



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, 2 June 2022

Time: 9.30am

**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 2 June 2022, 9.30am.

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 HEALTH AND SAFETY QUARTERLY REPORT : 1 JANUARY 2022 - 31 MARCH 2022

Kaituhi | Author: **Dianne Andrew, Organisational Development Manager**

Kaiwhakamana | Authoriser: **Sean Mallon, Group Manager Infrastructure Services**

Te pūtake | Purpose

- 1 This report presents a Health and Safety report for the period 1 January 2022 – 31 March 2022

He whakarāpopoto | Executive summary

- 2 The Health and Safety Quarterly Report links to the draft Health and Safety Plan 2020-2023 which retains alignment to the 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 high level areas of Leadership, Health and Safety Management Systems, and Contractor Management all with an underlying focus on:
 - skill and capability of our people
 - managing our critical risks, and
 - leadership and engagement.

Te tuku haepapa | Delegation

- 3 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.*

Taunakitanga | Recommendations

- A. That the Audit and Risk Sub Committee notes the Health and Safety Quarterly Report for the period 1 January 2022 – 31 March 2022 attached as Appendix One to this Report.

Tūāpapa | Background

- 4 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.
- 5 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.
- 6 The draft Health and Safety Plan period has been extended from two to three years and will cover 2020 – 2023 to enable Covid-19 lockdown delays and interruptions to be included.

- 7 A draft of the Health and Safety Strategic Plan 2020-2023 has been adopted by the Senior Leadership Team and was to be presented to this sub-committee following a Discussion Forum which was to be scheduled before this meeting. However due to the Covid-19 disruptions to work deliverables, the Discussion Forum has yet to be confirmed. Work is however proceeding based on the deliverables stated in the 2020-2023 plan.
- 8 Progress on the 2020 – 2023 Health and Safety Plan will continue to be incorporated into quarterly reports going forward

He kōrerorero | Discussion

- 9 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 timelines continue to require extensions and this will be updated through the regular reporting cycle.
- 10 Disruptions as a result of previous and future Covid-19 alert level resurgence and/or restrictions have been factored into the draft 2020 – 2023 Health and Safety Plan but actions and deliverables are progressing, albeit slower than anticipated.

He take | Issues

- 11 Training for key competency/qualification requirements for specific roles has been disrupted through Covid-19 restrictions and changes to alert and traffic light systems however this training has been prioritised to ensure compliance where required and where delays are out of the Council's control, specific measures are being put in place to manage this to minimise any potential for organisational risk.
- 12 Planning continues this quarter in anticipation of Covid-19 surges and further outbreaks in the community to minimise organisational risk and enable best opportunities to continue a level of service delivery to our community during any ongoing Covid-19 disruptions. Planning for this contingency includes the health and safety and wellbeing of staff and customers, and members of the community and as such will be contingent on Council's resource availability with the potential that services may be reduced intermittently or for a period of time.

Ngā kōwhiringa | Options

- 13 For the delivery of key competency/qualification training, most will continue to be remote delivery for the next few months. This will be worked through team by team to ensure staff risk management is effective balanced with the practical need to keep staff current in their skill areas as required for their roles. Where roles do not have specific training for compliance reasons, this training will continue to be prioritised and delivered as and when appropriate given the limitations from Covid-19 restrictions and or risk of infection at the time.

Tangata whenua

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

Panonitanga āhuarangi | Climate change

- 15 This Report does not impact on the work programmes for climate change.

Ahumoni me ngā rawa | Financial and resourcing

- 16 Budget has been provided for implementation of the action plan initiatives as part of the 2018-38 Long-term plan.

Ture me ngā Tūraru | Legal and risk

- 17 There are no legal and risk considerations in addition to those already noted in this report.

Ngā pānga ki ngā kaupapa here | Policy impact

18 There are no policy considerations arising from this report.

Te whakawhiti kōrero me te tūhono | Communications & engagement

19 There are no communication and engagement considerations arising from this report.

Te mahere tūhono | Engagement planning**Whakatairanga | Publicity**

21 There are no publicity considerations.

Ngā āpitihanga | Attachments

1. Health and Safety Quarterly Report for the period 1 January 2022 - 31 March 2022 [↓](#)

Appendix One

KĀPITI COAST DISTRICT COUNCIL
Health and Safety Quarterly Report to the Audit and Risk Sub Committee
1 January 2022 – 31 March 2022

The Health and Safety Plan retains alignment to the 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 (51 in 2022 compared to 53 in 2021). For this quarter we were operating under Red Traffic Light protocols – this resulted in changes to hours and entry to public venues and staff shortages due to working in bubbles; and self-isolation or absences for those impacted by the Omicron virus.

1 LEAD INDICATORS

1.1 Corporate Health and Safety Training summary

Training Type	Training Course Name	Scheduled	Status
<i>Task Related</i>	• Approved Chemical Handler		Not Scheduled
	• Breathing Apparatus		Not Scheduled
	• Chainsaw Safety		Not Scheduled
	• Chemical Awareness		Not Scheduled
	• Chlorine Maintenance		Not Scheduled
	• Confined Spaces & Gas Detection	Jan 2022	Completed
	• Dangerous Goods	Jan 2022	Completed
	• Fire Extinguisher handling		Not Scheduled
	• Playground Inspection & Maintenance		Not Scheduled
	• Site Traffic Management Supervisor (STMS)		Not Scheduled
<i>Role Related</i>	• Traffic Controller		Not Scheduled
	• Working at Height		Not Scheduled
	• Asbestos Awareness		Not Scheduled
	• CompTIA A+	Feb 2022	Completed
	• Electrical Competency		Not Scheduled
<i>Critical Risk Related</i>	• Growsafe		Not Scheduled
	• Introduction to Water Quality (US20046)		Not Scheduled
	• AA Safe Driving Assessment – Phase 1: Regular Drivers of Council vehicles (online assessments)		Not Scheduled
	• AA Safe Driving Assessment - Phase 1 – practical assessments		Not Scheduled
<i>General - Health and Safety Related</i>	• AA Safe Driving Assessment - Phase 2: other staff (online assessment) - to complete within 2 months of notification		Not Scheduled
	• Comprehensive First Aid	Feb 2022	Completed
	• CPR and AED (Heartsaver)	Feb 2022	Completed (x2)
	• Health and Safety Representative	As required	Not Scheduled
	• Fire Warden Training	Annual	Not Scheduled
	• Keeping Yourself Safe at Work (Online)	Feb/Mar 2022	Completed (x2)

Appendix One

1. 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. Ten buildings are required to carry out six monthly emergency evacuation drills.
- 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.
- With all regions in New Zealand in the red-light setting of the Covid Protection Framework (CPF) the requirement to conduct trial evacuations is suspended. Although the requirement to conduct trial evacuations is suspended, there are buildings which are able to proceed while adhering to the governments CPF requirements. Our Property team continue to work very closely with the evacuation drill provider, especially with the ever changing environment and supersessions caused by the changes with Covid-19 evaluations transitioning from Alert levels to the Traffic Light system.

2. EMPLOYEE HEALTH AND SAFETY INDUCTIONS

- 31 new employees commenced this quarter. A review of current induction processes is underway and will be captured as part of the new 'Cognise' online training module. This new online system is a collaboration between the Digital Solutions team and Organisational Development team and has been a work in progress due to Covid-19 interruptions. During this quarter further development has recommenced and a roll out plan is being developed and due to be trialled within the next quarter.

3. WELLNESS INITIATIVES

Wellness Initiative	Staff recipients
Eye Examinations	16
Ergonomic Work Assessments	5
Hearing Tests Annual cycle August – December	Not due this quarter
Noise Monitoring (water Treatment Plants and Operations) - 5 yearly cycle commenced October – December 2020 - Completed December 2020	Not due this quarter
EAP Services hours utilized this quarter is increased significantly from previous quarter. This was anticipated given the context of the issues involved*	34 HOURS*

4. 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.

5. STANDARD OPERATING PROCEDURES (SOPS)

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

6. CONTRACTOR MANAGEMENT – MAJOR WORKS*

- As at 31 March 2022, a total of 172 Contractors were listed as 'current approved' on the Contractor Register.
- 3 contractors were newly added and 10 had their approval status renewed this quarter.
- The new Procurement process will be using an on line approval system (SiteWise) which will enable easier tracking and reporting on Contractors and their H&S status. A training session with Contract Managers is planned for the next quarter with roll out soon thereafter.

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

Appendix One

7. 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. Following the impacts of Covid-19 and the projected 'long Covid' effects on businesses, the SLT will be reviewing making additions to the organization critical risk priority areas currently in place.
- 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. This is a work program that will be ongoing.
- As at 31 March there were 53 Care Register entries, with no additions this quarter. Work continues on managing/reviewing high risk existing entries including particular attention to events involving abusive customers interacting with staff on Council work sites.
- Focus on wellbeing initiatives and supporting psychological wellbeing is a focus and psychological wellbeing has been added as a work in progress to the organisational critical risk register.
- 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. However ongoing risk assessments and safety plans are monitored and updated on a case-by-case basis. Resourcing is being reviewed to identify potential opportunity to complete some of these outstanding pieces of work.
- 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.
- The Health and Safety at Work Act asserts that a PCBU is required to ensure the safety of their employees, protect both their physical and mental health and manage risks arising from exposure to hazards at work. In this respect there has been an increased focus of the psychosocial hazards and risks associated with these of staff having potential health outcomes such as stress, depression, anxiety, sleep disorders. Some examples of psychosocial hazards include harassment, violence, work design, work load, and un reasonable deadlines.

8. HEALTH AND SAFETY COMMITTEE (HSC)

- Monthly meetings were held in February and March 2022.
- Janice McDougall, General Manager, People and Partnerships is the incoming SLT representative on the committee for 2022.
- The committee is currently looking to recruit new Health and Safety Representatives to replace members who left last year and review the current terms of reference for the Committee.
- The committee continues work on a plan for the key focus areas outlined in the draft 3-year Health and Safety Plan (2020-2023). Covid-19 business disruptions have impacted on the committee members' availability during this quarter.

9. SLT INITIATIVES

- SLT site visits were suspended this quarter due to the red-light setting of the Covid Protection Framework (CPF).
- SLT continues to maintain a focus on wellbeing, including psychological wellbeing because 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.
- SLT recognises that off shore/ nationwide travel holidays are not likely to be an option as a destination of choice for staff using annual leave at this time however ensuring opportunities for rest and recreational breaks away from the workplace is still a priority to enable opportunities for wellbeing, resilience and general good workplace practices.

10. 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.

Appendix One

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

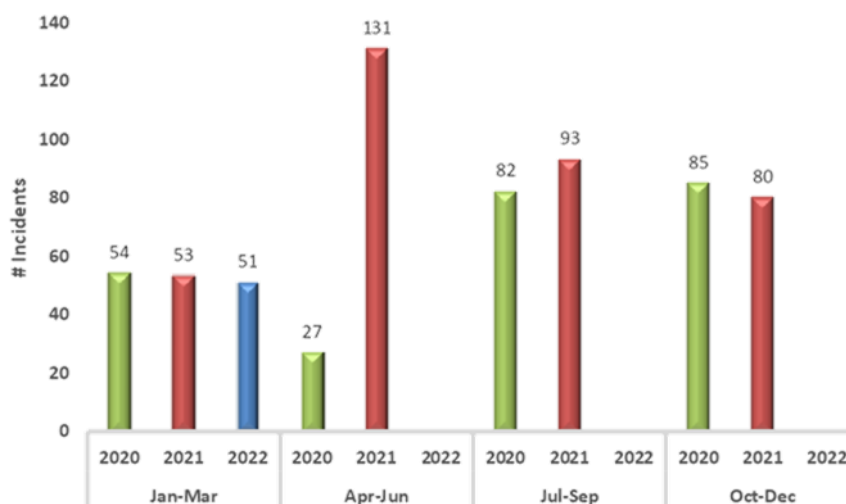
LAG INDICATORS**11. INCIDENTS, INJURIES, ILLNESSES AND NEAR MISSES 1 JANUARY – 31 MARCH 2022**

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	1	0	0	1
People and Partnerships	1	0	0	1
Place and Space	16	0	1	17
Regulatory Services	3	0	0	3
Strategy, Growth & Recovery	0	0	0	0
Third Party	25	0	3	28
Contractor	1	0	0	1
Total	47	0	4	51

* 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 Reported Incidents 3-yearly Comparison
as at 31 March 2022**



*the January 2022-March 2022 quarter represents the first calendar year quarter hence only data for 2020 and 2021 is showing in future quarter blocks.

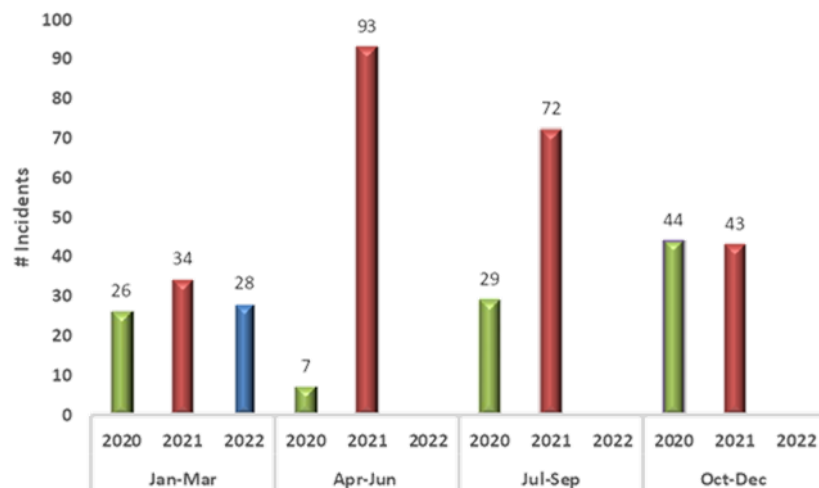
Of the 51 total incidents for Jan-Mar 2022:

- 5 were worker injuries: including inflammation (2), cuts/abrasion (1), fracture (1), dog bite (1)
- 17 were worker non-injuries including near miss (1), 3rd party behaviour / mental stress (6), vehicle and mobile plant events (1), biological agencies (4), property damage (3), physical hazards (2)
- 1 was a Contractor incident related to 3rd party behaviour

Appendix One

- 28 were third party incidents.
- Of the 51 total incidents, 28 occurred at the Pools, 18 at the Libraries, with the remaining 5 at other locations throughout the council.

Third Party Incidents 3-yearly Comparison
as at 31 March 2022

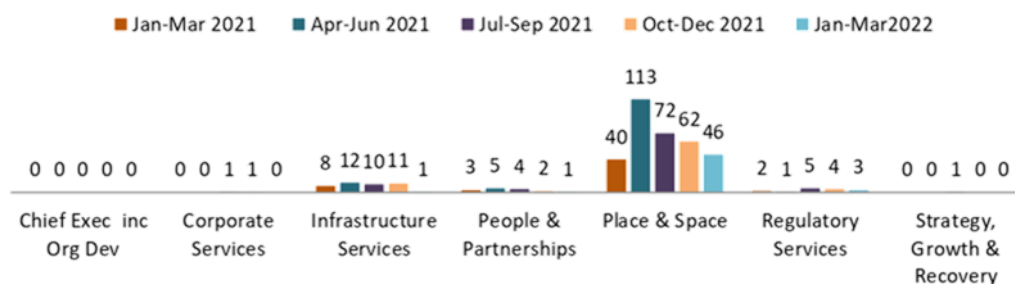


- Third Party is defined as a person who does not hold employee status or contractor worker status
- Third Party events are associated primarily with Council's recreational public buildings ie. Aquatics centres and Libraries.

Of the 28 total third party incidents for Jan-Mar 2022:

- 9 were categorised as aggressive/concerning behaviour by external parties to staff or others (7 at libraries and 2 at Pools.)
- 2 were near misses (Pools)
- 17 were third party injuries including bruising/crushing (5), sprain/strain (2), cuts/abrasion (4), nosebleed (1), water-related (2), hit by object (3)

Total Reported Incidents by Group



The high proportion observed in Place and Space remains a reflection of the range of community facilities and public interaction where responsibility sits under this Group's activity area.

8.2 PROGRESS UPDATE REGARDING AUDIT CONTROL FINDINGS 2020/21Kaituhi | Author: **Andrew Gillespie, Risk Advisor**Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services****TE PŪTAKE | PURPOSE**

- 1 This report provides the Audit and Risk Sub-Committee with a progress update regards Ernst & Young's (Audit) Report on Control Findings for the year ended 30 June 2021.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 This report does not exceed four pages therefore there is no requirement for an Executive Summary.

TE TUKU HAEPAHA | DELEGATION

- 3 The Audit and Risk Sub-Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3.
- *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.*

TAUNAKITANGA | RECOMMENDATIONS

- A. That the Audit & Risk Sub-Committee notes:
- A.1 the progress update regarding Ernst & Young's Report on Control Findings for the year ended 30 June 2021, and
- A.2 that Ernst & Young will re-assess these as part of their audit for the year ended 30 June 2022.

TŪĀPAPA | BACKGROUND

- 4 In accordance with New Zealand Auditing Standards, 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 2021.
- 5 Control risk matters and/or issues are classified as high, moderate, or low. Control risk definitions are as follows:

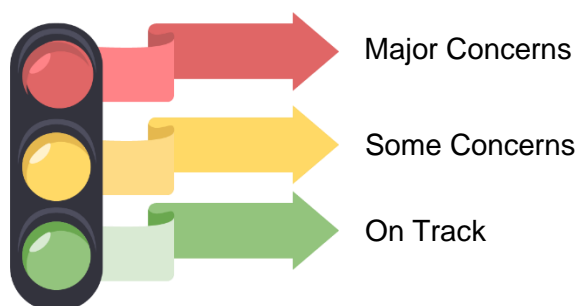
	Ernst & Young – Risk Ranking System
High	Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
Moderate	Matters and/or issues considered to 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	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6 -12 months.

HE KŌRERORERO | DISCUSSION


- 6 The following table provides an overview of the number of observations and the associated risk ratings across the last two external audits.






Overview of Risk Ranking System and Control Findings				
Status	Risk Ranking			Total
	High	Moderate	Low	
Open at 30 June 2020	-	3	7	10
Closed during financial year 20/21	-	(2)	(6)	(8)
New points raised in financial year 20/21	-	-	4	4
Total open points as at 30 June 2021	-	1	5	6

- 7 Audit identified six control risk issues in their Report on Control Findings for the year ended 30 June 2021 attached as Appendix 1 to this report. One of the risk control issues was ranked as moderate and five as low.
- 8 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 2022.
- 9 The Audit Control Findings status update is categorised as follows:



- 10 The table below details the year-to-date progress against these control findings. For ease of reference new updates since the last meeting are in yellow. The improvement suggested by the Sub-Committee Chair at the last meeting (3 March 2022) has been actioned and an estimated completion date is now included.

Risk Level	Control Findings year end 30 June 2021		As at June 2022		Estimated Completion date
			Status	Yellow = New Update	
Moderate	2.1.1	Accuracy of response and resolution times	On track 	<ul style="list-style-type: none"> Investigations have now moved from simplifying data input fields to improving the guidance material related to inputting the data into MagiQ and using that data in the performance measure. The MagiQ Service Requests – User Guide has been updated. 	September 2022

Risk Level	Control Findings year end 30 June 2021		As at June 2022		Estimated Completion date
			Status	Yellow = New Update	
Low	2.2.1	Approval of expenditure	On track 	<ul style="list-style-type: none"> Further investigation has identified that the eight instances related to expense claims for a) the Mayor or Elected Members, which were approved by the Chief Executive, or b) the Chief Executive, which were approved by the GM Corporate Services or, in two instances, the Democracy Services Manager. These approvals are consistent with recent council practice which are considered to be good practice. However, management accepts this should be clarified in Council policy. This will be attended to in the next revision of the Elected Member Expense and Remuneration Policy, and the Delegations Policy which is under development. 	November 2022
	2.2.2	Purchase orders approved after receiving invoices	On track 	<ul style="list-style-type: none"> The CFO is investigating the four instances identified where purchase orders were approved after invoices were received. 1 Management accepts that it is best practice for purchase orders to be approved prior to work being commissioned and invoices received. 	June 2022
	2.2.3	Missing job sheet for water request for service	On track 	<ul style="list-style-type: none"> Discussions with Audit identified a process gap that hadn't been fully understood during last year's audit. 	June 2022
	2.3.4	Transition to maintenance of records electronically	On track 	<ul style="list-style-type: none"> This has resulted in Audit engaging an internal IT specialist to determine the best way that they can approach testing service requests at year end, which would include assessing the IT general control environment. 	June 2022
	2.3.5	Signed contract not available	On track 	<ul style="list-style-type: none"> The implementation of the internally facing Procurement Hub is underway. The organisation-wide contracts register is delayed due to difficulties recruiting resource. Staff are provided with continuing advice and training to lift procurement capability. 	September 2022

He take | Issues

11 There are no issues to be raised in this report.

Ngā kōwhiringa | Options

12 There are no options to be raised in this report.

Tangata whenua

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

Panonitanga āhuarangi | Climate change

14 There are no Climate Change issues arising from this report.

Ahumoni me ngā rawa | Financial and resourcing

15 Financial considerations have been covered as part of this report.

Ture me ngā Tūraru | Legal and risk

16 There are no legal considerations arising from this report.

17 This report provides a progress update in regard to appropriate action taken by management in regard to the Control Findings for the year ended 30 June 2021.

Ngā pānga ki ngā kaupapa here | Policy impact

18 There are no policy implications arising from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT**Te mahere tūhono | Engagement planning**

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

Whakatairanga | Publicity

20 There are no publicity considerations.

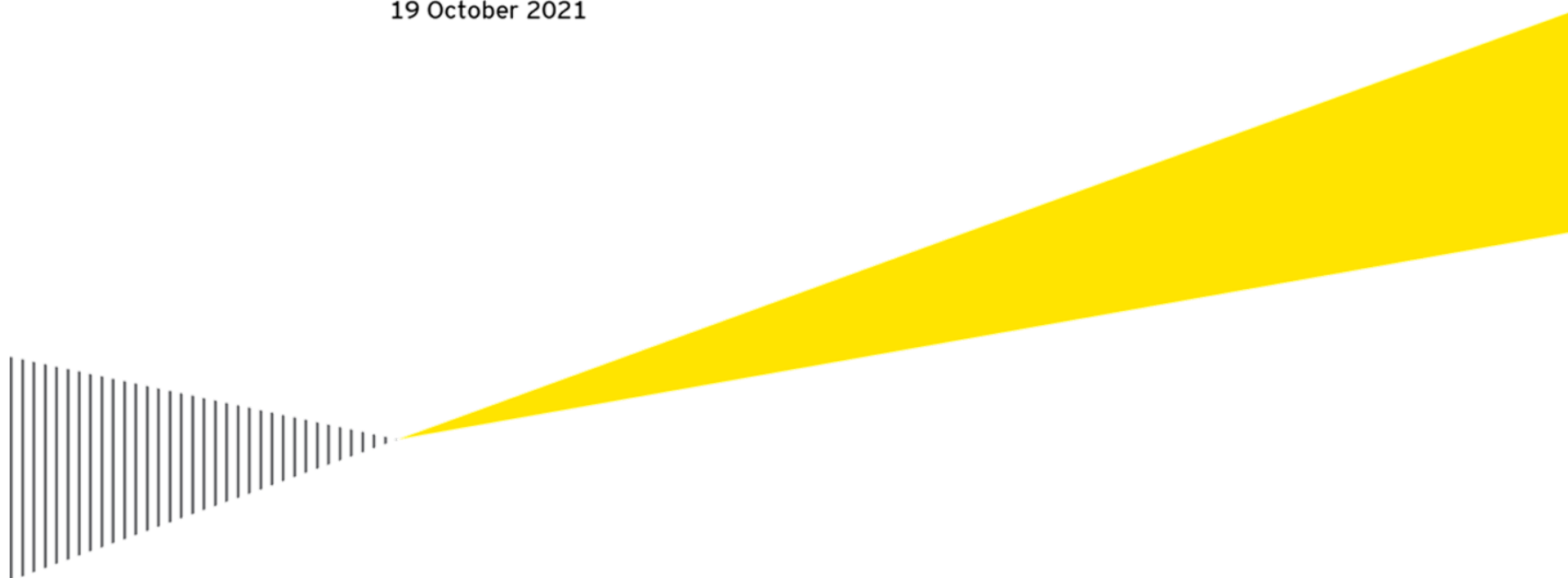
NGĀ ĀPITI HANGA | ATTACHMENTS

1. Appendix 1 - Ernst & Young Audit Control Findings report 2020/21 [↓](#)

Kapiti Coast District Council

Report on Control Findings

19 October 2021



2. Detailed recommendations

2.1 Moderate Risk

2.1.1 Accuracy of response and resolution times

Observation	<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 instances where the resolution times used as a basis for calculating performance measures were inconsistent with the times indicated on job sheets that were completed for those jobs by the staff responding to the request.</p> <p>This is primarily the result of the 'completion' time being used in place of the 'service restored' time in some instances. The 'service restored' time is the time at which service was restored or the matter reported resolved and the 'completion' time reflects when the work team had finished any residual activities and entered the work into the system. For four items tested we noted the 'completion' time was used instead of the 'service restored' time in calculating the measure (two instances for drinking water services requests and two instances for wastewater overflow requests).</p>
Implication	By not using the correct times that correspond to the metric being measured there is a risk that Council report incorrect performance results. This can also impact 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.
Recommendation	We recommend data used as an input to calculating the request for service based measures be reviewed.
Management Response	Management accepts Audit's findings and recommendation. Over the coming months, the Business Improvement team will look to simplify all data input fields in MagiQ to ensure timely and accurate reporting against Council's performance measures.
Responsibility	Corporate Services

2.2 Low Risk

2.2.1 Approval of expenditure

Observation	<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 eight 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>
Implication	<p>This may increase the risk that inappropriate expenditure goes undetected.</p> <p>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>
Recommendation	We recommend that expenses incurred are approved in a manner that is in line with KCDC's policies.
Management Response	Management accepts Audit's findings and recommendation. Further training will be provided to all budget managers regarding the Council's General Expenses Policy over the coming months.
Responsibility	Corporate Services.

2.2.2 Purchase orders approved after receiving invoices

Observation	<p>During our testing of the expenditure and payments process we observed four instances where purchase orders were approved after the receipt of invoices.</p> <p>Without adequate controls for processing and reconciling purchase orders, invoices and receipt of goods and services there is an increased risk inappropriate or erroneous expenditure is incurred or reported.</p>
Implication	A purchase order system works most effectively when purchase orders are approved prior to goods or service being purchased. After the transaction has occurred there may be less opportunity to change the agreement that has been entered.
Recommendation	We recommend purchase orders are raised and appropriately approved prior to placing orders with suppliers.
Management Response	Management accepts Audit's findings and recommendation. Further training will be provided to all budget managers regarding the Council's Procurement Policy and procurement processes over the coming months.

EY | 5

Responsibility	Corporate Services.
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2.2.3 Missing job sheet for water request for service

Observation	Our review of service requests includes selecting a sample of requests received by Council during the period and obtaining job completion documentation to confirm the time requests are initiated and closed. During our review of the water activity requests, we noted the job completion sheet supporting one of our sample was not readily available and therefore we were unable to verify the initiation and resolution times included in the system for this request. A further extension of our sample confirmed this was one-off issue.
Implication	The absence of supporting documentation for the initiation and resolution time recorded in the system can result in risk of errors going undetected as management would be unable to verify whether issues have been resolved in a timely way.
Recommendation	We recommend records confirming actions taken to resolve customer services requests are retained.
Management Response	Management accepts Audit's findings and recommendation. Over the coming months, the Business Improvement Team will work with the business to ensure that all data inputs pertaining to Council's performance measures are stored electronically and easily located by all persons with authorised access.
Responsibility	Corporate Services

2.2.4 Transition to maintenance of records electronically

Observation	As a result of Covid-19 alert levels increasing on 17 August we deferred some of our audit work in order to be able to have access to primary documentation stored in hard copy at the Council's premises. This audit work was subsequently completed once the alert level reduced to level two but highlighted the benefit and convenience of retaining information electronically.
Implication	There is a risk that key documentation could be inaccessible in situations where either the Council premises was closed due to changes in Covid-19 alert levels or impacted by a natural disaster.
Recommendation	We recommend KCDC transition remaining hard copy documentation to electronic storage. The benefits of backing up all data electronically would include aiding with disaster recovery as well as increased accessibility.
Management Response	Management accepts Audit's findings and recommendation. Over the coming months, the Business Improvement Team will work with the business to ensure that all data inputs pertaining to Council's performance measures are stored electronically and easily located by all persons with authorised access.

EY | 6

Responsibility	Corporate Services
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2.2.5 Signed contract not available

Observation	As part of the procurement process for the Mahara Art Gallery redevelopment project, Council officially appointed Athfield Architects to undertake the design work. Our review of the procurement process identified that while relevant approvals were obtained there wasn't a copy of the final signed contract between Athfield Architects and Council.
Implication	Signed contracts help minimise misunderstandings and provide clarity of the roles and responsibilities of each party, terms and conditions, and the rights of both Council and vendors.
Recommendation	We recommend that management ensure all agreements entered into are supported by appropriate written documentation.
Management Response	Management accepts Audit's findings and recommendation. Over the coming months, subject to available resources, the implementation of a supplier portal together with smarter procurement systems is planned. This will also include a contracts register to ensure Council has complete records that are held electronically.
Responsibility	Corporate Services

8.3 RISK MANAGEMENT

Kaituhi | Author: **Andrew Gillespie, Risk Advisor**

Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services**

TE PŪTAKE | PURPOSE

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

HE WHAKARĀPOOTO | EXECUTIVE SUMMARY

- 2 This report does not require an Executive Summary.

TE TUKU HAEPAPA | DELEGATION

- 3 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.*

TAUNAKITANGA | RECOMMENDATIONS

- A. That the Audit and Risk Sub-Committee receives and notes this report, including Appendices 1, 2 & 3 to this report.

TŪĀPAPA | BACKGROUND

- 4 The key elements of the Enterprise Risk Management Framework include risk management (RM), corporate business continuity management, procurement improvement programme, and business risk and assurance.
- 5 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.
- 6 Risk is defined as the effect of uncertainty on expected results and is managed on a continual basis. The intended outcomes from performing this RM programme 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.

HE KŌRERORERO | DISCUSSION

Enterprise Risk Management Progress Update

Risk Assurance Portfolio Update

- 7 The Risk Advisor role has enabled the Council to conduct an internal audit of the systems and controls that Council uses when managing risk. This work has highlighted the requirement for, and importance of, continuous improvement for the Council to effectively manage risk.
- 8 A key part of this review was the identification of many risks being incorrectly categorised. The current 'Strategic Risk Summary' features both Strategic Risks and Operational Risks, these risks have previously been categorised as Strategic Risks. Best practise in RM is to separate these risks into two risk registers.

Definitions (AS/NZS ISO 31000:2018 Risk Management - Guidelines)

Strategic Risks (SR) are concerned with where the organisation wants to go, how it plans to get there and how it can ensure survival.

Operational Risks (OR) result in failure to achieve business / organisational objectives due to human error, system failures and / or inadequate procedure and controls.

- 9 Working with the Senior Leadership Team (SLT), the current 21 Strategic Risks have been re-categorised into two risk registers represented as Part A: Strategic and Part B: Operational in Appendix 3 to this report. This summary of re-categorisation has been documented in Appendix 1 to this report.
- 10 **Issue** is a relevant event that has happened, was not planned, and requires management action. It could be a problem, benefit, query, concern, change request or risk that has occurred. Issue resolution is not part of the risk management process. Issues need management action to limit the adverse effect of a problem to ensure a benefit is maximised, or to answer a query or other request. Going forward further work will be undertaken to analyse and remove issues from stated risks and establish an organisational position on developing an issues register that provides the link between an issue resolution process and the RM process.
- 11 In the meantime, a more detailed look at the key changes to the risks can be found in Appendix 3 to this report and summarised below:
 - separated into Strategic and Operational.
 - ranked in order of current risk level.
 - given a new risk number.
 - allocated individual 'Risk Owners'.

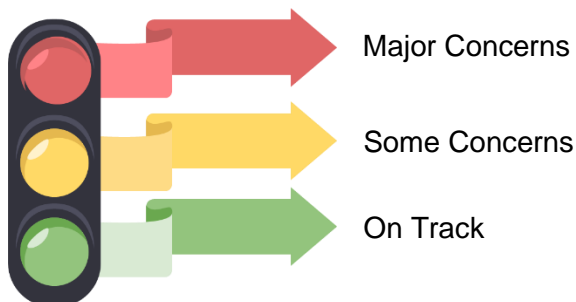
Risk Profile – Summary Update

- 12 The risk profile is managed by two risk registers (Strategic and Operational) and presented in Appendix 3 to this report. This Summary:


12.1 lists the risk impacts, controls and treatments planned with updates to reach the target risk level, and







12.2 plots each Strategic Risk (SR) and Operational Risk (OR) on the risk matrix.

- 13 The risk treatment status is categorised as follows:



- 14 Engagement on the Council's risk profile is through quarterly conversations with managers. These conversations drive the responses in the update column of the Risk Register attached as Appendix 3 to this report and are highlighted in yellow to make for easier reading.
- 15 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 diagrams in Appendices 2 and 3 to this report. Important matters to note when reading the diagrams are that:
- 15.1 Likelihood is how likely the risk is to materialise and is rated as rare, unlikely, possible, likely, and almost certain.
- 15.2 Consequence is the impact on the Council - not just financial, but also health and safety, fraud, operational and reputational; and
- 15.3 This assessment tool is subjective and is used as a prompt for a risk comparison and ranking mechanism.
- 16 The overall RM 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.
- 17 In summary, our Risk Status is healthy. There are currently six Strategic Risks and 15 Operational Risks presented in Appendix 3 to this report, all of which have maintained the same risk treatment status as previously reported to the 03 March 2022 meeting.
- 18 The six Strategic Risks are classified as "on track", seven of the 15 Operational Risks are classified as "some concerns" (noted below) and the other eight are classified as "on track".

Risk #	Risk Treatment Status	Risk Treatment Update
OR1 - Infrastructure service disruption associated with significant Natural Hazards.	Some Concerns 	Waikanae Wastewater Treatment Plant Clarifier Project - Works commenced in April 2022 and are progressing. Covid-19 delays have resulted in delays to securing materials and sourcing additional contractors onsite to complete works which will impact on the completion date.

Risk #	Risk Treatment Status	Risk Treatment Update
OR2 - Cyber Security – Enterprise Management Replacement	Some Concerns 	Although staff are gradually moving back into Council buildings, both we and our stakeholders are continuing to do far more digitally as a result of Covid-19, this in turn increases the risk of a potential Cyber Security attack.
OR4 - Difficult to recruit and retain staff.	Some Concerns 	Due to a number of other Risks being classified as 'Some Concerns' as a result of staffing and recruitment constraints, this risk treatment status has been classified as some concerns itself.
OR5 - Paraparaumu Wastewater Treatment Plant – consent renewal.	Some Concerns 	Greater Wellington Regional Council (GWRC) now looking at establishing the committee this month (May 2022). Commencement of the Whaitua process will begin once the Whaitua Committee is established. Awaiting approval of the Draft terms of reference developed for the Paraparaumu Wastewater Treatment Plant process which defines Iwi involvement in the consenting process.
OR6 - CAPEX Programme delivery is disrupted.	Some Concerns 	Significant cost escalation being seen across the sector due to Covid-19. PMO are directly procuring materials and purchasing long lead items as well as engaging with contractors early. These mechanisms are helping to minimise the risk of projects not running to schedule.
OR12 - Customer Focus.	Some Concerns 	The previous timing of Quarter One 2021/22 financial year for the draft Customer Framework and associated work programmes is delayed due to SLT reprioritisation of work programmes to manage the resilience of staff resources and recruitment constraints.
OR14 - Emergency response.	Some Concerns 	<u>Staffing Constraints</u> A more adaptive approach to retention is being deployed to retain critical staff. This risk has been exacerbated by Covid-19. Highly competitive recruitment market and shortage of skilled workers is leaving some areas understaffed. Timelines set by government has increased worker demand in some areas with consultants also working at capacity. Concern about further pandemic impacts on workforce and contractor availability.

He take | Issues

19 There are no issues to be raised in this report.

Ngā kōwhiringa | Options

20 There are no options to be raised in this report.

Tangata whenua

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

Panonitanga āhuarangi | Climate change

- 22 The Risk Summary attached as Appendix 3 to this report includes SR1 - Natural hazards exacerbated due to - global warming, sea level rise / climate change, and earthquakes. This risk is reported every quarter to the Audit and Risk Sub-Committee together with updates to the treatments being collated from the Senior Leadership Team and officers.
- 23 At the last Audit and Risk Sub-Committee meeting of 03 March 2022, it was suggested that Climate Change be embedded in all the risks on the risk register. Consideration of how this can be incorporated will be included into the improvement programme in the RM portfolio.

Ahumoni me ngā rawa | Financial and resourcing

- 24 There are no further financial and resourcing considerations arising from this report.

Ture me ngā Tūraru | Legal and risk

- 25 There are no further legal considerations arising from this report.
- 26 This report provides an update on the on-going implementation of the Enterprise Risk Management (ERM) framework.

Ngā pānga ki ngā kaupapa here | Policy impact

- 27 There are no further policy implications arising from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT**Te mahere tūhono | Engagement planning**

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

Whakatairanga | Publicity

- 29 There are no publicity considerations.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Appendix 1 - Categorisation of Risks [↓](#)
2. Appendix 2 - Risk matrix with risks plotted [↓](#)
3. Appendix 3 - Risk Summary [↓](#)

Summary of Recategorisation of Risks 2022

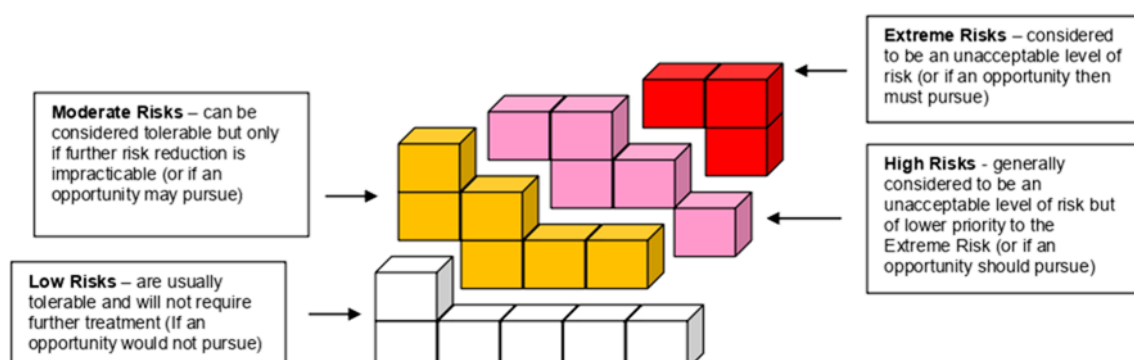
New Risk Register 6 SR's / GM Risk Owner	Strategic Risks (SR) are concerned with where the organisation wants to go, how it plans to get there and how it can ensure survival (ISO 31000:2018).	Previous Risk #
SR 1 / GM Infrastructure Services	Natural hazards exacerbated due to - global warming, sea level rise / climate change, and earthquakes.	SR 1
SR 2 / GM Infrastructure Services	Asset investment decisions are less than desirable resulting in poor management of council owned assets.	SR 3
SR 3 / GM People and Partnerships	Iwi relationships – lack of mutual understanding and agreement between Iwi and Council.	SR 4
SR 4 / GM Strategy, Growth & Recovery	Central and regional government policy and legislation creates uncertainty.	SR 5
SR 5 / GM People and Partnerships	LGA wellbeing policies: expectations not met.	SR 12
SR 6 / GM People and Partnerships	Community engagement challenges in understanding and achieving optimal engagement with the community.	SR 16
New Risk Register 15 OR's / GM Risk Owner	Operational Risks (OR) result in failure to achieve business / organisational objectives due to human error, system failures and / or inadequate procedure and controls (ISO 31000:2018).	Previous Risk #
OR 1 / GM Infrastructure Services	Infrastructure service disruption associated with significant Natural Hazards.	SR 2
OR 2 / GM Corporate Services	Cyber Security – Enterprise Management replacement.	SR 21
OR 3 / GM Infrastructure Services	3-waters reform transition.	SR 6
OR 4 / Manager Organisational Development	Difficult to recruit and retain staff.	SR 7
OR 5 / GM Infrastructure Services	Paraparaumu Wastewater Treatment Plant – consent renewal.	SR 9
OR 6 / GM Infrastructure Services	CAPEX Programme delivery is disrupted – e.g., non-availability of specialist resources and materials.	SR 10
OR 7 / Manager Organisational Development	Health and Safety Harm.	SR 11
OR 8 / GM Corporate Services	Poor financial management.	SR 13
OR 9 / GM Infrastructure Services (Infrastructure Assets)	New asset operational deficiencies.	SR 14
OR 9 / GM Place and Space (Place and Space Assets)		
OR 10 / GM Corporate Services	Fraudulent activity.	SR 8
OR 11 / GM Corporate Services	Business disruptions.	SR 15
OR 12 / GM People and Partnerships	Customer Focus. Customer needs not fully met in the absence of a coordinated approach to increasing customer focus in Council's everyday work.	SR 17
OR 13 / Chief Executive	High Debt	SR 18
OR 14 / GM Regulatory Services	Emergency Response.	SR 19
OR 15 / GM Infrastructure Services	Drinking water regulations compliance.	SR 20

- All risks placed in order of risk rating from highest to lowest.

Appendix 1: Risk Matrix with Risks Plotted

Risk Assessment Matrix

		Likelihood				
		Rare	Unlikely	Possible	Likely	Almost Certain
		1	2	3	4	5
Consequence	Catastrophic	Moderate ❖ OR 15	High ❖ OR 5 ❖ OR 6 ❖ OR 7	High ❖ OR 2	Extreme ❖ SR 1 ❖ SR 2 ❖ OR 1	Extreme
	Major	Moderate	Moderate	High	High ❖ SR 3 ❖ SR 4 ❖ OR 3 ❖ OR 4	Extreme
	Moderate	Low	Moderate	Moderate ❖ SR 6 ❖ OR 10 ❖ OR 11 ❖ OR 12 ❖ OR 13 ❖ OR 14	Moderate ❖ SR 5 ❖ OR 8 ❖ OR 9	High
	Minor	Low	Low	Low	Low	Low





Part A: Strategic Risk Summary June 2022

Strategic Risks (SR) are concerned with where the organisation wants to go, how it plans to get there and how it can ensure survival.

(Definition ISO 31000:2018).

Risks are in order of current 'Risk Level Rating'.

Yellow = New Update

Strategic Risk Summary June 2022


#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status
			Current	Target		
SR 1	Natural hazards exacerbated - due to: global warming, sea level rise / climate change, and earthquakes.	<ul style="list-style-type: none"> Injuries, fatalities. Lack of resilience. Higher capital costs for resilient assets. Greater costs. Building consent liabilities. Erosion. Properties are flooded or abandoned. Early stormwater asset replacements. Environmental non-compliances due to discharges during more frequent extreme weather events. Increase in wastewater overflow incidents. Massive disruption to core infrastructure. Economic Development and other Impacts on local business and/or wider community. 	Extreme	High	Maintain Current Controls: <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 e.g. the District Plan. Ensure future development considers expected sea level rise. Stormwater Strategy. Ongoing engagement with key sectors and community groups and organisations. Wellington Region Climate Change Working Group. Climate Emergency Action Framework. Self-Insurance Fund. Community Assessment Panel. 	On track
	Risk Owner				Risk Treatments	
	GM Infrastructure Services				Treatments to reach Target Risk Level:	
					Ensure that key data that informs regulatory work and the District Plan is updated. (GM Strategy, Growth & Recovery)	
					Update:	
					Achieved. The draft Proposed District Plan Change 2: <ul style="list-style-type: none"> considers latest hazards information and applies a 'coastal' qualifying matter to defined areas along the coast to minimise development while the Takutai Kāpiti project is underway. 	
					The forward work plan for future District Plan changes includes natural hazard-related plan changes in the next few years which will take into account latest available information.	
					Develop a Stormwater Framework	
					The current Stormwater Strategy is being revised into a Stormwater Framework with public consultation scheduled between May-June 2022.	
					Proactively engage with sector community groups	
					We are: <ul style="list-style-type: none"> leading by example for climate mitigation through encouraging active and public transport use by staff. seeking to enhance engagement with Mana Whenua through joining up on this risk. 	
					Implementation of the Climate Emergency Action Framework	
					We are keeping a watching brief on the proposal for a Climate Change Adaptation Act component of the resource management reforms.	
					Regularly review Self-insurance Fund levels (GM Corporate Services)	
					As agreed by this Sub-committee on 3 March 2022, staff will explore additional risk transfer models. This will better position Council against uninsured losses and continued tightening of the insurance market, particularly across the Wellington region.	
					Support (for 12 months) the Community Assessment Panel (CAP) set up to support Takutai Kāpiti, a community-led coastal adaption project.	
					Community engagement is proposed as part of the next stage to engage more directly with the community.	
					Completed the Coastal Vulnerability Hazards report.	

Current Risk Level

		Likelihood				
		Rare	Unlikely	Possible	Likely	Almost Certain
		1	2	3	4	5
Consequence	Catastrophic	Moderate 100	High 200	High 300	Extreme 400	Extreme 500
	Major	Moderate 70	Moderate 140	High 210	High 280	Extreme 350
	Moderate	Low 40	Moderate 80	Moderate 120	Moderate 160	High 200
	Minor	Low 10	Low 20	Low 30	Low 40	Low 50

Yellow = New Update

Strategic Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status																																																		
			Current	Target																																																				
SR 2	Asset investment decisions are less than desirable resulting in poor management of council owned assets.	<ul style="list-style-type: none">- Costs.- Financial Strategy not achieved.- Social, environmental harm.- Deliverables / KPIs not met.- Higher priority issues are unresolved.- 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.- Penalties / Non-compliance- Reputational damage.- Infrastructure Strategy not achieved.	Extreme	Moderate	Maintain Current Controls: <ul style="list-style-type: none">- Infrastructure Strategy.- Financial Strategy.- Apply a strategic asset management approach.- Accurate asset information and intelligence lead asset management decisions (business cases required).- Capture assets using software: SPM (property and parks assets), RAMM (roading assets), 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.	On track 																																																		
	Risk Owner	Risk Treatments																																																						
	GM Infrastructure Services	Treatments to reach Target Risk Level:			Update:																																																			
Current Risk Level																																																								
<table><tr><td colspan="2"></td><td colspan="5">Likelihood</td></tr><tr><td colspan="2"></td><td>Rare</td><td>Unlikely</td><td>Possible</td><td>Likely</td><td>Almost Certain</td></tr><tr><td colspan="2"></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td rowspan="4">Consequence</td><td>Catastrophic</td><td>100</td><td>Moderate 100</td><td>High 200</td><td>High 300</td><td>Extreme 400</td><td>Extreme 500</td></tr><tr><td>Major</td><td>70</td><td>Moderate 70</td><td>Moderate 140</td><td>High 210</td><td>High 280</td><td>Extreme 350</td></tr><tr><td>Moderate</td><td>40</td><td>Low 40</td><td>Moderate 80</td><td>Moderate 120</td><td>Moderate 160</td><td>High 200</td></tr><tr><td>Minor</td><td>10</td><td>Low 10</td><td>Low 20</td><td>Low 30</td><td>Low 40</td><td>Low 50</td></tr></table>					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				
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	Minor	10	Low 10	Low 20	Low 30	Low 40	Low 50																																																	
					Asset Management - Develop a framework that provides for regular reporting against the investment programme and against the Long-Term Plan requirements and timeframes.	Initial considerations underway as to an improvement plan and schedule of work.																																																		
					Asset investment decisions and property acquisitions and disposal align with land use and regulatory approach, and appropriate risk considerations. (GM Strategy, Growth & Recovery, GM Regulatory Services and GM Place and Space)	Development of a Property Strategy to commence in 2022. Asset management disciplines are a work in progress over the next three years.																																																		


Yellow = New Update

Strategic Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status																																																
			Current	Target																																																		
SR 3	Iwi relationships - lack of mutual understanding and agreement between Iwi and Council.	<ul style="list-style-type: none">- Additional time and cost in meeting statutory and Memorandum of Partnership obligations.- Delays and or misalignment on key initiatives.- Lack of mutual understanding and agreement between Iwi and Council.- Reputational damage.	High	Low	Maintain Current Controls: <ul style="list-style-type: none">- Regular and/or proactive communications between Council and Iwi partners.- Council funding for Iwi capacity.- Te Whakaminenga o Kāpiti work programme.- Partnership requirements reflected in Activity Management Plans.	On track																																																
	Risk Owner				Risk Treatments																																																	
	GM People and Partnerships				Treatments to reach Target Risk Level:		Update:																																															
Current Risk Level																																																						
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		Likelihood																																																				
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	Moderate	40	Low	Moderate	Moderate	Moderate	High																																															
	Minor	10	Low	Low	Low	Low	Low																																															
					Ongoing conversation with Iwi partners about partnership needs and aspirations.	Discussions are ongoing with all three of our Iwi partners specific to the partnership aspirations and needs of each Iwi. On 3 May 2022, Te Whakaminenga o Kāpiti agreed to recommence the conversation to review Te Whakaminenga o Kapiti and its future needs. The next step in this process will be a hui-a-iwi.																																																
					Council funding for Iwi capacity.	Funding agreements are currently under negotiation.																																																
					Establish a staff capability development programme on enhancing Te Ao Māori and Council's obligation to Māori.	Procurement of suppliers for a multi-year programme is underway. This was delayed slightly due to the impacts of the recent Covid-19 Omicron wave on our workforce.																																																
					Working in partnership with Iwi in the early stages of key projects / activities of mutual interest.	There have been good discussions with Iwi: <ul style="list-style-type: none">- on the development of Papakāinga provision included in the District Plan changes and- in the development of the housing programme which has improved our understanding of Iwi needs.																																																


Yellow = New Update

Strategic Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls																																													
			Current	Target																																														
SR 4	Central and regional government policy and legislation creates uncertainty	<ul style="list-style-type: none">- Financial impacts.- Government intervention / timeframes.- Unforeseen district impacts / opportunities brought about by new Government policies and legislation.- Delays in projects and programmes.- Redesign.- Priority change/status not always feasible.- Resourcing.- Costs to Council and Developers.- Dissatisfaction with Council blamed for effects on stakeholders such as e.g., uncertainty for development community.	High	Moderate	Maintain Current Controls: <ul style="list-style-type: none">- Monitor policy / legislative announcements.- Prepare submissions to advocate on behalf of the community.- Clear communication across the organisation.																																													
	Risk Owner																																																	
	GM Strategy, Growth & Recovery																																																	
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					Risk Treatments	Treatment Status																																												
Treatments to reach Target Risk Level:					Update:	On track 																																												
Actively monitor / follow Central Government policy / legislative announcements and present related advocacy to Council and/or Committees for approval.					<p>Ongoing watching brief on a range of different reforms to ensure we are:</p> <ul style="list-style-type: none">- well-positioned to respond as necessary, and- can minimise delays and re-work arising from government policy and legislation changes. <p>Despite this, significant upcoming reforms will create additional workload and budget pressure as we respond to change and continue to deliver BAU.</p> <p>Next steps with two significant reforms (RMA and Future for Local Government) are intended to land around the time of the 2022 local body elections, and we need to ensure we are still able to respond and provide input.</p>																																													
Form and strengthen good relationships, and actively collaborate, with Central and Regional Government to influence decisions.					<p>Ongoing interactions with central and regional government are occurring at different levels across the organisation.</p> <p>Councillors and the Senior Leadership Team offered perspectives to the Future for Local Government Review Panel during its council roadshow.</p>																																													


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Strategic Risk Summary June 2022

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SR 5	LGA wellbeing policies: expectations not met.	<ul style="list-style-type: none">- Council loses the trust of the community if it fails to respond to the increased demand / expectations because of the Local Government Act wellbeing policies (e.g., social housing).- Community dissatisfaction.- Reputational risk.	Moderate	Low	Maintain Current Controls: <ul style="list-style-type: none">- Welfare planning as part of the wider emergency management planning.- Long Term Plan community responses.- Kapiti Recovery Plan.	On track 																																								
	Risk Owner				Risk Treatments																																									
	GM People and Partnerships				Treatments to reach Target Risk Level:		Update:																																							
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					Explore responses at the next Long Term Plan round.	Work on the Wellbeing Strategy is scheduled for the third/fourth quarter of this financial year and will go to Council for approval. This Strategy will guide the focus of Council's response to Wellbeing through the next Long-Term Plan.																																								
					Implement and review the Kapiti Recovery Plan. (GM Strategy, Growth & Recovery)		The review of the Kapiti Recovery Plan has been put on hold following the Omicron Covid-19 outbreak putting the district back into the response phase. Implementation and embedding the plan into BAU is continuing.																																							

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Strategic Risk Summary June 2022

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SR 6	Community engagement challenges in understanding and achieving optimal engagement with the community.	<ul style="list-style-type: none">- Delays to critical works.- Lack of progress.- People opt out.- Loss of trust and confidence in Council's ability to deliver to our community.- Raising community expectations but disconnect with current resources.- Reputational damage through lack of progress.	Moderate	Moderate	Maintain Current Controls: <ul style="list-style-type: none">- Consultation processes.- Communication and Engagement Strategy.- Local Government Act requirements.- Significance and Engagement Policy review as part of the Long-Term Plan.	On track 																																														
	Risk Owner	Risk Treatments																																																		
	GM People and Partnerships	Treatments to reach Target Risk Level:			Update:																																															
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			Exploring new ways to extend our community reach and make it easy for people to participate in the work of Council.																																																	
			Treatments that are likely to flow through into this work include: <ul style="list-style-type: none">- slow down and be more deliberate.- seek out more opportunities for information sharing to encourage positive engagement.- connect the dots; blend / extend consultation topics.																																																	
			Continuing to explore new ways to extend our community reach and make it easy for people to participate in the work of Council: e.g. <ul style="list-style-type: none">- new digital engagement and consultation platform,- website enhancements,- enhancement in digital channels, and- increased visual presence in our communities.																																																	
			Our ability to engage broadly across a range of channels may be impacted as we manage the resilience of staff resources and recruitment constraints.																																																	



Part B: Operational Risk Summary June 2022

Operational risks (OR) result in failure to achieve business / organisational objectives due to human error, system failures and / or inadequate procedure and controls.

(Definition ISO 31000:2018).

Risks are in order of current 'Risk Level Rating'.

Yellow = New Update

Operational Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls																																															
			Current	Target																																																
OR 1	Infrastructure service disruption associated with significant Natural Hazards.	<ul style="list-style-type: none">- Injuries, fatalities- Lack of resilience- Uncertainty with Central Government assurance of 60% loss funding.- 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	Extreme	Moderate	Maintain Current Controls: <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 Management Plans.- Asset replacement programme and condition assessments.- Syndicate Insurance programme.- Redundant network.- Embedded water storage.- Emergency Recovery Plan is incorporated within the wider Wellington Regional Civil Defence Emergency response.																																															
	Risk Owner	<ul style="list-style-type: none">- May impact usability of buildings in the district.- Significant impact on the ability of business and the wider community to operate effectively.			Risk Treatments	Treatment Status																																														
	GM Infrastructure Services				Treatments to reach Target Risk Level:	Update:																																														
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					Waikanae Water Treatment Plant Clarifier Project	Works commenced in April 2022 and are progressing. Covid-19 has resulted in delays to securing materials and sourcing additional contractors onsite to complete works. This will impact on the completion date.	Some Concerns																																													
					Ensure Council has sufficient insurance cover in place. (GM Corporate Services)	Council renewed its insurance cover for infrastructure and above ground assets in May 2022, continuing as part of the Outer Wellington Shared Services syndicate with Porirua, Upper Hutt and Hutt City Councils. It has been assumed that the government 60:40 cost sharing arrangement whereby central government will meet 60% of the cost of underground asset losses in the event of a natural disaster, continues to apply.																																														

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Operational Risk Summary June 2022

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OR 2	Cyber Security – Enterprise Management	<ul style="list-style-type: none">- Technology- Service Delivery- Reputational- Financial- Regulatory- Economic- Legal	High	Moderate	Maintain Current Controls: <ul style="list-style-type: none">- Member of ALGIM Local Government Cybersecurity Programme which provides us with benchmarking against other Councils by way of a dashboard.- Incident Management Response Plan.- Regular training of staff (eLearning videos made available to staff).- Quarterly review of user security permissions.- Software security patches are applied as soon as possible.- Independent audit of Council’s Cyber Security controls.	<div>Some Concerns</div>																																							
	Risk Owner	Risk Treatments																																											
	GM Corporate Services	<div>Treatments to reach Target Risk Level:</div> <div>Update:</div>																																											
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Operational Risk Summary June 2022

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			Current	Target		
OR 3	3-waters reform transition.	<ul style="list-style-type: none"> Financial impacts. Unforeseen district impacts / opportunities bought about by the new legislation. 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	Maintain Current Controls: <ul style="list-style-type: none"> Monitor policy / legislative announcements. Prepare submissions to advocate on behalf of the community. Clear communication across the organisation. Form and strengthen good relationships, and actively collaborate, with Central and Regional Government to influence Council decisions. Regulatory Requirements. Transition Plan. 	On track
	Risk Owner				Risk Treatments	
	GM Infrastructure Services				Treatments to reach Target Risk Level:	
					Update:	
					Fortnightly meetings with Wellington Councils Working Group to discuss updates from the National Transition Unit (NTU) / Department of Internal Affairs (DIA), respond to data and information requests, and share information across Councils in the Wellington region. Fortnightly progress updates to SLT on key workstreams. Updates with Councillors are scheduled as and when required.	
Current Risk Level					Framework - New regulatory requirements. (GM Corporate Services)	On track
					The Government announced their response to the 47 recommendations in the 3-Waters Governance Working Group on 29 April 2022, with support given for a public shareholding model. Anticipated timeline: <ul style="list-style-type: none"> Cabinet decision on economic regulator – April 2022 Release of Bill – May 2022 Select Committee process - May to July 2022 	
					Staff subject matter experts have been identified as part of the NTU/DIA data and digital request to assist with future transition work.	
					The Transition Plan will be determined once central government provides clear guidance on all matters relating to the 3-waters reform i.e., governance, local participation, asset purchases etc.	
					Considerations with regards to joining Communities for Local Democracy were discussed at the Council meeting on 7 April 2022. Council resolved that the next tranche of government information is required in order to engage meaningfully with the community and make decisions. A 3-Waters information campaign proposal is currently being put together for consideration.	
					Advocacy to be presented and approved by Council and/or Committee. (GM Corporate Services)	

		Likelihood				
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Consequence	Catastrophic	100	200	300	400	500
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Operational Risk Summary June 2022

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			Current	Target		
OR 4	Difficult to recruit and retain staff.	<ul style="list-style-type: none"> - Poor staff morale due to not enough staff, and high workload/stress. - Additional costs e.g., replacing staff in a competitive market, consultants. - Loss of and/or difficulties recruiting and retaining staff due to attractive work and/or salaries elsewhere and industry staffing fluctuations. - Delays in critical work programmes and/or associated poor decision making. - Loss of IANZ accreditation due to shortage of building staff. - Corporate loss of institutional and intellectual knowledge. 	High	Moderate	Maintain Current Controls: <ul style="list-style-type: none"> - Gallup Staff Engagement Survey and associated work programmes. - Workforce and Succession planning. - Talent management/Professional development. - Monitoring staff workloads - Short term workload management. - Employ contractors / consultants to backfill vacancies. - Adjust forward work programmes to align with capability and capacity. - Rewards & Recognition Policy. - Monitoring remuneration trends. - Job grade / pay structure reviews. - Professional Development. 	Some Concerns
	Risk Owner				Risk Treatments	
	Manager Organisational Development				Treatments to reach Target Risk Level:	
					Update:	
					Ongoing workshops focused on key areas for each Group. Ongoing upskilling of our leaders ensuring staff, stakeholders and customers know what is expected of each other is important. A Leadership Strategy is under development and in conjunction with this, leadership development training has commenced.	
Current Risk Level					Continue work programmes associated with Gallup Staff Engagement Survey.	Some Concerns
					Workforce and Succession Planning.	
					Commenced a workforce planning project to address resourcing and development pathways, not only for "growth" but as an employer of choice regionally. This work improves our understanding of the cost to replace staff and on agile ways to build / maintain an effective workforce.	
					A career pathway model for technical skills in hard to recruit roles is under development and we are also looking to establish a value proposition for attracting incoming staff candidates.	
					Additional consideration around shared services for key risk areas are also being considered.	
					Continuous review on ways to maintain an effective workforce.	Some Concerns
					A more adaptive approach to retention is being deployed in order to retain critical staff. This risk has been exacerbated by the impact of Covid-19.	
					Highly competitive recruitment market and shortage of skilled workers is leaving some areas understaffed. Timelines set by government have increased worker demand in some areas with consultants also working at capacity. We have concerns about further pandemic impacts on workforce and contractor availability.	
					Advocacy of Local Government sector organisations e.g., Taituara (formerly SOLGM). (GM SGR)	Some Concerns
					Other stakeholders such as Mana Whenua and the Chamber of Commerce are also providing feedback as this is an endemic risk that is not restricted to this Council.	

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Operational Risk Summary June 2022

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OR 5	Paraparaumu Wastewater Treatment Plant – consent renewal.	<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.- Costly additional works required to consent WWTP.- Poor investigations, assessments and/or lwi engagement result in delayed and/or costlier applications or an unsuccessful application.- More onerous discharge conditions require substantial upgrade to WWTP.- Failure to secure consent limits growth and development.	High	Moderate	Maintain Current Controls: <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.	Some Concerns
	Risk Owner	Risk Treatments				
	GM Infrastructure Services	Treatments to reach Target Risk Level:			Update:	
Current Risk Level		Whaitua Process			Greater Wellington Regional Council (GWRC) now looking at establishing the committee this month (May 2022).	
		(A Whaitua Committee is made up of mana whenua representatives, local community members, local authorities and Greater Wellington.)			Commencement of the Whaitua process will begin once the Whaitua Committee is established.	
		Maintain and strengthen lwi relationships.	Draft terms of reference developed for the Paraparaumu Wastewater Treatment Plant process which defines lwi involvement in the consenting process.			
			Awaiting approval.			
		Progress new consent - wider view on future treatment plant locations and scale.	Two follow up meetings with GWRC have occurred and we are working through further information requests.			
			15-year consent duration sought.			

Likelihood						
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Operational Risk Summary June 2022

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OR 6	CAPEX Programme delivery is disrupted – e.g., non-availability of specialist resources and materials.	<ul style="list-style-type: none">- Financial losses.- Planned project delivery could be compromised due to unforeseen events.- Projects not delivered as planned.- Non-delivery of core services.- Reputational damage.	High	Moderate	Maintain Current Controls: <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 3 years of the 2021-41 Long Term Plan.																																																					
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	Minor	10	20	30	40	50																																																				
					Some Concerns																																																					

Yellow = New Update

Operational Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status
			Current	Target		
OR 7	Health and Safety Harm.	<ul style="list-style-type: none"> Inadequate safeguards against extreme events (e.g., natural events / pandemics) and/or hazardous environments. Injuries to people. Psychological Wellbeing post Covid-19 lockdown. Reduced resilience. Penalties, fines. Lost time. Loss of reputation. 	High	Low	Maintain Current Controls: <ul style="list-style-type: none"> Proactive modelling of good Health & Safety behaviours to promote wellbeing. Health and safety management systems. Health and Safety Strategic Plan – 3 yearly. Asbestos Management Plan. Policies – Care Register; Working Alone, Time in Lieu, Driver Awareness. Resilience training, safety in the workplace. AA Driver Training and Assessment Programme - two-yearly cycle or as required in between. Prevention of Infection: Covid-19 practices and processes. Staff Health and Safety Committee. Employee Assistance Programme. 	On track 
	Risk Owner				Risk Treatments	
	Manager Organisational Development				Treatments to reach Target Risk Level: Continuing the risk-based approach / assessment focus on: <ul style="list-style-type: none"> asbestos, hazardous substances, contractor management, driving, and psychological wellbeing 	
					Update: Continuing the staff asbestos health monitoring programme and others such as driver training. Physiological wellbeing is a priority given Covid-19 business disruptions and the effect on individuals.	
					Offer Wellbeing initiatives.	
Current Risk Level					Continuing to offer Flu vaccines, Hearing and Eye Checks.	On track 
					Developing an annual health focus programme with a focus on overall wellbeing.	
					Implemented an additional paid leave provision for COVID-19 related sickness and absences.	
					Meetings have been disrupted by Covid-19 business disruptions.	
					A review of the current Health and Safety Committee and representation will be undertaken to identify a more robust approach to future proof further disruptions.	
					The Health and Safety Committee provides regular updates to the Senior Leadership Team	On track 
					New policy is now in force to mitigate impacts on workforce of pandemic related illness and absenteeism.	
					Introduced new Covid-19 policy mandating vaccinations for our workforce and contractors	
					The Chief Executive and Senior Leadership Team (SLT) will be reviewing the COVID-19 Vaccination Policy going forward. This is a recurring agenda item discussed at current weekly SLT meetings. Any review would take account of what is happening with Covid-19 and how current events and case numbers are impacting us in the context of our organisation and our community.	

		Likelihood				
		Rare	Unlikely	Possible	Likely	Almost Certain
		1	2	3	4	5
Consequence	Catastrophic	100	200	300	400	500
	Major	70	140	210	280	350
	Moderate	40	80	120	160	200
	Minor	10	20	30	40	50

Yellow = New Update

Operational Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status
			Current	Target		
OR 8	Poor financial management.	<ul style="list-style-type: none"> - Actual costs exceed budgets due to poor financial management. - Financial losses. - Non-delivery of core services. - Reputational damage. 	Moderate	Low	Maintain Current Controls: <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. 	On track
	Risk Owner				Risk Treatments	
	GM Corporate Services				Treatments to reach Target Risk Level:	
					Update:	
					Financial management awareness training.	
					Financial Reporting.	
					Procurement improvement programme.	
					Staff are working to develop and implement smarter procurement software systems and an external supplier portal, using an independent specialist procurement third party.	
					Progress has been delayed mainly due to Covid-19 as well as technical design constraints. This work should be completed and operational by late September 2022.	

		Likelihood				
		Rare	Unlikely	Possible	Likely	Almost Certain
		1	2	3	4	5
Consequence	Catastrophic	100	200	300	400	500
	Major	70	140	210	280	350
	Moderate	40	80	120	160	200
	Minor	10	20	30	40	50

Yellow = New Update

Operational Risk Summary June 2022


#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status	
			Current	Target			
OR 9	New asset operational deficiencies.	<ul style="list-style-type: none">- High costs to maintain or replace.- Assets transferred to Council are not fit for purpose due to lack of quality in design /construction.	Moderate	Low	Maintain Current Controls: <ul style="list-style-type: none">- District Plan- Consent processes.- Hand over processes.- Subdivision Design and Principles process.- Gifting of Assets Policy.- Open Spaces Strategy.	<div>On track</div>	
	Risk Owner						
	<ul style="list-style-type: none">- GM Infrastructure Services (Assets)- GM Place and Space (Assets)						
Current Risk Level							
Consequence			Likelihood				
			Rare	Unlikely	Possible	Likely	Almost Certain
			1	2	3	4	5
	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	
					Review of the Subdivision Design and Principles process (GM Regulatory Services)	Councillors briefed on 24 May 2022 with a recommendation to adopt the new Land Development Minimum Requirements (Civil Engineering approvals) via the District Plan Change process.	
					Implement Open Spaces Strategy	The Open Spaces Strategy was formally adopted by Council on Thursday 24 March 2022. Implementing the Strategy is currently underway across Council and overtime is being embedded into budgeting and other Council workstreams.	

Yellow = New Update

Operational Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status
			Current	Target		
OR 10	Fraudulent activity.	<ul style="list-style-type: none"> - Financial loss. - 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. - Business interruption. - Reputational damage. 	Moderate	Low	Maintain Current Controls: <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. 	On track
	Risk Owner				Risk Treatments	
	GM Corporate Services				Treatments to reach Target Risk Level:	
					Update:	
					Targeted fraud awareness training has been delayed due to Covid-19 response priorities. A programme that provides training at least annually will be developed over coming months.	
					Development of an assurance and business improvement programme will be developed over coming months.	
					Internal audit programme (as resources allow).	
					Inherent in the business assurance programme will be fraud awareness training, particularly related to the four lines of defence.	
					Regularly review relevant corporate policies.	
					Ongoing.	

Operational Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status																																															
			Current	Target																																																	
OR 11	Business disruptions.	<ul style="list-style-type: none">- Health and Safety compromised.- Financial losses.- Non-delivery of core services- Reputational damage.	Moderate	Low	Maintain Current Controls: <ul style="list-style-type: none">- Pandemic Plan.- Business Continuity Leadership.- BCPs (Payroll [HR and Finance], Loss of office buildings, Supplier payments, Customer call centre, Drinking water supply, Laboratory water testing, Wastewater services, Electoral services).- Effective Operational Readiness.	On track 																																															
	Risk Owner				Risk Treatments																																																
	GM Corporate Services				Treatments to reach Target Risk Level:		Update:																																														
Current Risk Level																																																					
<table><tr><td colspan="2" rowspan="2"></td><td colspan="5">Likelihood</td></tr><tr><td>Rare</td><td>Unlikely</td><td>Possible</td><td>Likely</td><td>Almost Certain</td></tr><tr><td colspan="2"></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td rowspan="4">Consequence</td><td>Catastrophic</td><td>100</td><td>Moderate 100</td><td>High 200</td><td>High 300</td><td>Extreme 400</td><td>Extreme 500</td></tr><tr><td>Major</td><td>70</td><td>Moderate 70</td><td>Moderate 140</td><td>High 210</td><td>High 280</td><td>Extreme 350</td></tr><tr><td>Moderate</td><td>40</td><td>Low 40</td><td>Moderate 80</td><td>Moderate 120</td><td>Moderate 160</td><td>High 200</td></tr><tr><td>Minor</td><td>10</td><td>Low 10</td><td>Low 20</td><td>Low 30</td><td>Low 40</td><td>Low 50</td></tr></table>					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			
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					Assure effective operational readiness.																																																
					A Covid-19 Working Group has continued to meet. 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 traffic light settings as confirmed by central government.																																																
					There are now two dedicated FTE overseeing Covid-19 response.																																																
					Weekly updates/report backs are provided to SLT for noting and /or decisions.																																																

Yellow = New Update


Operational Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls																																															
			Current	Target																																																
OR 12	Customer Focus. Customer needs not fully met in the absence of a coordinated approach to increasing customer focus in Council's everyday work.	<ul style="list-style-type: none">- Health and Safety compromised- Financial losses.- Loss claims.- Litigation and legal challenges.- Unmet customer needs and expectations.- Poor customer perceptions.- Reputational damage.- Council perceived as not helpful.- Loss of trust with customers.- Deters new developers.	Moderate	Low	Maintain Current Controls: <ul style="list-style-type: none">- Case/project management.- Pre-application meetings.- Business start-up meetings.- Meeting with developers.- Structural and cultural changes																																															
	Risk Owner																																																			
	GM People & Partnerships																																																			
Current Risk Level																																																				
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Operational Risk Summary June 2022



#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status				
			Current	Target						
OR 13	High Debt	<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.- Non-delivery of core services.- Reputational damage.	Moderate	Low	Maintain Current Controls: <ul style="list-style-type: none">- Infrastructure Strategy.- Treasury Management Policy.- Rating system.- Strong treasury management with quarterly treasury reports.- Financial Strategy - upper limit for net debt of 280% of operating income (with a preferred limit of 250%).	On track 				
	Risk Owner	Risk Treatments								
	Chief Executive	Treatments to reach Target Risk Level:			Update:					
Current Risk Level										
Consequence	Likelihood									
					Rare		Unlikely	Possible	Likely	Almost Certain
					1		2	3	4	5
	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				

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Operational Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status
			Current	Target		
OR 14	Emergency response.	<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.	Moderate	Low	Maintain Current Controls: <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.- Kapiti Recovery Plan.- Lifelines.	Some Concerns
	Risk Owner	<ul style="list-style-type: none">- Preparedness training severely impacting "Business as Usual".			Risk Treatments	
	GM Regulatory Services				Treatments to reach Target Risk Level:	
Current Risk Level		Community resilience.			WREMO continue to work with a variety of community groups to enhance self-resilience.	
		Work with WREMO.			A good relationship exists with WREMO, constraints are consistent across the region, and a willingness regionally to collaborate and support each TA is welcome. Additionally, there is a strong "region wide" resource culture within the participating Councils, where we share knowledge and resources as required.	
		Continually review emergency management plans and staff capability and resources.			Continue to work with WREMO in developing a region wide capability development programme which balances "BAU workloads" with attractive, interesting and targeted training that EOC will attend and retain.	
		Ensuring clarity around roles and responsibilities of partner agencies.			Submitted into the National review of the CDEM Act highlighting the significant constraints in local government.	
		Continuous review on ways to maintain an effective workforce. (Manager Organisational Development)			A more adaptive approach to retention is being deployed in order to retain critical staff. This risk has been exacerbated by Covid-19. Highly competitive recruitment market and shortage of skilled workers is leaving some areas understaffed. Timelines set by government have increased worker demand in some areas with consultants also working at capacity. Concern about further pandemic impacts on workforce and contractor availability.	

		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
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Operational Risk Summary June 2022

#.	Risk	Impacts	Risk Level		Risk Controls	Treatment Status																																													
			Current	Target																																															
OR 15	Drinking water regulations compliance.	<ul style="list-style-type: none">- Health and Safety compromised.- Threat to sufficient water supply and delivery of safe drinking water.	Moderate	Low	Maintain Current Controls: <ul style="list-style-type: none">- Water safety and resilience works programme (\$21m 2019-23).- Bulk mains condition assessment.- Annual Compliance Reports to Ministry of Health.	On track 																																													
	Risk Owner				Risk Treatments																																														
	GM Infrastructure Services				Treatments to reach Target Risk Level:		Update:																																												
Current Risk Level							Operational Treatment <ul style="list-style-type: none">- Otaki water supply reservoir 2024-26- Hautere /Te Horo Treatment Plant Upgrade.																																												
Likelihood																																																			
<table><tr><td></td><td></td><td>Rare</td><td>Unlikely</td><td>Possible</td><td>Likely</td><td>Almost Certain</td></tr><tr><td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td rowspan="4">Consequence</td><td>Catastrophic</td><td>100</td><td>Moderate 100</td><td>High 200</td><td>High 300</td><td>Extreme 400</td><td>Extreme 500</td></tr><tr><td>Major</td><td>70</td><td>Moderate 70</td><td>Moderate 140</td><td>High 210</td><td>High 280</td><td>Extreme 350</td></tr><tr><td>Moderate</td><td>40</td><td>Low 40</td><td>Moderate 80</td><td>Moderate 120</td><td>Moderate 160</td><td>High 200</td></tr><tr><td>Minor</td><td>10</td><td>Low 10</td><td>Low 20</td><td>Low 30</td><td>Low 40</td><td>Low 50</td></tr></table>									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		
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8.4 INTERNAL AUDIT WORK PROGRAMME

Kaituhi | Author: **Andrew Gillespie, Risk Advisor**

Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services**

TE PŪTAKE | PURPOSE

- 1 This report provides the Audit and Risk Subcommittee with a Risk Assurance portfolio update, focused on the Internal Audit function of the team.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 This report does not exceed four pages therefore there is no requirement for an Executive Summary.

TE TUKU HAEPAHA | DELEGATION

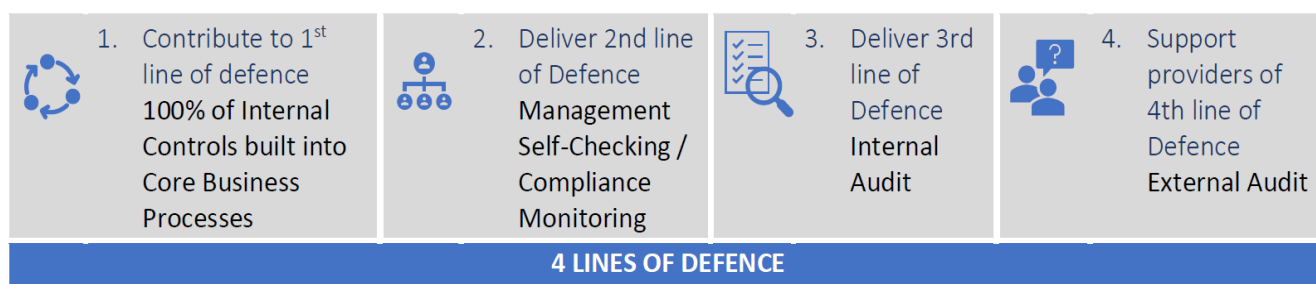
- 3 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3.
 - *Reviewing and maintaining the internal control framework.*
 - *Obtaining from external auditors any information relevant to the Council's financial statements and assessing whether appropriate action has been taken by management in response to the above.*

TAUNAKITANGA | RECOMMENDATIONS

- A. That the Audit & Risk Sub-Committee notes:
 - A.1 the Risk Assurance Governance Structure attached as Appendix 1 to this report, and
 - A.2 the Internal Audit Work Programme for Q1/Q2 2022/23

TŪĀPAPA | BACKGROUND

- 4 The role of Internal Audit is to assist with the identification of measures to achieve greater effectiveness, efficiency and economy and to remedy practices that expose the organisation to risk and vulnerability. It brings a systematic and disciplined approach to evaluating and improving the effectiveness of risk management in the organisation.
- 5 The Risk Assurance portfolio has adopted the 'Four Lines of Defence' model as the basis and framework to how we will implement assurance across the Council. The four lines are explained below:



- 6 By defining the sources of assurance in four broad categories, the model contributes to the overall level of assurance provided and how they can be integrated into everyday life at Council.
 - First line: risks are managed and controlled day-to-day. Assurance comes directly from those responsible for delivering specific objectives or processes.
 - Second line: Council oversees the control framework so that it operates effectively.
 - Third line: internal audit, providing reasonable (not absolute) assurance of the overall effectiveness of governance, risk management and controls.

- Fourth line: assurance from external independent bodies such as the external auditors and other external bodies.
- 7 Each line of defence has a purpose and provides robust assurance. There is no one line which provides better quality assurance than any of the others. A range of assurance activities from across all lines of defence provides a more thorough assurance environment.

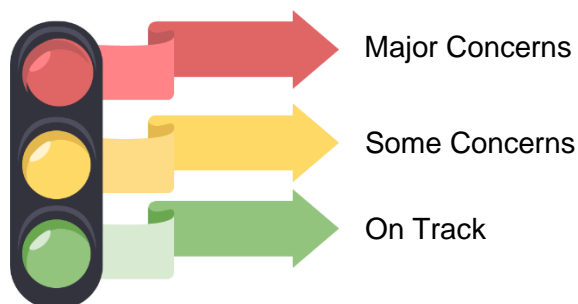
HE KŌRERORERO | DISCUSSION

Third Line of Defence (Internal Audit)







- 8 This report is mainly focussing on the third line of defence which is the Council's Internal Audit function. The Internal Audit Work Programme for Q1/Q2 2022/23 is attached as Appendix 2 to this report.
- 9 In accordance with New Zealand Auditing Standards, we have chosen to adopt the same Risk Ranking System used by Ernst & Young when conducting External Audits for when we conduct our Internal Audits. This ranking system are as follows:

	Internal Audit – Risk Ranking System
High	Matters and/or issues 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	Matters and/or issues 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	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6 -12 months.

- 10 The Internal Audit Work Programme attached as Appendix 2 to this report details the scheduled work to take place in Quarter 1 and 2 of the next financial year. An update on the progress of the Internal Audit Work Programme will be brought to the Subcommittee every quarter with updates against each Assurance Activity.
- 11 The Internal Audit Assurance Activity update status is categorised as follows:



12 The table below details the scheduled year-to-date progress of each Assurance Activity:

Risk Level	Assurance Activity	As at June 2022		Estimated Completion date
		Status	Update	
High	Compliance with Mitigation of Fraud Policy.	On track 	<ul style="list-style-type: none"> This work is planned for FY 2022/23. 	Q1-Q2 2023
High	Compliance with Procurement Policy Framework.	On track 	<ul style="list-style-type: none"> This work is planned for FY 2022/23. 	Q1-Q2 2023
Moderate	Follow up on independent recommendations identified by Ernst & Young as Audit Control Findings.	On track 	<ul style="list-style-type: none"> Ongoing. Next update Q1 2022/23. 	Continuous
Low	Review delivery of pandemic response/ preparedness for business interruption and continuously improve.	On track 	<ul style="list-style-type: none"> Ongoing. Next update Q1 2022/23. 	Continuous
	Review Business Continuity Plan preparedness for business interruption and continuously improve.	Some Concerns 	<ul style="list-style-type: none"> Not on track, planning underway. Next update Q1 2022/23. 	Continuous
	Unscheduled observation and continuous improvement of issues as identified.	On track 	<ul style="list-style-type: none"> Ongoing. Next update Q1 2022/23. 	Continuous

He take | Issues

13 There are no issues to be raised in this report.

Ngā kōwhiringa | Options

14 There are no options to be raised in this report.

Tangata whenua

15 There are no tāngata whenua considerations arising from this report.

Panonitanga āhuarangi | Climate change

16 There are no Climate Change issues arising from this report.

Ahumoni me ngā rawa | Financial and resourcing

17 Financial considerations have been covered as part of this report.

Ture me ngā Tūraru | Legal and risk

18 There are no legal considerations arising from this report.

19 This report provides an update from the Risk Assurance portfolio, focused on the Internal Audit function.

Ngā pānga ki ngā kaupapa here | Policy impact

20 There are no policy implications arising from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT**Te mahere tūhono | Engagement planning**

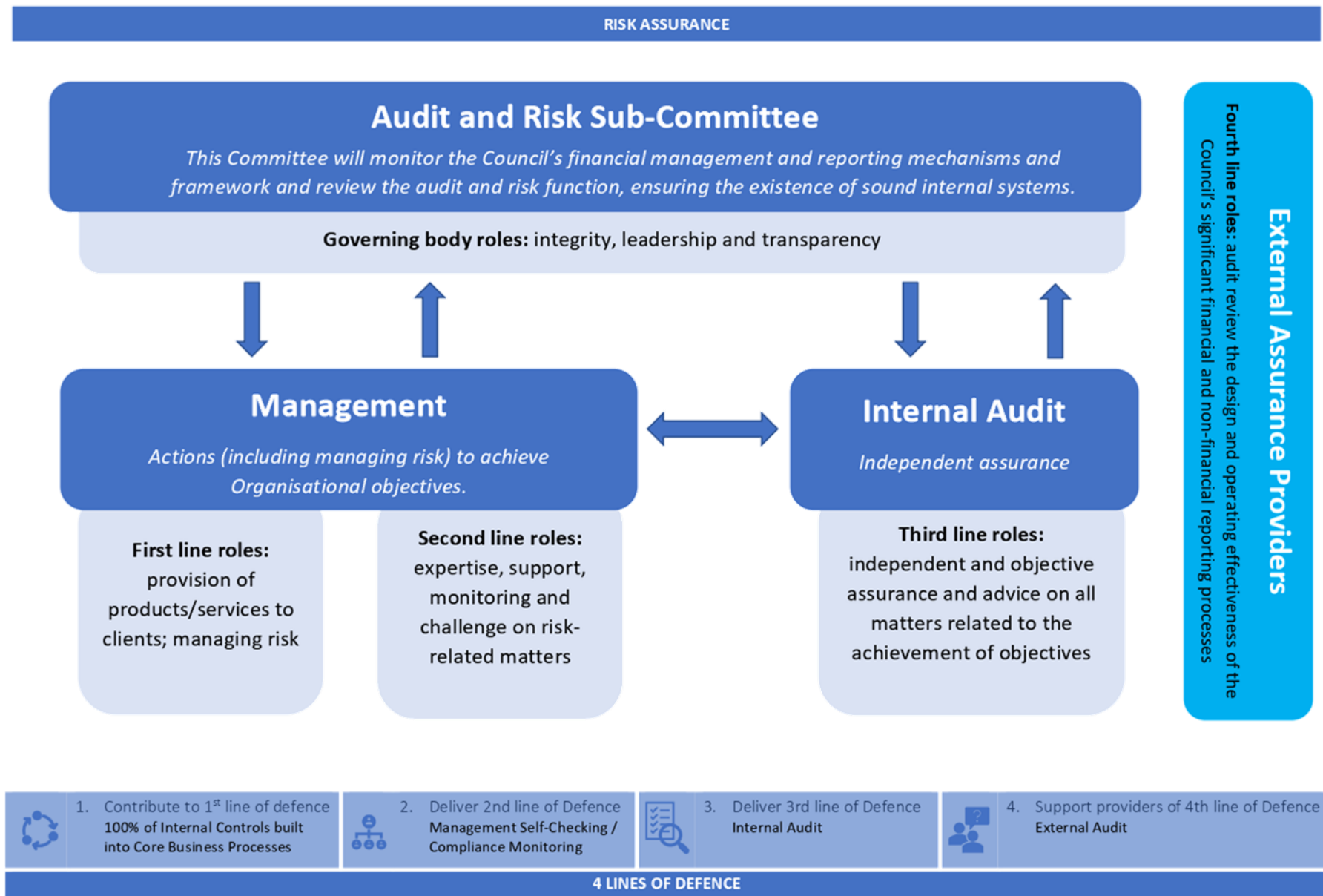
21 This matter has a low level of significance under the Council's Significance and Engagement Policy.

Whakatairanga | Publicity

22 There are no publicity considerations.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Appendix 1 - Risk Assurance Governance Structure [↓](#)
2. Appendix 2 - Internal Audit Work Programme 2022/23 Q1/Q2 [↓](#)



RISK ASSURANCE

Internal Audit Work Programme 2022/23 – Q1/Q2

This table provides details about the planned assurance activities that make up our Internal Audit work programme.

Type	Assurance Activity	Details	Planned timeframe	Line of Defence
Internal Audit	Compliance with Mitigation of Fraud Policy.	<ul style="list-style-type: none"> Test the protection of our financial systems and assets from fraudulent conduct. 	Q1-Q2	
	Compliance with Procurement Policy Framework.	<ul style="list-style-type: none"> Test the fundamental principles and high-level rules that apply to Procurement Activity. 	Q1-Q2	
	Follow up on independent recommendations identified by Ernst & Young as Audit Control Findings.	<ul style="list-style-type: none"> Follow up on control findings accepted by Audit and Risk Sub-Committee on 2 November 2021. Provide quarterly updates to the Audit and Risk Sub-Committee. Support EY to resolve and close these recommendations. 	Continuous	
	Review delivery of pandemic response/ preparedness for business interruption and continuously improve.	<ul style="list-style-type: none"> Walk through /test business preparedness for the ever-changing landscape of COVID-19. Provide correct information to assist with internal & external communications (e.g. Council website). 	Continuous	
	Review Business Continuity Plan preparedness for business interruption and continuously improve.	<ul style="list-style-type: none"> Collate current Business Continuity Plans (BCPs) across Council. Review BCP's and test controls. Identify risks to assurance and raise control improvements (system and/or process). 	Continuous	
	Unscheduled observation and continuous improvement of issues as identified.	<ul style="list-style-type: none"> Be the face of Internal Audit and raise staff awareness. Engage with staff on any issues that arise. Identify risks to assurance and raise control improvements (system and/or process). 	Continuous	



1. Contribute to 1st line of defence
100% of Internal Controls built into Core Business Processes



2. Deliver 2nd line of Defence
Management Self-Checking / Compliance Monitoring



3. Deliver 3rd line of Defence
Internal Audit



4. Support providers of 4th line of Defence
External Audit

4 LINES OF DEFENCE

8.5 QUARTERLY TREASURY COMPLIANCE

Kaituhi | Author: **Ian Georgeson, Chief Financial Officer**

Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services**

Te pūtake | Purpose

- 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 2022.

He whakarāpopoto | Executive summary

- 2 The Council had net debt of \$167.9 million at 31 March 2022, equating to 175% of operating income. This is within the LTP Financial Strategy limit of 280%.
- 3 The Council's Treasury policy contains a number of treasury risk management limits or requirements designed to minimise risk. These policy requirements are reported upon in this paper. The Council complied with all policy requirements during the quarter.

Te tuku haepapa | Delegation

- 4 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.1.
 - 1 *Ensuring that the Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.*

Taunakitanga | Recommendations

- A. That the Audit and Risk Subcommittee notes the Council's full compliance with its Treasury Management Policy for the three months ended 31 March 2022.

Tūāpapa | Background

- 5 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.
- 6 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.
- 7 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.

He kōrerorero | Discussion

Cash/Debt Position

- 8 Table 1 below shows the Council's net debt position as at 31 March 2022 against the 2021/22 full year budget and the prior year closing balance.

Table 1	March YTD Actual	Full Year Budget	Prior year 2020/21
	\$000's	\$000's	\$000's
External debt	265,000	260,000	230,000
/less borrower notes	(5,275)	(6,505)	(4,220)
/less Term Deposits	(85,000)	(55,000)	(60,000)
/less cash	(6,786)	(23,882)	(11,133)
Net debt	167,939	174,612	154,647

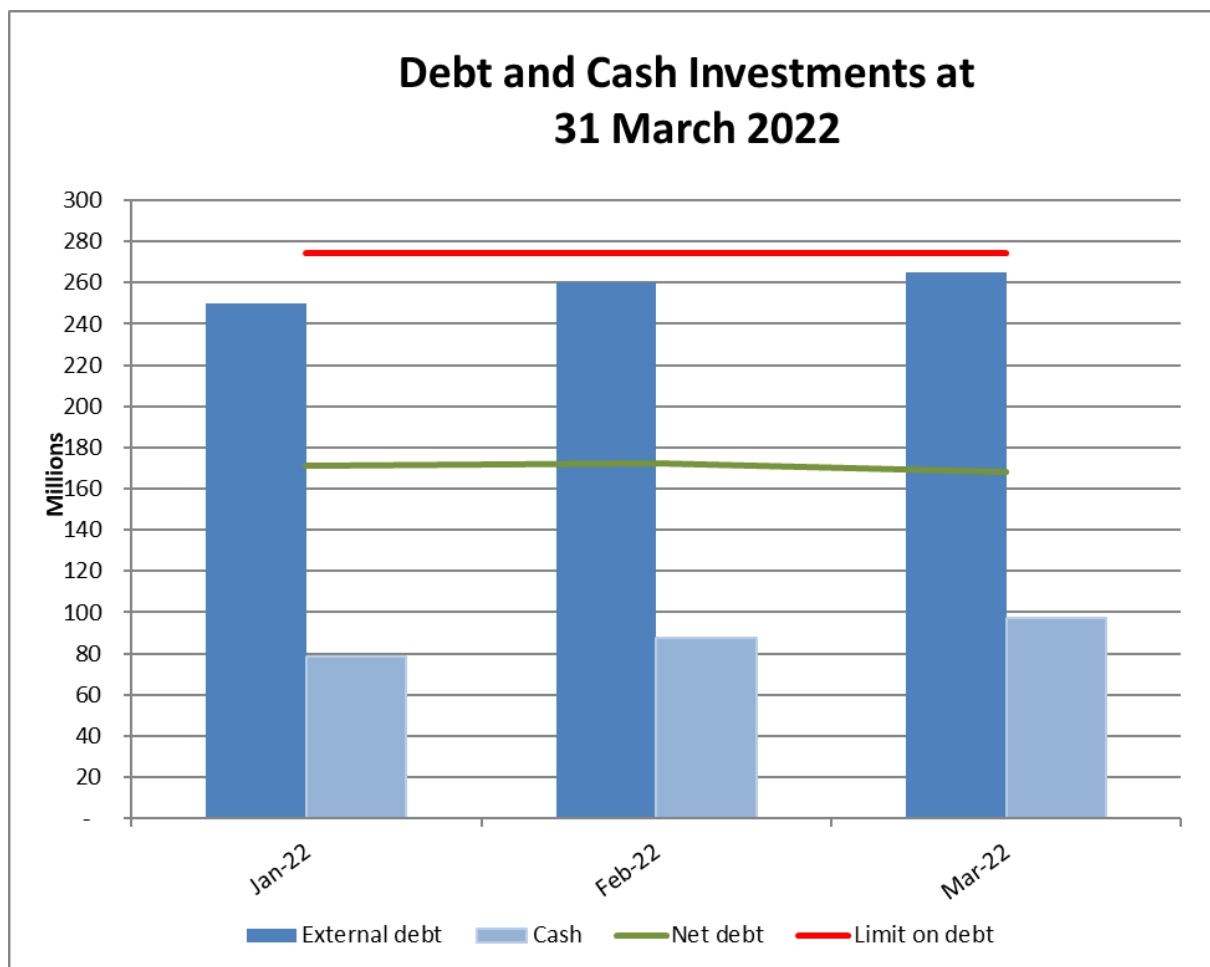
- 9 During the past three months, the Council has issued \$15 million of new debt, bringing the total amount of debt drawn during the past nine months to \$55 million.
- 10 The \$15 million issued this quarter was used to pre-fund the April 2023 debt maturity.
- 11 The table below shows (a) the movement 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 2022.

Borrowings	Gross borrowings \$000	Pre-funding					20/21 Capex programme \$000
		TD Oct 2021 \$000	TD May 2022 \$000	TD Oct 2022 \$000	TD Apr 2023 \$000	21/22 Capex programme \$000	
Opening balance 1 July	230,000	20,000	25,000			15,000	
New Long term debt issued YTD	55,000			15,000	20,000	10,000	10,000
Matured Long term debt	(20,000)	(20,000)	-	-	-	-	-
Reallocation of Capex prefunding	-			5,000		(5,000)	
Total	265,000	-	25,000	20,000	20,000	20,000	10,000

- 12 As at 31 March 2022 the Council had \$97.06 million of cash, borrower notes and term deposits on hand. This is broken down as follows:

Term deposits, cash & borrower notes	Prefund borrowings \$000	Prefunding capex 21/22 \$000	Borrower notes \$000	Cash \$000	Total \$000
LGFA debt maturing May 2022	25,000	-	-	-	25,000
LGFA debt maturing Oct 2022	20,000	-	-	-	20,000
LGFA debt maturing Apr 2023	20,000	-	-	-	20,000
Prefund 21/22 CAPEX	-	20,000	-	-	20,000
Surplus cash	-	-	-	6,786	6,786
Borrower notes held	-	-	5,275	-	5,275
Total	65,000	20,000	5,275	6,786	97,061

- 13 For the three months ended 31 March 2022, the Council has not breached its net debt upper limit, as shown in the chart below:

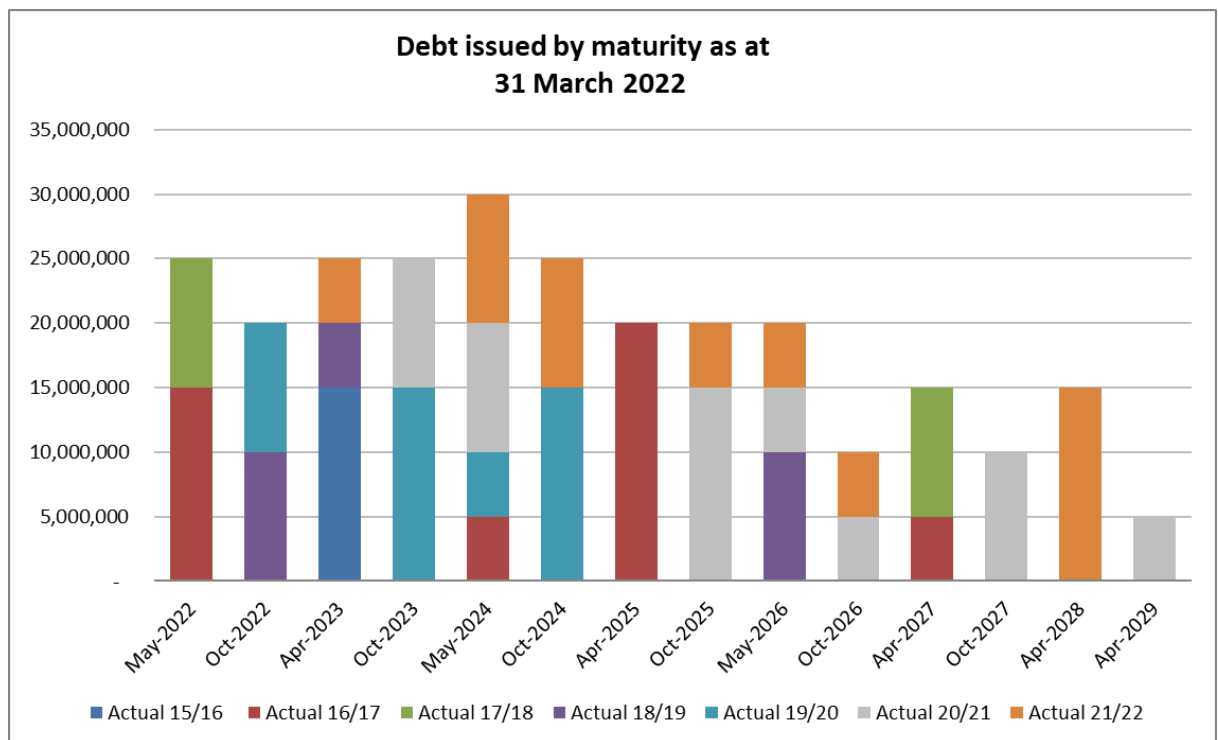


- 2
14 The Council targeted through its LTP 2021-41 financial strategy to keep net borrowings below 280% of total operating income with a preferred limit of 250%. As at 31 March 2022, the Council's net borrowings are 175% of total operating income.

Liquidity/Funding control limits

- 15 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.
- 16 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 and Capex programme up to 18 months in advance, including re-financing.
- 17 The strength of the Council's debt pre-funding programme was again highlighted by the Council's independent Credit Rating Agency, S&P Global Ratings (S&P), during their July 2021 review. This has resulted in the Council's credit rating remaining at AA for the following year.
- 18 S&P has noted that the Council's liquidity coverage remains exceptional but has revised their outlook on the Council to negative from stable due to the Council's large capital works spending plans in the 2021-2041 long-term plan.

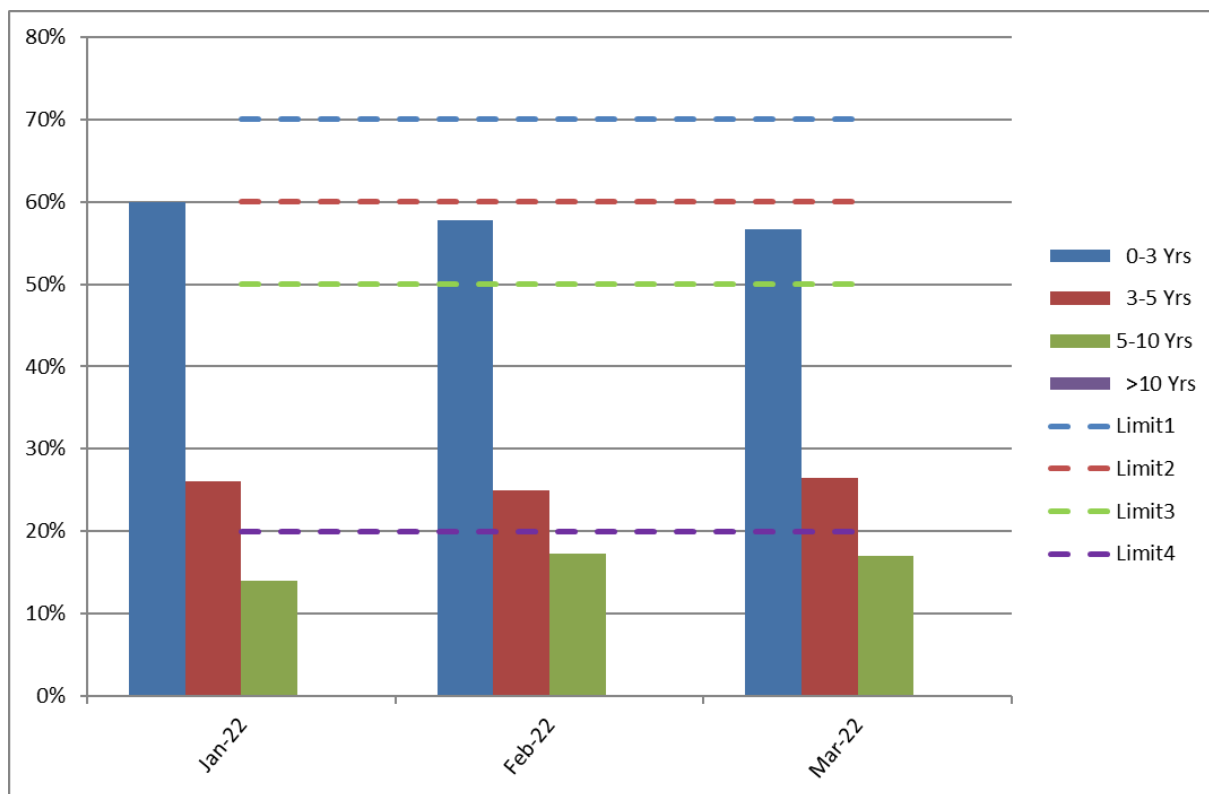
- 19 The following chart presents the Council's debt maturity dates in relation to the financial year in which the debt was issued. This demonstrates that since 2016/17, the Council has actively reduced risk concentration by spreading debt maturity dates and debt maturity values.



- 20 ³ 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%

- 21 For the three months ended 31 March 2022, 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

- 22 The Council issues all debt on a floating rate basis 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.
- 23 Without such hedging, the Council would have difficulty absorbing adverse interest rate movements. A 1% increase in interest rates on \$265 million of external debt would equate to additional interest expense of \$2.65 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.
- 24 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.
- 25 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%.

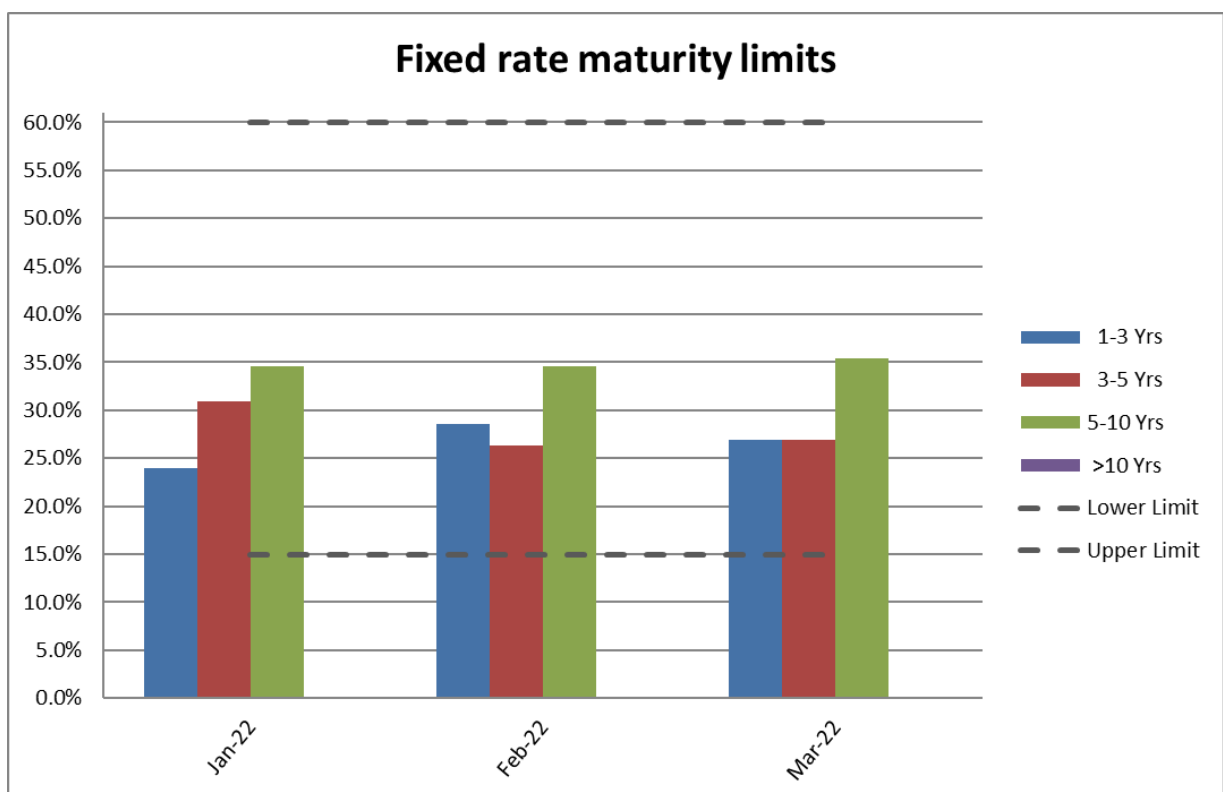
- 26 The Council has been fully compliant for the three months ended 31 March 2022, as shown by the table below.

\$000's	Jan-22	Feb-22	Mar-22
External debt (floating)	250,000	260,000	265,000
Swaps (fixed portion)	217,000	217,000	212,000
Fixed %	86.8%	83.5%	80.0%
Unfixed debt	33,000	43,000	53,000

- 27 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%

- 28 The Council has been fully compliant for the three months ended 31 March 2022, as shown by the following chart. Note that maturities falling within 1 year are not included. The Council has no hedging instrument maturities in ten years' time or beyond.



Counterparty Credit Risk

- 29 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.

- 30 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

- 31 The Council was in full compliance with all counterparty credit limits for the three months ended 31 March 2022. The tables below show the Council's investments and risk management instruments holdings per counterparty for this period.

Term deposits

Counter party	Jan-2022		Feb-2022		Mar-2022		Comply
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	35,000	50.00%	40,000	53.33%	45,000	52.94%	✓
NZ Registerd Bank 2	-	0.00%	-	0.00%	-	0.00%	✓
NZ Registerd Bank 3	25,000	35.71%	25,000	33.33%	30,000	35.29%	✓
NZ Registerd Bank 4	10,000	14.29%	10,000	13.33%	10,000	11.76%	✓
	70,000	100%	75,000	100%	85,000	100%	

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

Interest rate swaps

Interest Rate Swaps - Policy limit: 50% of total instruments or \$80m; whichever is greater							
Counter party	Jan-2022		Feb-2022		Mar-2022		Comply
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	55,000	25.35%	55,000	25.35%	50,000	23.58%	✓
NZ Registerd Bank 2	93,000	42.86%	93,000	42.86%	93,000	43.87%	✓
NZ Registerd Bank 3	69,000	31.80%	69,000	31.80%	69,000	32.55%	✓
	217,000	100%	217,000	100%	212,000	100%	

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

Specific Borrowing Limits

- 32 In managing debt, the Council is required to adhere to the specific borrowing limits.
- 33 The Council fully complied with these limits for the three months ended 31 March 2022 and the results are shown below:

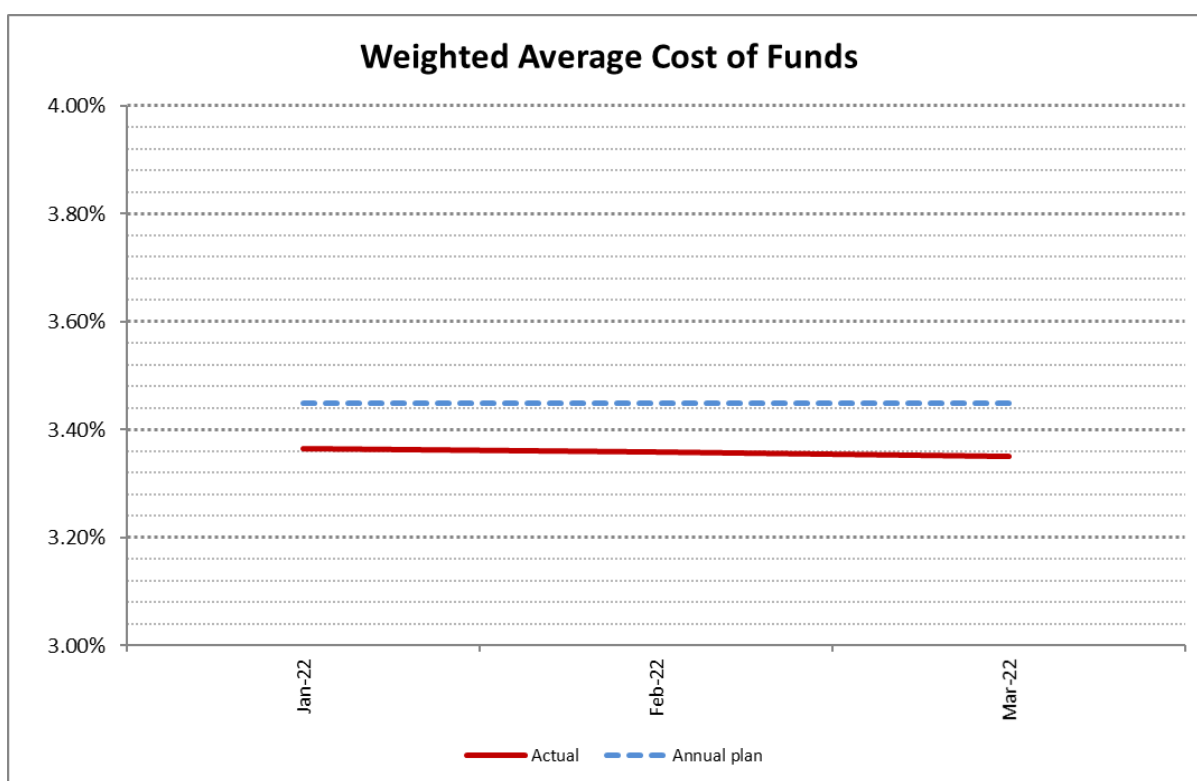
Borrowing limit	Policy limit	2021/22	Comply
Net interest expense/Total Operating Income	< 20%	7.7%	✓
Liquidity ((total debt + total committed facilities + cash on hand)/total debt))	> 110%	138.4%	✓
Net External Debt/Total Operating Income	< 300%	175.0%	✓

Risk Management Performance

- 34 The following table shows the Council's interest income and expense for the period ended 31 March 2022 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	6,309	6,089	(220)	8,484
less: Interest Income	(857)	(468)	388	(1,137)
Net Interest Cost	5,452	5,621	169	7,346
Weighted Average Cost of Borrowings	3.35%	3.45%	0.10%	3.36%

- 35 The following graph shows the year to date average cost of borrowings, for each month of the quarter.

**He take | Issues**

- 36 This report has a low level of significance under the Council's Significance and Engagement Policy).

Ngā kōwhiringa | Options

- 37 There are no options to be considered.

Tangata whenua

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

Panonitanga āhuarangi | Climate change

- 39 There are no climate change considerations within this report.

Ahumoni me ngā rawa | Financial and resourcing

- 40 There are no financial and resourcing considerations in addition to those already noted in this report.

Ture me ngā Tūraru | Legal and risk

- 41 There are no legal and risk considerations arising from this report.

Ngā pānga ki ngā kaupapa here | Policy impact

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

Te whakawhiti kōrero me te tūhono | Communications & engagement**Te mahere tūhono | Engagement planning**

- 43 An engagement plan is not required for this report.

Whakatairanga | Publicity

- 44 There are no publicity considerations arising from this report.

Ngā āpitihanga | Attachments

Nil

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

Taunakitanga | Recommendations

That the minutes of the Audit and Risk Sub-Committee meeting of 3 March 2022 be accepted as a true and correct record.

APPENDICES

1. Draft Minutes of the Audit and Risk Subcommittee meeting of 3 March 2022 [↓](#)

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES**3 MARCH 2022**

**MINUTES OF KAPITI COAST DISTRICT COUNCIL
AUDIT AND RISK SUB-COMMITTEE MEETING
HELD AT THE ONLINE VIA ZOOM
ON THURSDAY, 3 MARCH 2022 AT 9.30AM**

PRESENT: Mr Bryan Jackson (Chair), Cr Angela Buswell (Deputy Chair),
Deputy Mayor Janet Holborow, Cr Gwynn Compton, Mr Gary Simpson

IN ATTENDANCE: Wayne Maxwell, Mark de Haast, Ian Georgeson, Dianne Andrew, Tim Power,
Sharon Foss, Andrew Gillespie, Tanicka Mason, Jayne Nock, Brett O'Malley,
David Borrie, Thomas Marshal, Paul Dunmore, Ani Te Whaiti, Cam Butler,
Kahu Ropata, Cr Martin Halliday, Sarah Wattie, Steve Cody

APOLOGIES: Mayor K Gurunathan

**LEAVE OF
ABSENCE:** Nil

1 WELCOME

The Chair welcomed everyone to the meeting.

2 COUNCIL BLESSING

The Chair read the Council blessing.

3 APOLOGIES

An apology from the Mayor was noted.

4 DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA

Nil

5 PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA

Paul Dunmore tabled a paper commenting on:

- Risk Management Framework – climate change and sea levels; and
- Insurance Overview – costs and risks.

TABLED DOCUMENT**COMMITTEE RESOLUTION AAR2022/1**

The following document was tabled.

CARRIED**Appendices**

- 1 Paul Dunmore's tabled notes during public speaking time

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES

3 MARCH 2022

6 MEMBERS' BUSINESS

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

7 UPDATES

Nil

8 REPORTS**8.1 INSURANCE OVERVIEW**

Ian Georgeson, Chief Financial Officer introduced Brett O'Malley, Executive Director at AON New Zealand and spoke to the report. Members' questions were responded to.

COMMITTEE RESOLUTION AAR2022/2

Moved: Mr Bryan Jackson
Seconder: Cr Gwynn Compton

That the Audit and Risk Sub-Committee:

- **notes** the insurance renewal outlined in this paper; and
- **agrees** the Council should commission a feasibility review of alternative self-insurance options, and report back to the Audit and Risk Sub-Committee in due course.

CARRIED

The Chair thanked staff for their report.

8.2 ERNST & YOUNG AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2022

Mr Georgeson introduced David Borrie and Thomas Marshal from Ernst & Young Auditors and Mr Borrie gave a brief summary of the Audit Plan.

COMMITTEE RESOLUTION AAR2022/3

Moved: Mr Bryan Jackson
Seconder: Deputy Mayor Janet Holborow

That the Audit and Risk Subcommittee receives and notes the Ernst & Young Audit Plan for the year ended 30 June 2022 attached as Appendix 1 to this report.

CARRIED

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES**3 MARCH 2022****8.3 HEALTH AND SAFETY QUARTERLY REPORT : 1 OCTOBER 2021 - 31 DECEMBER 2021**

Dianne Andrew, Organisational Development Manager spoke to the report and Members' questions were responded to.

COMMITTEE RESOLUTION AAR2022/4

Moved: Mr Bryan Jackson
 Seconder: Cr Gwynn Compton

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

CARRIED**8.4 RISK MANAGEMENT**

The report was taken as read and Andrew Gillespie, Risk Advisor, noted Members' comments and responded to Members' questions.

COMMITTEE RESOLUTION AAR2022/5

Moved: Mr Bryan Jackson
 Seconder: Deputy Mayor Janet Holborow

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

CARRIED**8.5 QUARTERLY TREASURY COMPLIANCE**

Mr Georgeson spoke to the report and responded to Members' questions.

COMMITTEE RESOLUTION AAR2022/6

Moved: Mr Bryan Jackson
 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 2021.

CARRIED

Members thanked staff for their report.

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES**3 MARCH 2022****8.6 PROGRESS UPDATE REGARDING AUDIT CONTROL FINDINGS 2020/21**

The report was taken as read and Mr Gillespie noted Members' comments and responded to Members' questions.

COMMITTEE RESOLUTION AAR2022/7

Moved: Mr Bryan Jackson

Seconder: Deputy Mayor Janet Holborow

That the Audit & Risk Sub-Committee notes:

- the progress update regarding Ernst & Young's Report on Control Findings for the year ended 30 June 2021, and
- that Ernst & Young will re-assess these as part of their audit for the year ended 30 June 2022.

CARRIED

9 CONFIRMATION OF MINUTES**9.1 CONFIRMATION OF MINUTES****COMMITTEE RESOLUTION AAR2022/8**

Moved: Cr Angela Buswell

Seconder: Deputy Mayor Janet Holborow

That the minutes of the Audit and Risk Subcommittee meeting on 2 November 2021 be accepted as a true and accurate record of the meeting

CARRIED

10 CONFIRMATION OF PUBLIC EXCLUDED MINUTES

Nil

11 PUBLIC EXCLUDED REPORTS**RESOLUTION TO EXCLUDE THE PUBLIC****PUBLIC EXCLUDED RESOLUTION AAR2022/9**

Moved: Cr Angela Buswell

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 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:

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES

3 MARCH 2022

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> <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>
11.1 - Update on Litigation Status, Statutory Compliance Issues and 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 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		

AUDIT AND RISK SUB-COMMITTEE MEETING MINUTES**3 MARCH 2022****MOVE OUT OF PUBLIC EXCLUDE BUSINESS****COMMITTEE RESOLUTION AAR2022/12**

Moved: Mr Bryan Jackson

Seconder: Deputy Mayor Janet Holborow

That the Audit and Risk Sub-Committee meeting moves out of a public excluded meeting at 10.55am.

CARRIED**11.1 UPDATE ON LITIGATION STATUS, STATUTORY COMPLIANCE AND INVESTIGATIONS**

The Audit and Risk Sub-Committee resolved their approval to release report 'Update on Litigation Status, Statutory Compliance Issues and Investigations' and the resolutions from the public excluded session.

COMMITTEE RESOLUTION AAR2022/11

Moved: Mr Bryan Jackson

Seconder: Deputy Mayor Janet Holborow

That the Audit and Risk Subcommittee:

note the information on the Council's legislative compliance declarations;**note** the current status of Ombudsman and Privacy Commissioner investigations, other compliance matters and litigation;**agree** that this report and resolutions only be released from public excluded business; and**agree** that Appendix A and B of this report, be excluded from public release.**CARRIED****Appendices**

- 1 Update on Litigation Status, Statutory Compliance and Investigations

The Audit and Risk Subcommittee meeting went into public excluded session at 10.46am.

The Audit and Risk Subcommittee came out of public excluded session at 10.55am.

The Audit and Risk Subcommittee meeting closed at 10.55am.

.....
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:

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> <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>	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
11.1 - Update on Litigation Status, Statutory Compliance Issues and 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>	
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