>The Protected Disclosures Act is currently being reviewed.</p> <p>A Risk Advisor has been successfully recruited, commencing in July 2021.</p>	<div></div> On track																																														
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9	Paraparaumu Wastewater Treatment Plant – difficulties with consent process. Infrastructure Services	<ul style="list-style-type: none">Legislative change could result in reduced number of viable options and higher discharge standards at substantial cost to further treat/dispose.Poor investigations, assessments and/or Iwi engagement result in delayed and/or costlier applications or an unsuccessful application.Costly additional works required to consent WWTP.More onerous discharge conditions require substantial upgrade to WWTP.Failure to secure consent limits growth and development.	High	Moderate	<u>Maintain current controls:</u> <ul style="list-style-type: none">Comprehensive consenting strategy include risk assessment and mitigations.Professional services contract aligned to risk mitigation actions including engagement and consultation strategies. <u>Action additional treatments:</u> <ul style="list-style-type: none">Track PNRP and Whaitua Processes.Close working relations with GWRC through the development of the Assessment of Environmental Effects and options assessments.Maintain and strengthen Iwi/community relationships.New consenting strategy.	<p>Due to the lack of availability for Iwi to engage we were not able to progress the original consent process and have had to develop an alternative consenting strategy.</p> <p>GWRC confirmed acceptance of a shortened application period.</p> <p>Commissioned Iwi’s preferred consultant to work on the consent.</p> <p>Agreed support with Iwi for alternative consenting approach.</p> <p>Further work with GWRC underway on their application.</p>	<div></div> Some Concerns
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10	Programme delivery is disrupted – e.g. non-availability of specialist resources and materials. SLT	<ul style="list-style-type: none">Planned project delivery could be compromised due to unforeseen events.Projects not delivered as plannedFinancial lossesReputational damageNon-delivery of core services.	High	Moderate	<u>Maintain current controls:</u> <ul style="list-style-type: none">Quarterly reports of performance (financial and non-financial) of Council's priority projects are provided to the Strategy and Operations Committee.Deliverability of the Annual Plan CAPEX programme is reviewed quarterly and presented to the Strategy and Operations Committee.In-house Project Management Office (PMO).Risk management.Regular financial reporting and monitoring.Rationalised capital project programme budget for the first 6 years of the 2018-38 Long Term Plan (LTP). <u>Action additional treatments:</u> <ul style="list-style-type: none">Continue to develop financial management capability.Continue to develop capability of in-house PMO function.Continue to improve risk management awareness and capability	<p>The half year activity and financial performance results were presented to the Strategy and Operations Committee for review on 18 March 2021.</p> <p>The Kapiti Recovery Plan adopted by Council on 1 October 2020 is being implemented and periodically reviewed.</p> <p>Project Management Office now using BECCA's project management software (CapexInsight) to better plan and report capex activities at a portfolio level. The intention is to roll out this software across the organisation.</p> <p>Planning underway to better optimise procurement activity and Project Management Office oversight of same.</p> <p>Initial planning for a Council-wide six-month assurance work programme is underway. This, and the associated priorities, will be developed for approval by SLT by Quarter One in the new financial year.</p> <p>The bi-annual audit process to retain the IANZ Accreditation of the Building Consent Authority is this calendar year. The associated audit is not a surprise however the impact of meeting the preparatory requirements for this "deep-dive" audit is significant and has the potential to be a significant disruption.</p>	<div></div> On track																																														
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11	Health and Safety Harm. SLT	<ul style="list-style-type: none">Health & Safety (H&S) harm occurs due to inadequate safeguards against extreme events (e.g. natural events / pandemics) and/or hazardous environments.Injuries to people.Loss of reputation.Penalties, fines.Welfare staff exposure.Pressure on staffReduced resilience.	High	Low	<p>Maintain current controls:</p> <ul style="list-style-type: none">Proactive modelling of good H&S behaviours.Health and safety management systems.Asbestos Management Plan.Care Register.Working Alone Policy.Resilience training, safety in the workplace.AA Driver Training and Assessment Programme.Prevention of Infection: Covid-19 practices and processes.Staff Health and Safety Committee interactions with the Senior Leadership Team.Employee Assistance Programme.Health and Safety at Work (HSWA) 2-year integrated action plan (including Hazardous Substances) operational. <p>Action additional treatments:</p> <ul style="list-style-type: none">Risk based approach focus on asbestos, hazardous substances, contractor management and driving.Wellbeing initiatives.	<p>Continuing the staff asbestos health monitoring programme.</p> <p>High users of Council vehicles have completed an AA Driver Training and Assessment programme. This will be repeated for all drivers of Council vehicles on a two yearly cycle or as required in between.</p> <p>The Staff Health and Safety Committee is meeting regularly and providing updates to the Senior Leadership Team.</p>	<div></div> On track																																												
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12	LGA wellbeing policies: expectations not met. People and Partnerships Strategy, Growth & Recovery. Note: This Risk has been changed to match previous entries in the 13 August 2020 and earlier Audit and Risk Sub-Committee agendas.	<ul style="list-style-type: none">Council loses the trust of the community if it fails to respond to the increased demand/expectations as a result of the Local Government Act wellbeing policies (e.g. social housing).Community dissatisfaction.Reputational risk.	Moderate	Low	<u>Maintain current controls:</u> <ul style="list-style-type: none">Welfare planning as part of the wider emergency management planning. <u>Action additional treatments:</u> <ul style="list-style-type: none">Explore responses at the next Long Term Plan round.Developing strategies and putting wellbeing policy measures in place. These include the Economic Development Strategy that is built around the four well beings.	<p>The Kapiti Recovery Plan adopted by Council on 1 October 2020 is being implemented and periodically reviewed.</p> <p>The Kapiti Recovery Plan was adopted by Council on 1 October 2020. The Plan, developed to meet the requirement for local governments to plan for recovery in their districts following an emergency event, aims to reconnect our communities, reactivate our economy and restore our social wellbeing. Building on existing work, it takes a holistic approach to wellbeing, forming strong partnerships and focusing on our climate and resilience as our guiding principles.</p> <p>Requests for additional funding are included in the draft Long Term Plan.</p>	<div></div> On track																																														
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13	Poor financial management. Corporate Services	<ul style="list-style-type: none">Actual costs exceed budgets due to poor financial management.Financial losses.Reputational damage.Non-delivery of core services.	Moderate	Low	<u>Maintain current controls:</u> <ul style="list-style-type: none">Monthly management reports provided to budget managers.SLT provided with monthly management report identifying financial risks.Quarterly financial and non-financial performance reporting to Council.Council-wide Procurement Strategy. <u>Action additional treatments:</u> <ul style="list-style-type: none">Reprioritisation of budgets.Procurement improvement programme.Project Management Office.Risk management.Financial management awareness training.	<p>Continued to uplift procurement capability and provide procurement support across the organisation.</p> <p>Monthly financial performance reports were provided to budget managers.</p> <p>The half year activity and financial performance results were reported to the Strategy and Operations Committee for review on 18 March 2021.</p> <p>A Risk Advisor has been successfully recruited, commencing in July 2021.</p>	<div></div> On track.																																											
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14	New asset operational deficiencies. Infrastructure Services Regulatory Services Place and Space. Corporate Services	<ul style="list-style-type: none">Assets transferred to Council are not fit for purpose due to lack of quality in design/construction.High costs to maintain or replace.	Moderate	Low	<u>Maintain current controls:</u> <ul style="list-style-type: none">District Plan.Consent processes.Hand over processes.Subdivision Design and Principles process.Gifting of Assets Policy. <u>Action additional treatments:</u> <ul style="list-style-type: none">Subdivision Design and Principles Review process.Develop an Open Spaces Strategy.Refine the subdivision process to provide internal visibility across Council of both the assets scheduled to be vested and also monitoring / assurance that the vesting is completed.	Subdivision Design and Principles Review work is underway and has been expanded to be a joint project with Horowhenua District Council. This approach will ensure that both Councils develop a consistent approach across both districts. The Open Space Strategy is being progressed for adoption by August 2021.	<div></div> On track																																							
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15	Business disruptions. SLT	<ul style="list-style-type: none">Following a disruptive incident and/or extreme events (including natural disasters / pandemics); extended non delivery of core services, financial losses, reputational damage could result due to lack of Business Continuity Plans (BCPs).Financial losses.Reputational damage.Non-delivery of core services.H&S compromised.	Moderate	Low	<u>Maintain current controls:</u> <ul style="list-style-type: none">Pandemic Plan.Business Continuity Leadership.BCPs in place as listed:<ul style="list-style-type: none">Payroll (HR and Finance).Loss of office buildings.Supplier payments.Customer call centre.Drinking water supply.Laboratory water testing.Wastewater services.Electoral services. <u>Action additional treatments:</u> <ul style="list-style-type: none">Development and testing of organisation wide BCPs.	A Covid-19 Working Group has continued to meet weekly. The key areas of focus and core responsibilities of the Working Group have been extended to ensure that Council is best prepared to respond quickly, from an organisational perspective, to any future changes to alert levels as confirmed by central government.	<div></div> On track																																																
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16	Community engagement challenges in understanding and achieving optimal engagement with the community. Corporate Services People and Partnerships	<ul style="list-style-type: none">Loss of trust and confidence in Council's ability to deliver to our community.Delays to critical works.Raising community expectations but disconnect with current resources.Reputational damage through lack of progress.Lack of progress.People opt out.	Moderate	Moderate	<u>Maintain current controls:</u> <ul style="list-style-type: none">Consultation processes.Significance and engagement policies.Communication and Engagement Strategy.Local Government Act requirements.Connecting the dots; blend / extend consultation topics. <u>Action additional treatments:</u> <ul style="list-style-type: none">Slow down and be more deliberate.Seek out more opportunities for information sharing to encourage positive engagement.	<p>Exploring new ways to extend our community reach and make it easy for people to participate in the work of Council: e.g.</p> <ul style="list-style-type: none">New digital engagement and consultation platform.Website enhancements.Enhancement in digital channelsIncreased visual presence in our communities. <p>Reviewing our Communications and Engagement Strategy.</p> <p>Engaged consultants Martin Jenkins to undertake an independent process review of Te Uruhi – the Kāpiti Gateway Project. The review follows concerns raised by the community and elected members about how some project decisions were made and how they were communicated.</p>	<div></div> On track																																														
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17	Customer Focus. Customer needs not fully met in the absence of a coordinated approach to increasing customer focus in Council's everyday work. SLT Note: This Risk has been changed as was signalled to the 12 November 2020 Audit and Risk Sub-Committee meeting.	<ul style="list-style-type: none">Unmet customer needs and expectations.Poor customer perceptions.Reputational damage.Council perceived as not helpful.Loss of trust with customers.Financial losses.Deters new developers.Loss claims.Health and Safety compromised.Litigation and legal challenges.Financial losses.	Moderate	Low	<u>Maintain current controls:</u> <ul style="list-style-type: none">Case/project management.Pre-application meetings.Business start-up meetings.Meeting with developers.Structural and cultural changes. <u>Action additional treatments:</u> <ul style="list-style-type: none">Enhance systems and processes and ensure that a customer focus is applied to all improvements.Ensure timely delivery.Integrated services.Working with the Chamber of Commerce.Ongoing engagement with key customers.Improve customer solution focused culture.Ensure staff are empowered to make decisions.Develop and highlight positive examples / case studies where staff have developed innovative approaches.	<p>This risk which was previously titled Open for Business has been renamed as Customer Focus.</p> <p>A draft customer framework and associated work programme will be developed for Senior Leadership Team to consider during Quarter One of the new financial year. Following that the associated controls and additional actions for this risk are likely to change.</p>	<div></div> On track

Risk Assessment Matrix

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			Current	Target																																															
18	High debt. CE	<ul style="list-style-type: none">• Potential inability to increase debt funding in the future constrains council's ability to deliver.• Debt cap breached faster.• High interest costs.• Financial losses.• Reputational damage.• Non-delivery of core services.	Moderate	Low	<p><u>Maintain current controls:</u></p> <ul style="list-style-type: none">• Infrastructure Strategy.• Treasury Management Policy• Rating system.• Strong treasury management with quarterly treasury performance reporting to Audit and Risk Sub-committee. <p><u>Action additional treatments:</u></p> <ul style="list-style-type: none">• Reprioritise to ensure net debt stays below 200% of operating income• Developer contributions and other funds.• Continue to seek alternate funding sources and/or increase non-rates funding sources to keep debt down.	<p>A draft Financial Strategy "Investing for Resilience and Growth", formed part of the draft 2021-41 Long Term Plan that was open for public consultation from 7 April to 10 May 2021.</p> <p>The half year activity and financial performance results was reported to the Strategy and Operations Committee for review on 18 March 2021.</p>	<div></div> On track																																												
<div><h3>Risk Assessment Matrix</h3><table><tr><th colspan="2" rowspan="2"></th><th colspan="5">Likelihood</th></tr><tr><th>Rare</th><th>Unlikely</th><th>Possible</th><th>Likely</th><th>Almost Certain</th></tr><tr><th colspan="2"></th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th></tr><tr><td rowspan="4">Consequence</td><td>Catastrophic</td><td>100 Moderate</td><td>200 High</td><td>300 High</td><td>400 Extreme</td><td>500 Extreme</td></tr><tr><td>Major</td><td>70 Moderate</td><td>140 Moderate</td><td>210 High</td><td>280 High</td><td>350 Extreme</td></tr><tr><td>Moderate</td><td>40 Low</td><td>80 Moderate</td><td>120 Moderate</td><td>160 Moderate</td><td>200 High</td></tr><tr><td>Minor</td><td>10 Low</td><td>20 Low</td><td>30 Low</td><td>40 Low</td><td>50 Low</td></tr></table><div>Key: <div></div> = current risk level</div></div>										Likelihood					Rare	Unlikely	Possible	Likely	Almost Certain			1	2	3	4	5	Consequence	Catastrophic	100 Moderate	200 High	300 High	400 Extreme	500 Extreme	Major	70 Moderate	140 Moderate	210 High	280 High	350 Extreme	Moderate	40 Low	80 Moderate	120 Moderate	160 Moderate	200 High	Minor	10 Low	20 Low	30 Low	40 Low	50 Low
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	Risk	Impacts	Risk Level		Risk Controls / Treatments to reach Target Risk Level	Treatments Update	Treatment Status
			Current	Target			
19	Emergency response. Place and Space Infrastructure Services	<ul style="list-style-type: none">Financial loss and reputational damage may result during a significant natural disaster or a pandemic due to a lack of preparedness, lack of unified response approach and loss of key staff.Preparedness training severely impacting "Business as Usual."	Moderate	Low	<u>Maintain current controls:</u> <ul style="list-style-type: none">Wellington Regional Emergency Management Organisation (WREMO) Response Plan.Civil Defence and emergency management systems.Civil Defence training and exercises.Recovery Plan. <u>Action additional treatments:</u> <ul style="list-style-type: none">Community resilience.Work with WREMO.Continually review emergency management plans and staff capability and resources.Enterprise risk management.New infrastructure resilience.Ensuring clarity around roles and responsibilities of partner agencies.	<p>Regular meetings with Lifelines are occurring and the Welfare Plan and Earthquake Response Plan are being finalised.</p> <p>Continue to develop our emergency management work programme and response preparedness in partnership with WREMO.</p> <p>Continue to provide training to WREMO staff.</p> <p>The Kapiti Recovery Plan was adopted by Council on 1 October 2020. The Plan, developed to meet the requirement for local governments to plan for recovery in their districts following an emergency event, aims to reconnect our communities, reactivate our economy and restore our social wellbeing. Building on existing work, it takes a holistic approach to wellbeing, forming strong partnerships and focusing on our climate and resilience are our guiding principles.</p>	<div></div> On track
Risk Assessment Matrix							
		Likelihood					
		Rare	Unlikely	Possible	Likely	Almost Certain	
		1	2	3	4	5	
Consequence	Catastrophic	100	Moderate 100	High 200	High 300	Extreme 400	Extreme 500
	Major	70	Moderate 70	Moderate 140	High 210	High 280	Extreme 350
	Moderate	40	Low 40	Moderate 80	Moderate 120	Moderate 160	High 200
	Minor	10	Low 10	Low 20	Low 30	Low 40	Low 50
Key: <div></div> = current risk level							

	Risk	Impacts	Risk Level		Risk Controls / Treatments to reach Target Risk Level	Treatments Update	Treatment Status																																							
			Current	Target																																										
20	Drinking water safety. Infrastructure Services	<ul style="list-style-type: none">Threat to sufficient water supply and delivery of safe drinking water.	Moderate	Low	<u>Maintain current controls:</u> <ul style="list-style-type: none">Water safety and resilience works programme (\$15m 2018-22).Bulk mains condition assessment (\$90k 2018-19). <u>Action additional treatments:</u> <ul style="list-style-type: none">Otaki water supply reservoir 2024-26.	Water safety and resilience works programme - work underway.	<div></div> On track																																							
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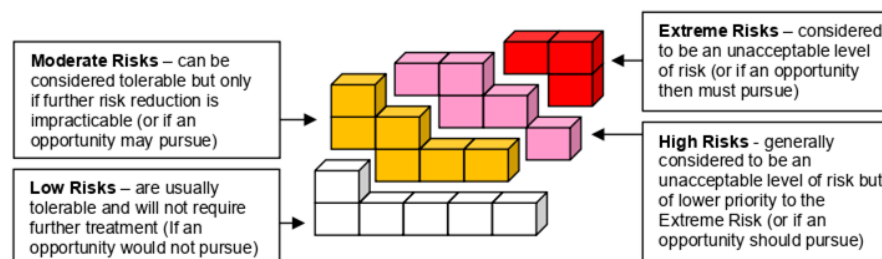
Risk Consequence matrix

	Rating	Health & Safety	Financial	Fraud	Operational	Reputational
Severe	100	Loss of life	Direct loss or increased cost of over \$1M	\$20k+	Serious loss of critical operational capability for over 4 weeks and serious disruptions to service levels.	Major loss in community confidence. Negative multi-media nation-wide coverage for 2+ weeks. Negative international coverage Significant national political criticism
Major	70	Injury with 3+ months' time off	Direct loss or increased cost of \$100k - \$1M	\$5k - \$20k	Serious loss of critical operational capability for over 2 weeks and major disruption to service levels.	Some loss in community confidence that will take significant time to remedy. Negative multi-media nation-wide coverage for up to 2 weeks Some national political criticism
Moderate	40	Injury with 2 weeks to 3 months' time off	Direct loss or increased cost of \$10k - \$100k	\$1k - \$5k	Serious loss of critical operational capability for up to 2 weeks and disruption to service levels.	Manageable loss in community confidence. Negative multi-media nation-wide coverage for several days. Local adverse media coverage for a week
Minor	10	Injury with less than 2 weeks' time off	Direct loss or increased cost of \$2k - \$10k	\$1k - \$5k	Loss of critical operational capability in some areas and limited disruption to service levels.	Loss of confidence amongst sections of the community. Negative multi-media nation-wide coverage for up to 1 day. Local adverse media coverage for several days

Risk Likelihood

	Rating	Frequency	Probability
Rare	1	The event is only expected to occur in exceptional circumstances, perhaps once every 10 years	< 1%
Unlikely	2	Could occur only very occasionally, perhaps 2-3 times every 10 years	1% - 9%
Possible	3	Might occur from time to time, perhaps, 5 out of every 10 years	10% - 19%
Likely	4	Will probably occur often, perhaps 7 times in every 10 years	20% - 50%
Almost Certain	5	Expected to occur almost every year, perhaps 9 out of 10 years	>50%

		Likelihood				
		Rare	Unlikely	Possible	Likely	Almost Certain
		1	2	3	4	5
Consequences	Severe	100	Moderate	High	High	Extreme
	Major	70	Moderate	Moderate	High	High
	Moderate	40	Low	Moderate	Moderate	Moderate
	Minor	10	Low	Low	Low	Low



7820929

9 CONFIRMATION OF MINUTES**9.1 CONFIRMATION OF MINUTES**

Author: Jayne Nock, Executive Secretary to Group Manager Corporate Services

Authoriser: Mark de Haast, Group Manager Corporate Services

RECOMMENDATIONS

That the minutes of the Audit and Risk Subcommittee meeting on 25 February 2021 be accepted as a true and accurate record of the meeting

APPENDICES

1. Draft Minutes of the Audit and Risk Subcommittee 25 February 2021 [↓](#)

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES**25 FEBRUARY 2021**

**MINUTES OF KAPITI COAST DISTRICT COUNCIL
AUDIT AND RISK SUB-COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, GROUND FLOOR, 175 RIMU ROAD, PARAPARAUMU
ON THURSDAY, 25 FEBRUARY 2021 AT 1.30PM
(RESUMED 10.30AM THURSDAY 11 MARCH 2021)**

PRESENT: Bryan Jackson (Chair), Cr Angela Buswell (Deputy Chair), Mayor K Gurunathan, Cr Gwynn Compton.

IN ATTENDANCE: Cr Martin Halliday, Community Board Member Christine Papps, Wayne Maxwell, Mark de Haast, Dianne Andrew, Anelise Horn, Ian Georgeson, Jayne Nock, David Borrie, Ahmed Sofo, Tim Power, Grayson Rowse.

APOLOGIES: Deputy Mayor Janet Holborow, Gary Simpson

LEAVE OF ABSENCE: There were none

1 WELCOME

The Chair welcomed everyone to the meeting

MOTION

The Chair advised that as a Council meeting was about to resume and required the attendance of Elected Members of this meeting, the meeting would be adjourned to a later date.

COMMITTEE RESOLUTION AAR2021/1

Moved: Mr Bryan Jackson

Seconder: Deputy Mayor Janet Holborow

That the Audit and Risk Subcommittee meeting be adjourned until 10.30am Thursday 11 March 2021.

CARRIED

The meeting adjourned at 1:33 pm Thursday 25 February 2021 and resumed at 10.30am on Thursday, 11 March 2021.

2 COUNCIL BLESSING

The Chair read the Council Blessing.

3 APOLOGIES**APOLOGY****COMMITTEE RESOLUTION AAR2021/2**

Moved: Cr Angela Buswell

Seconder: Cr Gwynn Compton

That apologies received from Cr Janet Holborow and Gary Simpson be accepted.

CARRIED

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES**25 FEBRUARY 2021****4 DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA**

There were none

5 PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA

There were none

6 MEMBERS' BUSINESS**(a) Public Speaking Time Responses**

There were none

(b) Leave of Absence

There were none

(c) Matters of an Urgent Nature (advice to be provided to the Chair prior to the commencement of the meeting)

There were none

7 UPDATES

There were none

8 REPORTS**8.1 HEALTH AND SAFETY QUARTERLY REPORT: 1 OCTOBER 2020 - 31 DECEMBER 2020**

The report was taken as read and Dianne Andrew, Organisational Development Manager responded to Members' questions and advised:

- the Council's new Group, 'Strategy, Growth and Recovery', had now been added and will be included in the next Health and Safety Quarterly Report;
- health and safety plan dates had now been extended to 3 years (the plan usually covered 2 years), to provide a more realistic account of disruptions the Council had encountered during COVID-19 and also any future interruptions we may come across (next one to cover 2020-2023);
- there will be a few changes to the format of the lead indicators in the next quarterly report i.e. staff training will be more of an overview of what was planned and what was delivered rather than a focus on attendance numbers; and
- Third Party Events – primarily relate to activities in libraries and pools and by continuing to encourage staff reporting it will show an increase in numbers and this would be a good sign.

Members suggested a more detailed breakdown of 'types of incidents' would be useful.

COMMITTEE RESOLUTION AAR2021/3

Moved: Cr Gwynn Compton

Seconder: Cr Angela Buswell

That the Audit and Risk Sub Committee notes the Health and Safety Quarterly Report for the period 1 October 2020 – 31 December 2020 attached as Appendix One to this Report.

CARRIED

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES**25 FEBRUARY 2021****8.2 ERNST AND YOUNG AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2021**

David Borrie and Ahmed Sofo, from Ernst and Young, joined the meeting, gave a summary of changes within their report from previous years and responded to Members' questions.

COMMITTEE RESOLUTION AAR2021/4

Moved: Cr Angela Buswell
 Seconder: Mayor K Gurunathan

That the Audit and Risk Subcommittee receives and notes the Ernst and Young Audit Plan for the year ended 30 June 2021 attached as Appendix 1 to this report.

CARRIED**8.3 TIMETABLE FOR THE AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2021**

The report was taken as read.

COMMITTEE RESOLUTION AAR2021/5

Moved: Cr Gwynn Compton
 Seconder: Cr Angela Buswell

That the Audit and Risk Subcommittee notes the timetable for the audit of the Council's Annual Report and Debenture Trust Deed for the year ended 30 June 2021.

CARRIED**8.4 PROGRESS UPDATE REGARDING AUDIT CONTROL FINDINGS 2019/20**

The report was taken as read and Anelise Horn, Manager Financial Accounting responded to Members' questions.

COMMITTEE RESOLUTION AAR2021/6

Moved: Mayor K Gurunathan
 Seconder: Cr Angela Buswell

That the Audit and Risk Subcommittee notes the progress update in regards to Ernst & Young's Report on Control findings for the year ended 30 June 2020 and that Ernst & Young will re-assess these as part of their audit for the year ended 30 June 2021.

CARRIED**8.5 QUARTERLY TREASURY COMPLIANCE REPORT**

The report was taken as read and Ms Horn responded to Members' questions.

COMMITTEE RESOLUTION AAR2021/7

Moved: Cr Gwynn Compton
 Seconder: Cr Angela Buswell

That the Audit and Risk Subcommittee notes the Council's full compliance with its Treasury Management Policy for the three months ended 31 December 2020.

CARRIED

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES

25 FEBRUARY 2021

9 CONFIRMATION OF MINUTES

9.1 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION AAR2021/8

Moved: Cr Gwynn Compton

Seconder: Cr Angela Buswell

That the minutes of the Audit and Risk Subcommittee meeting on 12 November 2020 be accepted as a true and accurate record of the meeting

CARRIED

10 CONFIRMATION OF PUBLIC EXCLUDED MINUTES

11 PUBLIC EXCLUDED REPORTS

RESOLUTION TO EXCLUDE THE PUBLIC**PUBLIC EXCLUDED RESOLUTION AAR2021/9**

Moved: Mayor K Gurunathan

Seconder: Cr Gwynn Compton

That, pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987, the public now be excluded from the meeting (with the exception of Ōtaki Community Board Member Christine Papps) for the reasons given below, while the following matters are considered.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
10.1 - Confirmation of Public Excluded Minutes	<p>Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p>	Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

Page 4

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES

25 FEBRUARY 2021

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
11.1 - Update on litigation status, statutory compliance issues, investigations	<p>Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p> <p>Section 7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>

CARRIED**COMMITTEE RESOLUTION AAR2021/10**

Moved: Mayor K Gurunathan

Seconder: Cr Gwynn Compton

That the Audit and Risk Subcommittee moves out of a public excluded meeting.

CARRIED

The Audit and Risk Subcommittee meeting went into a public excluded session at 11.05am.

The Audit and Risk Subcommittee came out of a public excluded session at 11.12am.

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES**25 FEBRUARY 2021**

The Audit and Risk Subcommittee resolved their approval to release report 'Update On Litigation Status, Statutory Compliance Issues, Investigations' (excluding appendices) and the resolutions from the public excluded session.

COMMITTEE RESOLUTION AAR2021/11

Moved: Cr Angela Buswell

Seconder: Cr Gwynn Compton

That the Audit and Risk Subcommittee:

note that there were minor compliance issues associated with discharge into the Mazengarb Stream. The Greater Wellington Regional Council was advised of the breaches;

note the current status of Ombudsman and Privacy Commissioner investigations and litigation;

agree that this report and resolutions only be released from public excluded business; and

agree that Appendices [A] and [B] of this report, be excluded from public release.

CARRIED**Appendices**

- 1 Update on Litigation Status, Statutory Compliance Issues and Investigations Report

The Audit and Risk Subcommittee meeting closed at 11.12am.

.....
CHAIRPERSON

10 CONFIRMATION OF PUBLIC EXCLUDED MINUTES

11 PUBLIC EXCLUDED REPORTS**RESOLUTION TO EXCLUDE THE PUBLIC****PUBLIC EXCLUDED RESOLUTION**

That, pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987, the public now be excluded from the meeting for the reasons given below, while the following matters are considered.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

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11.1 - Update on litigation status, statutory compliance issues, investigations	<p>Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making</p>	Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

	<p>available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p> <p>Section 7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	
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