



RĀRANGI TAKE AGENDA

Hui Te Komiti Whakamauru Tūraru | Risk and Assurance Committee Meeting

**I hereby give notice that a Meeting of the Te Komiti Whakamauru
Tūraru | Risk and Assurance Committee will be held on:**

Te Rā | Date: Tuesday, 16 May 2023

Te Wā | Time: 9.30am

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

**Mark de Haast
Group Manager Corporate Services**

Kāpiti Coast District Council

Notice is hereby given that a meeting of the Te Komiti Whakamauru Tūraru | Risk and Assurance Committee will be held in the Council Chamber, Ground Floor, 175 Rimu Road, Paraparaumu, on Tuesday 16 May 2023, 9.30am.

Te Komiti Whakamauru Tūraru | Risk and Assurance Committee Members

Mr David Shand	Chair
Mr David Cochrane	Member
Mayor Janet Holborow	Member
Deputy Mayor Lawrence Kirby	Member
Cr Liz Koh	Member
Cr Jocelyn Prvanov	Member
Cr Glen Cooper	Member

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1 NAU MAI | WELCOME**2 KARAKIA A TE KAUNIHERA | 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 WHAKAPĀHA | APOLOGIES**4 TE TAUĀKĪ O TE WHAITAKE KI NGĀ MEA O TE RĀRANGI TAKE | 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 HE WĀ KŌRERO KI TE MAREA MŌ NGĀ MEA E HĀNGAI ANA KI TE RĀRANGI TAKE | PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA**6 NGĀ TAKE A NGĀ MEMA | MEMBERS' BUSINESS**

(a) Leave of Absence

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

7 HE KŌRERO HOU | UPDATES

Nil

8 PŪRONGO | REPORTS

8.1 CHIEF EXECUTIVE REPORT

Kaituhi | Author: **Darren Edwards, Chief Executive**

Kaiwhakamana | Authoriser: **Darren Edwards, Chief Executive**

TE PŪTAKE | PURPOSE

- 1 The purpose of this report is to inform the Risk and Assurance Committee of the key risks faced by Kapiti Coast District Council that the Chief Executive would like to highlight.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 This report does not require an Executive Summary.

TE TUKU HAEPAPA | DELEGATION

- 3 The Risk and Assurance Committee has delegated authority to consider this report under section C.3 of the Governance Structure and Delegations.

TAUNAKITANGA | RECOMMENDATIONS

- A. That the Risk and Assurance Committee receives and notes this report.

TŪĀPAPA | BACKGROUND

- 4 The establishment of this new Risk and Assurance Committee as a full standing committee reporting to Council (rather than the Audit and Risk sub-Committee of the previous triennium) supports my successful oversight of the various functions of this organisation. In return, I trust that this inaugural report provides a high-level summary of risks that concern me as I lead the organisation and is useful to you.
- 5 As CE of this Council there are a myriad of issues and matters that come to my attention every day and it would not be sustainable for me to report all to this Committee. Nor is it appropriate of me to report my operational responsibilities in detail – that sits with me while you manage your governance duties.
- 6 However, the following four areas are of sufficient concern for me to raise with you:
 - Staff vacancies
 - Health and Safety
 - Top 10 Organisational Risks, and
 - Inflation and Increasing Costs.

HE KŌRERORERO | DISCUSSION

Staff Vacancies

- 7 New Zealand's labour market continues to be extremely competitive, and the country is experiencing record high employment. Council continues to have a significant number of staff vacancies as a result, several of which are in a competitive market.
- 8 Strong competition for candidates continues to cause pressure to match higher remuneration levels being offered by other organisations. These higher remuneration levels being offered in Wellington are also causing issues retaining staff in key positions. Additionally, recruitment agencies are becoming more aggressive in shoulder tapping our existing staff offering significant salaries to entice them to leave Council.

- 9 To compete for talent, and to support retention of existing staff, we are introducing new initiatives which can be found in more detail later in this agenda in the Top 10 Organisational Risk Report which includes *ORG 10 - Inability to attract and retain sufficient capacity to deliver Council's objectives.*

Health and Safety

- 10 Maintaining a safe working environment for workers continues to be a top priority. Focus continues on sustainable actions to support the psychological wellbeing of our people.
- 11 Along with staff shortages, the Covid-19 isolation requirements and general sickness is exacerbating work pressures and fatigue of our people. Both Council staff and external suppliers to Council are experiencing this phenomenon.
- 12 People Leaders continue to support staff by regularly checking in on their wellbeing and helping them prioritise their workload to manageable levels. A small internal working group has been working collaboratively to look at how we engage, empower, and enable our leaders to lead in and across the organisation; to problem solve and inform our direction and change; and to work on organisational wide issues.
- 13 At a recent Health and Safety Committee, it was acknowledged that our frontline staff are continuing to experience aggressive and intimidating customer behaviour. Training is underway for key staff, and we are turning our attention to what systems and processes we need to put in place to better manage aggressive and intimidating customer behaviour.
- 14 A more detailed look into this risk can be found later in this agenda in the Top 10 Organisational Risk Report which includes *ORG 1 - Loss of life, serious injury or illness due to insufficient Health, Safety and Wellbeing management.*

Top 10 Organisational Risks

- 15 This calendar year the risk profile at Council has been under review, with the Senior Leadership Team (SLT) determining a new set of Top 10 Organisational Risks. Rather than repeat these here I refer you to the more detailed separate report on this agenda.
- 16 Part of this process involved considering the global risk landscape, this was insightful as it enabled SLT to compare the global landscape against the risk discussions they had worked through in selecting the Top 10.
- 17 This new focus on the Top 10 Organisational Risks is a deliberate move away from the strategic risk reporting of the previous triennium. This approach is designed at an organisational level to set a clear direction for staff as to what SLT believe are the key risk areas for the organisation being able to successfully achieve its objectives and how we plan to mitigate them through our work programmes.

Inflation and Increasing costs

- 18 Inflation and the cost impact on Council is an ongoing concern.
- 19 The increasing costs are not only causing significant problems for Council but also for our community. The continued global impacts of the war in Ukraine and the hangover from Covid-19 has driven increases in inflation as the demand for products, materials and labour is outstripping supply. Higher interest rates are also a significant contributor to the increase in costs.
- 20 The World Economic Forum Report on Global Risks 2023 highlights that 'cost of living crisis' is going to be the number one risk for the next two years. We are aware that the Council and our community will be affected by this, as a result the draft 2023/24 Annual Plan currently under development has committed to managing these costs by confirming the Council will continue to deliver year three of our Long Term Plan. With our decision to stick to our plan, comes an unavoidable rates increase, but alongside Elected Members we have worked very hard to reduce the average rates increase from the forecast 14 percent (December 2022) to 7.8 percent as per the draft Annual Plan now out for consultation.

He take | Issues

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

Ngā kōwhiringa | Options

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

Tangata whenua

23 This report does not directly affect tangata whenua, however I note that considerations are included as appropriate in other reports on this agenda.

Panonitanga āhuarangi | Climate change

24 This report does not directly relate to climate change; however I note that considerations are included as appropriate in other reports on this agenda.

Ahumoni me ngā rawa | Financial and resourcing

25 There are no additional financial and resourcing considerations arising from this report.

Ture me ngā Tūraru | Legal and risk

26 There are no specific legal and risk considerations arising from this report.

Ngā pānga ki ngā kaupapa here | Policy impact

27 There are no 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

Nil

8.2 ERNST & YOUNG AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2023

Kaituhi | Author: **Jing Zhou, Chief Financial Officer**

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

Te pūtake | Purpose

- 1 This report provides the Risk and Assurance Committee with Ernst & Young's Audit Plan, on behalf of the Office of the Auditor General (OAG), for the year ending 30 June 2023.

He whakarāpopoto | Executive summary

- 2 There is no requirement for an Executive Summary.

Te tuku haepapa | Delegation

- 3 The Risk and Assurance Committee has delegated authority to consider this report under section C.3 of the Governance Structure and Delegations.
 - *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 Committee receives and notes the Ernst & Young Audit Plan for the year ended 30 June 2023 attached as Appendix 1 to this report.

Tūāpapa | Background

- 4 The Council's Auditors, Ernst & Young (Audit), have been engaged to undertake the audit of the Council's Annual Report, including the Council's Summary Annual Report and compliance with its Debenture Trust Deed, for the year ended 30 June 2023.
- 5 The Audit Plan is attached as Appendix 1 to this report. This provides an overview of audit's focus areas, their risk assessment and their audit approach for the year ended 30 June 2023.

He kōrerorero | Discussion

Audit focus areas and risk assessment

- 6 The areas of audit focus are summarised below:
 - Valuation of infrastructure assets
 - Rates setting and collection
 - Other income (fees charges and Waka Kotahi subsidies)
 - Expenditure and accounts payable
 - Accruals
 - Payroll
 - Debt and derivatives
 - Statement of service performance reporting

Materiality

- 7 Audit has set their materiality threshold at \$2.7 million, being 2.5% of forecast expenditure. Materiality is broadly defined as the quantum of any misstatements (through error or otherwise), that would likely mislead users of the financial statements. Any identified misstatements impacting on the Council's operating result by more than \$136,000 will be reported to the Committee by way of Audit's Closing Report on conclusion of their audit

He take | Issues

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

Ngā kōwhiringa | Options

- 9 There are no options to be considered.

Tangata whenua

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

Panonitanga āhuarangi | Climate change

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

Ahumoni me ngā rawa | Financial and resourcing

- 12 At the time of writing this report, the audit fees payable to Audit for the three years ended 30 June 2026 have not been finalised and proposed by the OAG . Provision for an audit fee of \$257,000 has been included in the 2022/23 operating budget.

Ture me ngā Tūraru | Legal and risk

- 13 There are no legal and risk issues arising from this report.

Ngā pānga ki ngā kaupapa here | Policy impact

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

Te whakawhiti kōrero me te tūhono | Communications & engagement

Te mahere tūhono | Engagement planning

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

Whakatairanga | Publicity

- 16 There are no specific publicity considerations arising from this report.

Ngā āpitihanga | Attachments

1. EY Audit Plan [↓](#)

8.3 HEALTH AND SAFETY QUARTERLY REPORTS : 1 JULY 2022 - 31 MARCH 2023

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

Kaiwhakamana | Authoriser: **Darren Edwards, Chief Executive**

Te pūtake | Purpose

- 1 This report presents Health and Safety Quarterly Reports for the periods 1 July 2022 – 31 March 2023.

He whakarāpopoto | Executive summary

- 2 Due to the timing of local government elections and subsequent dates for new triennium meetings, the Health and Safety Quarterly Reports for the periods covering July 2022- March 2023 were also tabled at the Council Meeting 27 April 2023 as a one-off interim measure to bring the reporting cycle back into the meetings schedule.
- 3 The Health and Safety Quarterly Report links to the Strategic Health and Safety Plan 2020-2023 which aligns 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

- 4 The Risk and Assurance 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 Risk and Assurance Committee notes the Health and Safety Quarterly Reports for the periods 1 July 2022 – 31 March 2023 attached as Appendix One to this Report.

Tūāpapa | Background

- 5 The quarterly Health & Safety 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.
- 6 The Health and Safety Plan period was extended from two to three years to enable Covid-19 lockdown delays and ongoing related interruptions to be taken into account. With the current work programme and resource challenges, the three-year period remains appropriate.
- 7 A draft Health and Safety Strategic Plan 2020-2023 was adopted by the Senior Leadership Team. Work is proceeding based on the deliverables stated in the 2020-2023 Plan.

- 8 In advance of the Health and Safety Strategic Plan being tabled at this Committee, a Discussion Forum will be scheduled to provide an opportunity for the Committee to familiarise themselves with the content and understand the context of some of the components.
- 9 To assist with further understanding the context for the Health and Safety Quarterly Reporting process, a Briefing has been scheduled for 11 May 2023 to enable an opportunity for elected members and Risk and Assurance Committee members to refresh their knowledge and understanding of the Council's role under the Health and Safety at Work Act.
- 10 The timing of the Health and Safety Quarterly Reports does not prevent an 'as and when required' verbal update from the Chief Executive to the Mayor and Council regarding serious or high profile or high risk events. Such events will be recorded and retrospectively included in the next available Quarterly Report.

He kōrerorero | Discussion

- 11 Disruptions as a result of previous Covid-19 alert level resurgence and/or restrictions have been factored into the draft 2020 – 2023 Health and Safety Plan and actions and deliverables are progressing, albeit slower than anticipated primarily due to limited resource availability.

He take | Issues

- 12 Training for key competency/qualification requirements for specific roles was significantly disrupted through Covid-19 restrictions and the overflow effect of limitations on the availability of training opportunities. 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.
- 13 Planning continues to minimise organisational risk and enable best opportunities to continue a level of service delivery to our community during any future pandemic related or emergency related disruptions. Planning for such contingency includes the health and safety and wellbeing of staff and customers, and members of the community and as such will be dependant on Council's resource availability and acknowledgement of the potential that some services may be reduced intermittently or for a period of time.

Ngā kōwhiringa | Options

- 14 For the delivery of key competency/qualification training, most can continue to be via remote delivery where practicable. 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 context of any restrictions or limitations at the time.

Tangata whenua

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

Panonitanga āhuarangi | Climate change

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

Ahumoni me ngā rawa | Financial and resourcing

- 17 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

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

Ngā pānga ki ngā kaupapa here | Policy impact

19 There are no policy considerations arising from this report.

Te whakawhiti kōrero me te tūhono | Communications & engagement

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

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

22 There are no publicity considerations.

Ngā āpitihanga | Attachments

1. Health and Safety Quarterly Reports for the periods 1 July 2022 - 31 March 2023 [↓](#)

8.4 QUARTERLY TREASURY COMPLIANCE

Kaituhi | Author: **Jing Zhou, Chief Financial Officer**

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

Te pūtake | Purpose

- 1 This report provides confirmation to the Risk and Assurance Committee of the Council's compliance with its Treasury Management Policy (Policy) for the quarter ended 31 March 2023.

He whakarāpopoto | Executive summary

- 2 The Council had net debt of \$192.1 million on 31 March 2023, equating to 187% of total operating income. This is within the LTP Financial Strategy limit of 280%.
- 3 The Council's Treasury policy contains several treasury risk management limits or requirements designed to minimise risks. The Council complied with all policy requirements during the quarter ended 31 March 2023.

Te tuku haepapa | Delegation

- 4 The Risk and Assurance 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 Risk and Assurance Committee notes the Council's full compliance with its Treasury Management Policy for the three months ended 31 March 2023.

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, Operations and Finance Committee, as well as quarterly compliance reporting to the Risk and Assurance Committee.
- 7 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 2023 against the 2022/23 full year budget and the prior year closing balance.

Table 1	March YTD	Full Year	Prior year
	Actual	Budget	2021/22
	\$000's	\$000's	\$000's
External debt	265,000	300,000	255,000
/less borrower notes	(5,680)	(6,735)	(5,250)
/less Term Deposits	(60,000)	(75,000)	(65,000)
/less cash	(7,251)	(15,596)	(15,274)
Net debt	192,069	202,669	169,476

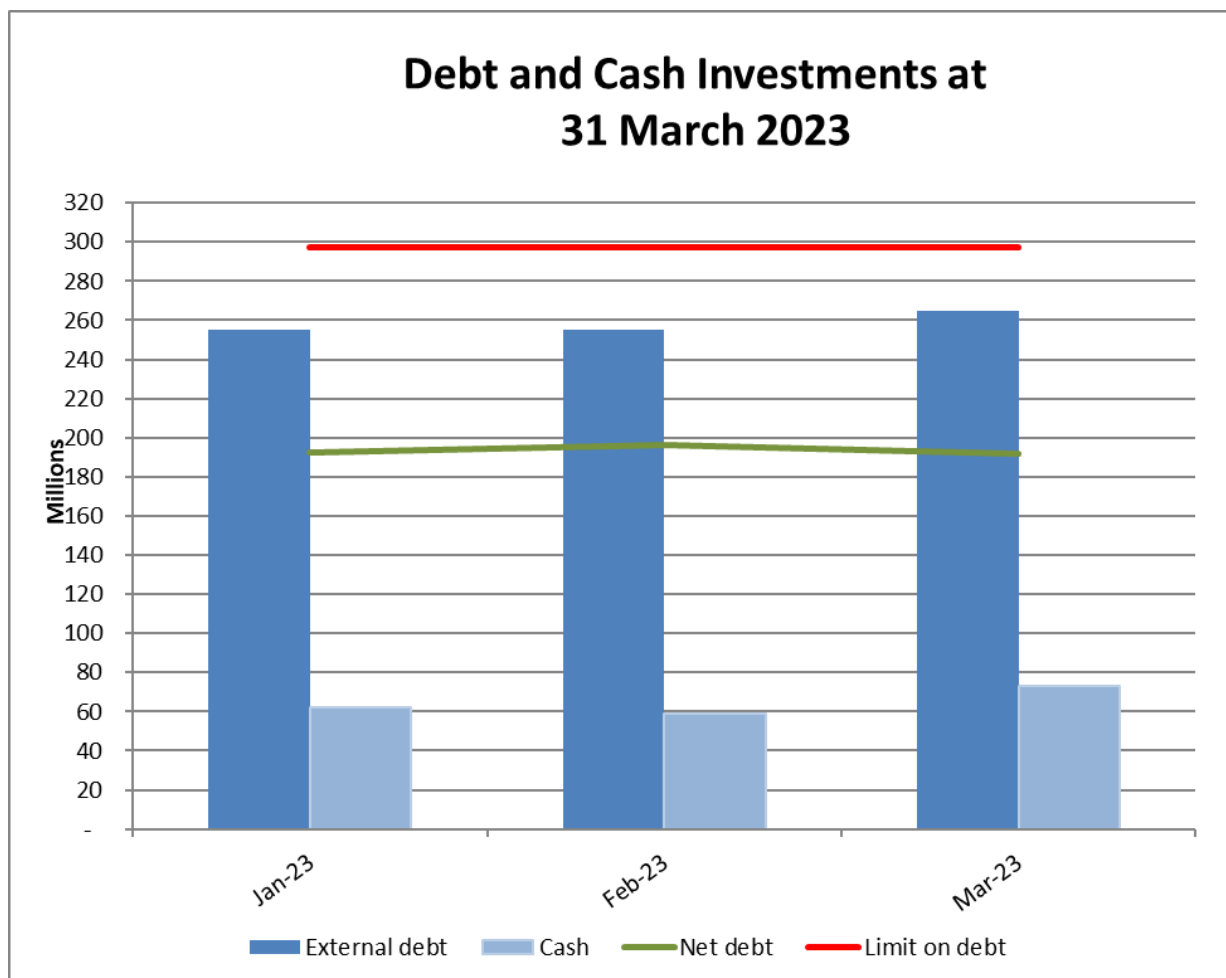
- 9 During the past three months, the Council has issued \$10 million of new debt bringing the total amount of debt drawn during the past nine months to \$30 million.
- 10 The \$10 million issued this quarter was used to pre-fund the May 2024 debt maturity.
- 11 The table below shows (a) the movement 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 2023.

Borrowings	Gross borrowings	Pre-funding				CAPEX	
		TD Oct 2022	TD Apr 2023	TD Oct 2023	TD May 2024	Total Prefunding	Capex programme
	\$000	\$000	\$000	\$000	\$000	\$000	
Opening balance 1 July	255,000	20,000	25,000	20,000	-	65,000	n/a
New Long term debt issued YTD	30,000	-	-	5,000	10,000	15,000	15,000
Matured Long term debt	(20,000)	(20,000)	-	-	-	(20,000)	n/a
Total	265,000	-	25,000	25,000	10,000	60,000	15,000

- 12 As at 31 March 2023 the Council had \$72.9 million of cash, borrower notes and term deposits on hand. This is broken down as follows:

Term deposits, cash & borrower notes	Prefund borrowings	Borrower notes	Cash	Total
	\$000	\$000	\$000	\$000
LGFA debt maturing Apr 2023	25,000	-	-	25,000
LGFA debt maturing Oct 2023	25,000	-	-	25,000
LGFA debt maturing May 2024	10,000	-	-	10,000
Surplus cash	-	-	7,251	7,251
Borrower notes held	-	5,680	-	5,680
Total	60,000	5,680	7,251	72,931

- 13 For the three months ended 31 March 2023, the Council has not breached its net debt upper limit, as shown in the chart below:

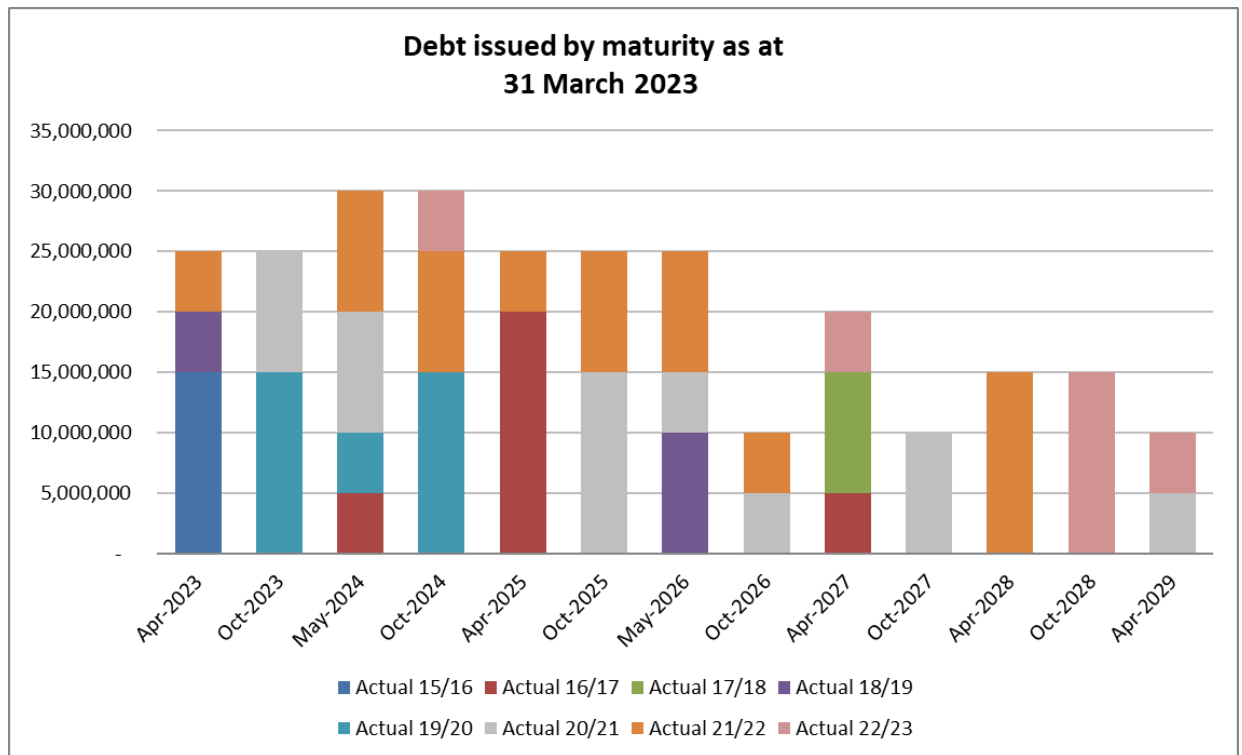


- 14 The Council targeted through its LTP 2021-41 financial strategy to keep net borrowings below 280% of total operating income with a preferred limit of 250%. As at 31 March 2023, the Council's net borrowings are 187% of total operating income.

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 2022 review. This has resulted in the Council's credit rating remaining at AA for the following year.
- 18 S&P has noted that economic growth prospects for the region has improved and therefore revised their outlook on the Council from a previous negative to a stable outlook.

- 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.

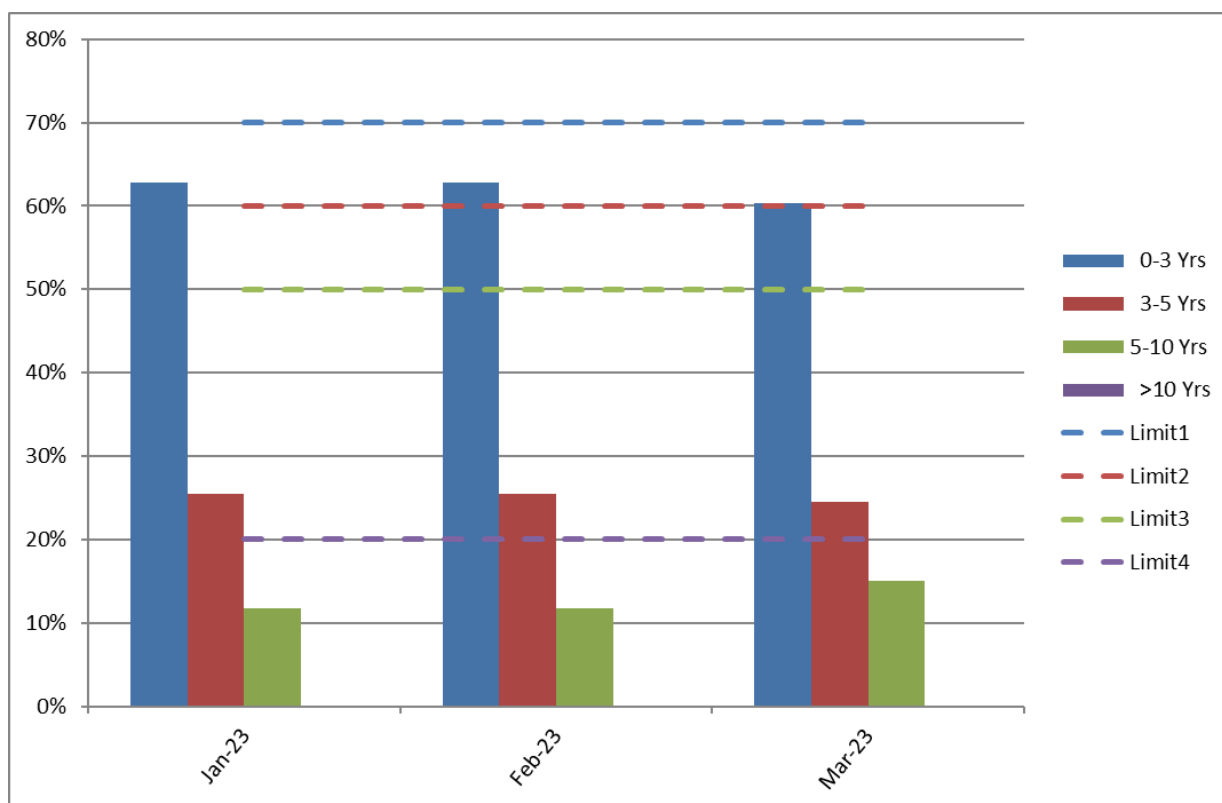


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- 20 Debt maturities must fall within maturity compliance buckets. These maturity buckets are as follows:

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 2023, 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 seeks endorsement from Bancorp, its independent treasury advisor for all debt issuances. Typically, Council issues debt on a floating rate basis and applies its fixed interest rate swaps (hedges) to minimise its 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%.

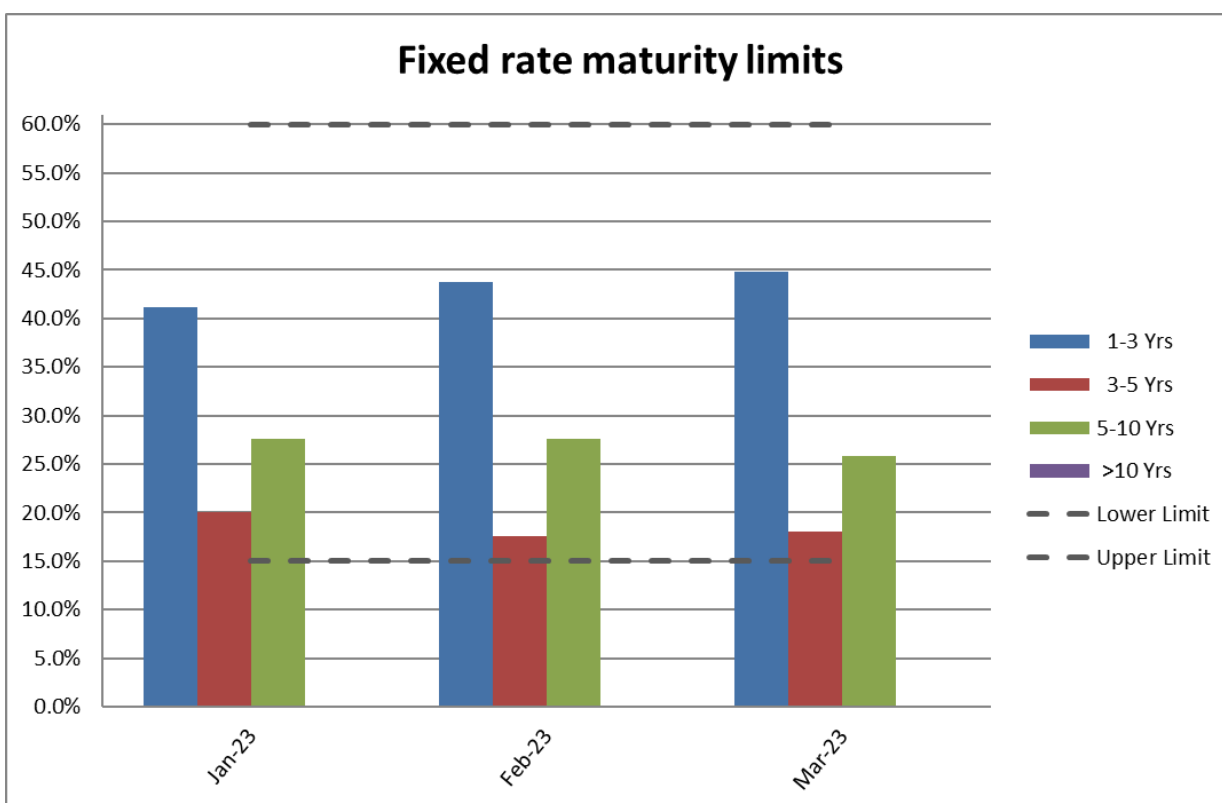
26 The Council has been fully compliant for the three months ended 31 March 2023, as shown by the table below.

\$000's	Jan-23	Feb-23	Mar-23
External debt (floating)	255,000	255,000	265,000
Swaps (fixed portion)	199,000	199,000	194,000
Fixed %	78.0%	78.0%	73.2%
Unfixed debt	56,000	56,000	71,000

27 Like 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 2023, 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 over-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 2023. The tables below show the Council's investments and risk management instruments holdings per counterparty for this period.

Term deposit & Cash investments

Counter party	Jan-2023		Feb-2023		Mar-2023		Comply
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	30,000	52.77%	30,000	56.19%	35,000	52.04%	✓
NZ Registerd Bank 2	-	0.00%	-	0.00%	-	0.00%	✓
NZ Registerd Bank 3	20,000	35.18%	20,000	37.46%	31,000	46.10%	✓
NZ Registerd Bank 4	6,846	12.04%	3,393	6.35%	1,251	1.86%	✓
	56,846	100%	53,393	100%	67,251	100%	

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

Interest rate swaps

Counter party	Jan-2023		Feb-2023		Mar-2023		Comply
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	40,000	20.10%	40,000	20.10%	40,000	20.62%	✓
NZ Registerd Bank 2	93,000	46.73%	93,000	46.73%	93,000	47.94%	✓
NZ Registerd Bank 3	66,000	33.17%	66,000	33.17%	61,000	31.44%	✓
	199,000	100%	199,000	100%	194,000	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 2023 and the results are shown below:

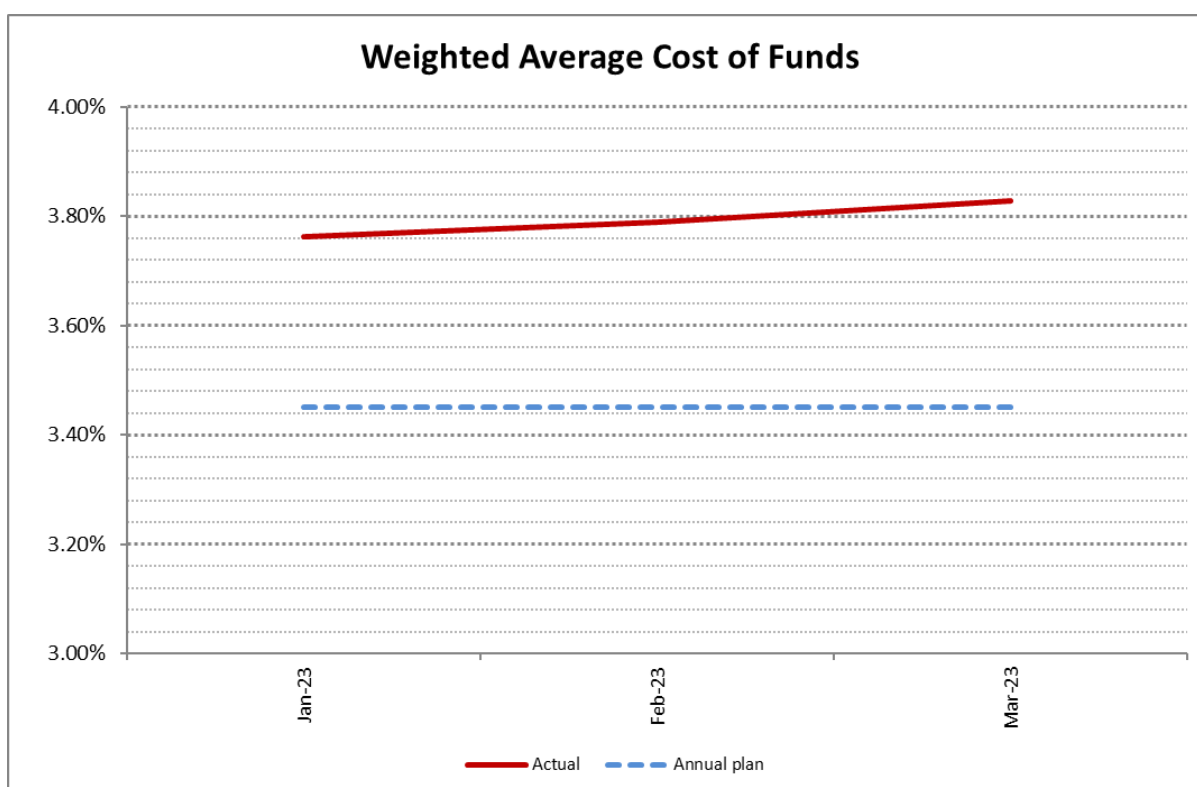
Borrowing limit	Policy limit	2022/23	Comply
Net interest expense/Total Operating Income	< 20%	7.2%	✓
Liquidity ((total debt +total committed facilities +cash on hand)/total debt))	> 110%	129.2%	✓
Net External Debt/Total Operating Income	< 300%	187.3%	✓

Risk Management Performance

- 34 The following table shows the Council's interest income and expense for the nine months ended 31 March 2023 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	7,293	6,557	(736)	10,146
less: Interest Income	(1,827)	(1,101)	726	(2,090)
Net Interest Cost	5,467	5,456	(11)	8,056
Weighted Average Cost of Borrowings	3.83%	3.45%	-0.38%	3.93%

- 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

8.5 TOP 10 ORGANISATIONAL RISK REPORT

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

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

TE PŪTAKE | PURPOSE

- 1 This report updates the Risk and Assurance Committee on the Top 10 Organisational Risks currently facing the organisation.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 This report does not require an Executive Summary.

TE TUKU HAEPAPA | DELEGATION

- 3 The Risk and Assurance Committee has delegated authority to consider this report under section C.3 of the Governance Structure and Delegations.
 - *Ensuring that 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 Risk and Assurance Committee receives and notes this report, including Appendix 1 to this report.

TŪĀPAPA | BACKGROUND

- 4 A Risk Management report was last presented to the then Audit and Risk Sub-Committee on 2 June 2022. This report updated the sub-committee on progress against the risk treatments for the Strategic Risks at that time.
- 5 This calendar year, the Senior Leadership Team (SLT) have reviewed the risk profile at Council. The result of this work is the newly formed 'Top 10 Organisational Risks' which are detailed further in the discussion section of this report.
- 6 As reported in the Chief Executive's report to this meeting:
 - 6.1 part of this process involved considering the global risk landscape. This enabled SLT to compare the global landscape against the risk discussions they had worked through in selecting the Top 10 Organisational Risks, and
 - 6.2 this new focus on the Top 10 Organisational Risks is a deliberate move away from the strategic risk reporting of the previous triennium. This approach is designed at an organisational level to set a clear direction for staff as to what SLT believe are the key risk areas for the organisation being able to successfully achieve its objectives and how we plan to mitigate them through our work programmes.
- 7 A briefing was held on 11 May 2023 with the Risk and Assurance Committee. This session was part of the induction process for the new Committee and allowed staff to take the members through the work programme and their responsibilities when it comes to managing risk. The session was also used to detail what to expect at Committee meetings throughout the triennium.

HE KŌRERORERO | DISCUSSION




Organisational Risks

- 8 As mentioned above, this report updates the Risk and Assurance Committee of the current Top 10 Organisational Risks for the organisation. These risks are defined as;

- 8.1 the impact of unforeseen events on the planned objectives that SLT intend to deliver and/or achieve (short, medium and long term), and
- 8.2 risks including strategic, reputational, regulatory, legal, security, change and some operational risks deemed important enough to become organisational risks. Although they haven't happened, they have the potential to affect the ability of the SLT to achieve its objectives.
- 9 The new risk listing results from a series of sessions conducted with SLT to:
- 9.1 understand what SLT has identified as the highest areas of risk for the organisation to be able to achieve its objectives,
- 9.2 discovered emerging risks not previously captured and reported on. In that regard, it is interesting to note that the majority of the previously identified risks still exist within the new Top 10 Organisational Risks framework and updated to better reflect the current risk environment for the Council.
- 10 Three factors to note about the Top 10 Organisational Risks as set by the Chief Executive and SLT are that:
- 10.1 the risks are not ranked in order of severity,
- 10.2 the risk listing is capped at ten, to provide a clear focus for SLT and the Committee,
- 10.3 the risk listing is not 'set in stone', emerging risks can be brought forward by SLT to replace an existing organisational risk when required and/or relevant.
- 11 The table below details the results of the above work programme to identify the current Top 10 Organisational Risks for the organisation.

Risk No.	Risk Title
ORG 1	Loss of life, serious injury or illness due to insufficient Health, Safety and Wellbeing management
ORG 2	Failure to adequately maintain social licence
ORG 3	Failure to give effect to Te Tiriti and our obligations to Iwi, Hapu and Māori
ORG 4	Inadequate mitigation and adaptation responses to known and future climate change challenges
ORG 5	Failure to achieve legislative obligations
ORG 6	Inadequate management of the impacts of central government reform/change
ORG 7	Inadequate safeguards against cyber security threats
ORG 8	Failure to prudently manage Council's financial stability including fraudulent activity
ORG 9	Failure to maintain business continuity for our core services
ORG 10	Inability to attract and retain sufficient capacity to deliver Council's objectives

- 12 The Top 10 Organisational Risks are managed in a risk register in our Enterprise Risk Management software: Camms Risk. The 'Top 10 Organisational Risk Heatmap Report' attached as Appendix 1 to this report, goes into more detail of how the organisation is treating and mitigating these risks, with progress updates against each of the individual risk treatments.
- 13 A list of *AS/NZS/ISO 31000:2018 Standard: Risk Management – Guidelines* definitions are listed below to assist the reader in understanding each part of the attached report:

Term	Definition
Risk Sponsor	A person with the accountability and authority to manage the risk
Secondary Risk Sponsor	A person who contributes to the mitigation of the risk
Cause	The reason why an event could occur
Consequence	The outcome of an event which affects Council achieving its objectives
Likelihood	The chance of something occurring
Initial Risk Rating	The initial risk level without taking into consideration existing control measures
Current Risk Rating	The current risk level taking into consideration existing risk controls
Target Risk Rating	The future risk level taking into consideration the planned treatments
Treatment	A measure to be implemented to address / mitigate the risk
Risk Treatment Response	<p>Accept - No further treatment required</p> <p>Take further action to modify impact and/or likelihood - Not satisfied with current risk rating, further planned mitigations are required</p> <p>Avoid/Eliminate - Deciding not to start or continue with the activity that gives rise to the risk i.e. steer clear from source of risk</p> <p>Share or Transfer (to Council team or Group) - Sharing the risk across Council's Teams/Groups</p> <p>Share or Transfer (outside Council) - Sharing the risk (e.g., buying insurance, transfer to another entity)</p> <p>Drive/Enhance - Taking or increasing the risk to pursue an opportunity</p>
Control	A measure that maintains and / or modifies the current risk rating
Control Effectiveness	<p>Not Assessed - Effectiveness of Control has not yet been assessed.</p> <p>Ineffective - Significant control gaps exist and do not reduce the risk as the operating effectiveness of the control is ineffective</p> <p>Partially Effective - Deficiencies in the control design that do not address the risk or control may not be consistently applied, meaning the risk is only partially reduced</p> <p>Effective - Control is well designed and operating effectively to reduce risk. These controls are consistently applied to address the root cause of risk</p>
Risk Appetite	The amount of risk that Council is willing to pursue or retain to achieve its objectives
Trend	 Current risk rating has increased over the last reporting period
	 Current risk rating has decreased over the last reporting period
	 Current risk rating has stayed the same over the last reporting period

- 14 Engagement on the organisational risk profile is through quarterly conversations with SLT. These conversations ensure each risk is regularly reviewed providing assurance that the treatments and progress updates are being carried out to further mitigate the risk.
- 15 These Top 10 Organisational Risks will be useful during the development of the 2024 Long Term Plan (LTP), particularly to help inform the significant forecasting assumptions that form the foundation of the LTP. Both SLT and Elected Members will be able to reference them during their considerations and they may also help develop proposed new work programmes for the LTP which assist in mitigating some of the Organisational Risks in the future.

Emerging Risks

- 16 As noted, SLT has just been through the process of setting the new Top 10 Organisational Risks. Emerging risks have been captured and highlighted as part of the development of the Top 10 Organisational Risks.

Global Risk Horizon Scan

- 17 In January 2023, the World Economic Forum released [The Global Risks Report 2023](#) which presents the results of the latest Global Risks Perception Survey. Below are key findings of the report.
 - i. Cost of living dominates global risks in the next two years while climate action failure dominates the next decade (refer graphic below)
 - ii. As an economic era ends, the next will bring more risks of stagnation, divergence and distress
 - iii. Geopolitical fragmentation will drive geoeconomic warfare and heighten the risk of multi-domain conflicts
 - iv. Technology will exacerbate inequalities while risks from cybersecurity will remain a constant concern
 - v. Climate mitigation and climate adaptation efforts are set up for a risky trade-off, while nature collapses
 - vi. Food, fuel and cost crises exacerbate societal vulnerabilities while declining investments in human development erode future resilience
 - vii. As volatility in multiple domains grows in parallel, the risk of polycrises (where disparate crises interact such that the overall impact far exceeds the sum of each part) accelerates.
- 18 The Global Risks Report was used to form the basis of the risk profile review during the development of the new Top 10 Organisational Risks. As you can see from the graphic below, there are a number of similarities between the new Top 10 Organisational Risks and the global risks predicted for the next two and ten years. This highlights the maturity of the risk discussions that were held with SLT and the commitment to ensure risk management is taken seriously with a strong view to looking further than what is currently affecting the organisation now.

Global risks ranked by severity over the short and long term

"Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period"



Assurance Update

- 19 Two of the top 10 Risks (*ORG 8 - Failure to prudently manage Council's financial stability including fraudulent activity and ORG 9 Failure to maintain business continuity for our core services*) have treatments planned that will help to assist the Internal Audit function in completing their audits.
- 20 For more information please refer to the Internal Audit – Progress update and forward work programme report on this agenda.

He take | Issues

- 21 There are no issues to be raised in this report.

Ngā kōwhiringa | Options

- 22 There are no options to be raised in this report.

Tangata whenua

- 23 The Top 10 Organisational Risk Heatmap Report attached as Appendix 1 to this report includes *ORG 3 - Failure to give effect to Te Tiriti and our obligations to Iwi, Hapu and Māori*.
- 24 This risk is reviewed and updated every quarter to the Risk and Assurance Committee together with status updates against the treatments collated and signed off by SLT.

Panonitanga āhuarangi | Climate change

- 25 The Top 10 Organisational Risk Heatmap Report attached as Appendix 1 to this report includes *ORG 4 – Inadequate mitigation and adaptation responses to known and future climate change challenges*.
- 26 This risk is reviewed and updated every quarter to the Risk and Assurance Committee together with status updates against the treatments collated and signed off by SLT.

Ahumoni me ngā rawa | Financial and resourcing

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

Ture me ngā Tūraru | Legal and risk

- 28 There are no further legal considerations arising from this report.
- 29 This report provides an update on the current Top 10 Organisational Risks.

Ngā pānga ki ngā kaupapa here | Policy impact

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

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

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

Whakatairanga | Publicity

- 32 There are no publicity considerations.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Appendix 1 - Top 10 Organisational Risk Heatmap Report [↓](#)

8.6 PROGRESS UPDATE REGARDING AUDIT CONTROL FINDINGS 2021/22Kaituhi | Author: **Andrew Gillespie, Risk Advisor**Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services****TE PŪTAKE | PURPOSE**

- 1 This report provides the Risk and Assurance Committee with a progress update on Ernst & Young's (EY) Report on Control Findings for the year ended 30 June 2022.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 There is no requirement for an Executive Summary.

TE TUKU HAEPAPA | DELEGATION

- 3 The Risk and Assurance Committee has delegated authority to consider this report under section C.3 of the Governance Structure and Delegations.
- *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 Risk and Assurance Committee notes:
- A.1 the progress update regarding Ernst & Young's Report on Control Findings for the year ended 30 June 2022, including Appendix 1 to this report, and
- A.2 that Ernst & Young will re-assess these as part of their audit for the year ended 30 June 2023.

TŪĀPAPA | BACKGROUND

- 4 In accordance with New Zealand Auditing Standards, EY 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 2022.
- 5 Control risk matters and/or issues are classified by EY as high, moderate, or low. Control risk definitions are as follows:

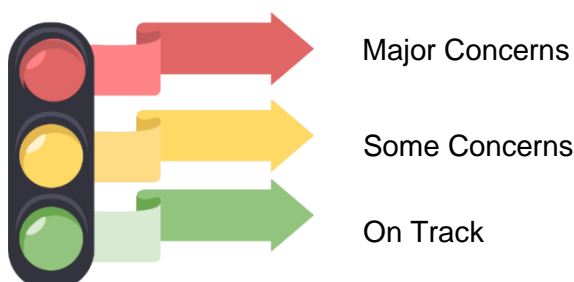
	Ernst & Young – Risk Ranking System
High	Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
Moderate	Matters and/or issues considered to 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 conducted by EY.






Overview of Risk Ranking System and Control Findings				
Status	Risk Ranking			Total
	High	Moderate	Low	
Open at 30 June 2021	-	1	5	6
Closed during financial year 21/22	-	-	(2)	(2)
New points raised in financial year 21/22	-		1	1
Total open points at 30 June 2022	-	1	4	5









- 7 EY identified five control risk issues in their Report on Control Findings for the year ended 30 June 2022 attached as Appendix 1 to this report. One of the risk control issues was ranked as moderate and four as low.
- 8 In keeping with standard practice, EY will consider whether these control findings can be closed out, as part of their audit for the financial year ended 30 June 2023.
- 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.

Risk Level	Control Findings year end 30 June 2022		As at 9 May 2023		Estimated Completion date
			Status	Summary	
Moderate	2.1.1	Accuracy of response and resolution times	●	Agreed action: Investigate why there were discrepancies between response and resolution times Update: Email from the depot explaining how this happened. Follow up meeting scheduled to work on a solution. Progress: Completed	Completed (Ready for EY testing)
				Agreed action: Meet with Depot staff to agree a process improvement Update: Meeting highlighted the need for an additional step to be added into the 'Ops Report - process maps'. Progress: Completed	

Risk Level	Control Findings year end 30 June 2022		As at 9 May 2023		Estimated Completion date
			Status	Summary	
				<p>Agreed action: Update all 'Ops Report - process maps' to reflect the new agreed process</p> <p>Update: Step: If the Service Request STATUS on the report shows "Responded Late" / "Overdue" – check service requests if any errors made while entering times if not and we did respond late leave as is. Make sure to rerun report if any amendments to SR's are made – IF overdue check to make sure the Call Centre printed to Depot.</p> <p>Progress: Completed </p>	
				<p>Agreed action: Depot staff to run regular reports checking for discrepancies</p> <p>Update: This is an agreed ongoing assurance check. If any discrepancies are discovered, additional training / investigation will be conducted.</p> <p>Progress: Completed </p>	
Low	2.2.1	Approval of expenditure		<p>Agreed action: The Elected Members Remuneration, Expenses and Allowances policy update</p> <p>Update: The Elected Members Remuneration, Expenses and Allowances policy was updated in January 2023, and has now clarified that all claims for elected members (including the Mayor) will be approved by the Democracy Services Manager</p> <p>Progress: Completed </p> <p>Agreed action: Chief Executive expense claims process</p> <p>Update: It is proposed that Chief Executive expense claims be approved by the Mayor and co-signed by the GM Corporate Services, and this requirement will be captured in the Financial Delegations procedures which is scheduled for approval by September 2023.</p> <p>Progress: In Progress </p>	September 2023

Risk Level	Control Findings year end 30 June 2022		As at 9 May 2023		Estimated Completion date
			Status	Summary	
				<p>Agreed action: Periodic monitoring process</p> <p>Update: A periodic monitoring process has been established to identify exceptions, these will be followed up on a case-by-case basis with the relevant people with advice and training provided as appropriate.</p> <p>Progress: Completed </p>	
	2.2.2	Purchase orders approved after receiving invoices		<p>Agreed action: General Expenses policy update</p> <p>Update: The General Expenses policy is being refreshed by June 2023, and will clarify that PO authorisation must be given before expenditure is incurred, wherever practicable.</p> <p>Progress: In Progress </p>	June 2023
				<p>Agreed action: Monitoring and review process</p> <p>Update: A monitoring and review process is currently being developed to identify cases where the EPOs was authorised after the fact, which will be followed up on a case-by-case basis with the relevant people with advice and training provided as appropriate.</p> <p>Progress: In Progress </p>	
	2.2.3	Transition to maintenance of records electronically		<p>Agreed action: Implementation of new payroll system iCHRIS21</p> <p>Update: This upgrade was completed on 07/02/2023.</p> <p>Progress: Completed </p>	Completed (Ready for EY testing)
2.2.4	Overhead rate applied to projects		<p>Agreed action: Specific Overhead allocation model</p> <p>Update: The current model has been used for developing the 2023/24 Annual Plan. However, we have added more regular reviews for 2022/23 and will be looking at develop a mechanism to ensure our time and effort for projects are considered for 2023/24.</p> <p>Progress: In Progress </p>	June 2023	

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 2022.

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 Kāpiti Coast District Council Report on Control Findings [↓](#)

8.7 INTERNAL AUDIT - PROGRESS UPDATE AND FORWARD WORK PROGRAMME

Kaituhi | Author: **Linda Guerin, Business Analyst - Business Improvement**

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

TE PŪTAKE | PURPOSE

1 This report updates the Risk and Assurance Committee on the Internal Audit function of Council.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

2 This report does not require an Executive Summary.

TE TUKU HAEPAPA | DELEGATION

3 The Risk and Assurance Committee has delegated authority to consider this report under section C.3 of the Governance Structure and Delegations.

- *Ensuring that 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 Risk and Assurance Committee receives and notes the Internal Audit progress update and forward work programme for 2023.

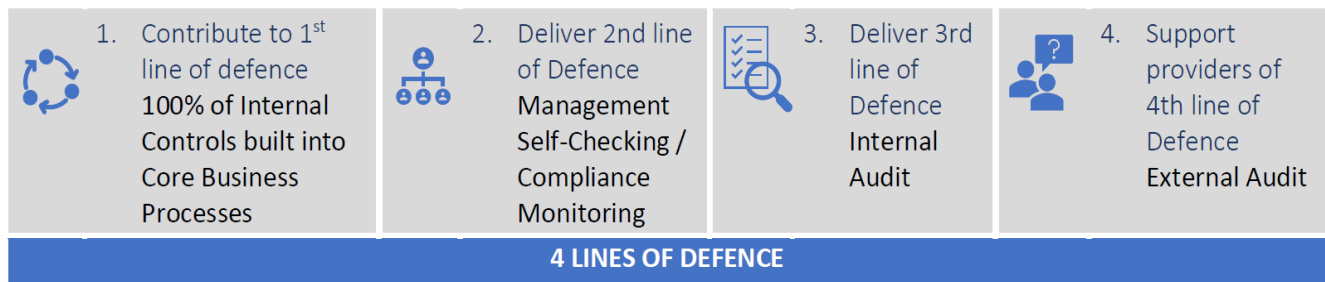
TŪĀPAPA | BACKGROUND

4 Internal audit is an independent, objective assurance activity. It adds value and can improve an organisation's operations, in particular in areas 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 Additionally, internal audit as a continuous improvement tool Council can expect to gain organisational advantages from carrying out an internal audit work programme. For example to:

- influence positive change: by encouraging the business to ensure that processes, policies and systems are effective and efficient,
- review internal controls: by identifying the potential impact of successes and failures in areas of operation,
- understand risks: by confirming that our current risk understanding for the area being audited is satisfactory,
- identify improvement opportunities: by identifying situations where we can mitigate risks and improve opportunities,
- promote integrity: by identifying situations where we can improve how we message our standards and issue guidance,
- inform senior management: the audit results provide objective analysis, evaluations and recommendations.

6 The Risk and Assurance workstream uses the 'Four Lines of Defence' model as the basis to how it is implementing assurance across the Council. The four lines are explained below:



- 7 Each of these four sources of assurance contribute to the overall level of assurance provided and importantly by breaking them down into four categories 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.
- 8 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. An integrated range of assurance activities across all four lines of defence provides a more thorough assurance environment. It can reduce the functional gaps, overlaps and duplication in assurance activity, and remove the silo approach to risk identification, assessment, mitigation and reporting.
- 9 The internal audit work programme as set by the Chief Executive is developed with reference to a range of sources including:
- The Office of the Auditor-General published resources and guidance,
 - Audit NZ published resources and guidance,
 - Ernst and Young (our “appointed auditor” appointed by the Auditor-General) independent recommendations and control findings, and
 - other observations made from internal audits.
- 10 Progress against the internal audit work programme as set by the Chief Executive is reported to this Committee in the form of this report.
- 11 The final outcomes of the internal audits completed this calendar year will be reported to the 9 November 2023 meeting of this Committee. That report will consider the set of control findings against the components of the Integrity Framework for the Public Sector issued by the Auditor-General in June 2022 titled “*Putting integrity at the core of how public organisations operate*”.

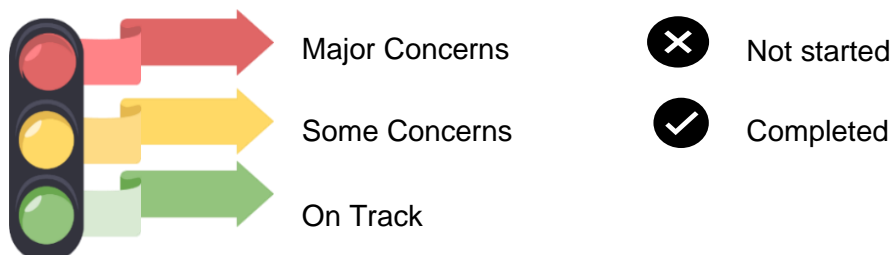
HE KŌRERORERO | DISCUSSION

Third Line of Defence (Internal Audit)

- 12 In accordance with the New Zealand Auditing Standards, we have chosen to use the same Risk Ranking System as is used by Ernst & Young when conducting their external audits of the organisation for selecting which Internal Audits to conduct. This ranking system is as follows:





Internal Audit – Risk Ranking System	
High	<ul style="list-style-type: none"> Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance.
Moderate	<ul style="list-style-type: none"> Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance, or best practice for processes.
Low	<ul style="list-style-type: none"> A weakness which does not seriously detract from the internal control framework.

13 The Internal Audit Assurance Activity update status is categorised as follows:



14 The table below summarises the year-to-date progress against the internal audit work programme. Good progress has been made against the Internal Audit Work Programme.

Risk level	Activity	Internal Audit Work Programme 2023 Progress as at 9 May 2023	
		Status	Update
High	Compliance with Mitigation of Fraud Policy <u>Audit scope</u> Review 6 key internal controls to see if they meet their objectives, remain current to meet the organisation's requirements and are being followed.	●	<u>Completed</u> Agreed scope, reviewed policy, conducted interviews, tested findings and drafted recommendations. <u>Next step(s)</u> <ul style="list-style-type: none"> - finalise recommendations - prepare report to CE - implement control findings - report audit outcomes to 9 November 2023 meeting of this Committee.
High	Compliance with Procurement Policy Framework <u>Audit scope</u> Review 6 key internal controls to see if they meet their objectives, remain current to meet the organisation's requirements and are being followed.	●	<u>Completed</u> Agreed scope, reviewed relevant material, and tested findings. <u>Next step(s)</u> <ul style="list-style-type: none"> - collate findings. - draft and finalise recommendations - prepare report to CE - implement control findings - report audit outcomes to 9 November 2023 meeting of this Committee.
High	Compliance with General Expenses Policy	✘	Not started
High	Compliance with Employee Code of Conduct document	✘	Not started

Risk level	Activity	Internal Audit Work Programme 2023 Progress as at 9 May 2023	
		Status	Update
Moderate	EY Audit Control Findings - Follow up on independent recommendations		F/Y 2022.23 Ongoing. Refer to separate report on this agenda.
Moderate	Compliance with Receipt of Gifts and Hospitality Policy		Not started
Moderate	Compliance with Protected Disclosures (Protection of Whistleblowers) Policy		Not started
Low	Review preparedness for business interruption and continuously improve.		<u>Continuous</u> - Monitor readiness across the organisation and identify risks to assurance and raise control improvements (system and/or process). 3 - Develop rolling review of Business Continuity Plans across Council. (Top 10 Organisational Risk ORG 9 refers).

He take | Issues

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

Ngā kōwhiringa | Options

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

Tangata whenua

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

Panonitanga āhuarangi | Climate change

18 There are no climate change issues arising from this report.

Ahumoni me ngā rawa | Financial and resourcing

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

Ture me ngā Tūraru | Legal and risk

20 There are no legal considerations arising from this report.

21 This report provides an update on the Internal Audit function.

Ngā pānga ki ngā kaupapa here | Policy impact

22 There are no policy implications arising from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT

Te mahere tūhono | Engagement planning

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

Whakatairanga | Publicity

24 There are no publicity considerations.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Appendix 1 - Internal Audit Work Programme 2023 [↓](#)

8.8 FORWARD WORK PROGRAMME 2023 FOR RISK AND ASSURANCE COMMITTEE

Kaituhi | Author: **Sharon Foss, Business Improvement Manager**

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

TE PŪTAKE | PURPOSE

- 1 This report seeks agreement to the forward work programme for the Risk and Assurance Committee in 2023.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 An executive summary is not required for this report.

TE TUKU HAEPAPA | DELEGATION

- 3 The Risk and Assurance Committee (Committee) has the delegation to consider this matter under the section of Part C.3 of the Governance Structure and Delegations 2022-2025 Triennium which states: *"This committee is responsible for monitoring the Council's financial management, financial reporting mechanisms and framework, and risk and assurance function, ensuring the existence of sound internal systems."*

TAUNAKITANGA | RECOMMENDATIONS

- A. That the Risk and Assurance Committee approves its Forward Work Programme for the 2023 calendar year as set out in Appendix 1 to this report.

TŪĀPAPA | BACKGROUND

- 4 The work programme that has been undertaken to date since the start of the triennium was led by the Group Manager Corporate Services, in the absence of an independent Committee chairperson and the delayed scheduling of this inaugural meeting.
- 5 The remaining work programme for 2023 needs to be discussed and agreed at this meeting. While the Chief Executive retains responsibility for approving the Committee agenda, this report provides an opportunity for the Committee to discuss and agree its work programme going forward.

HE KŌRERORERO | DISCUSSION

- 6 The 2023 forward work programme for the Risk and Assurance Committee as developed by the Group Manager is attached in Appendix 1 to this report.

He take | Issues

- 7 The establishment and presentation of the forward work programme is in accordance with the Office of the Auditor General's best practice guidance. This approach is used by other councils throughout New Zealand.
- 8 That same best practice also provides for the Committee to review its forward work programme at each subsequent meeting to ensure it remains relevant and can be adapted to changes in the Council's top 10 organisational risks, a separate report to the Committee.

Ngā kōwhiringa | Options

- 9 The Committee can consider and if necessary, make amendments to its forward work programme attached as Appendix 1 to this report.

Tangata whenua

- 10 Mana whenua have not been separately consulted on the specific development of the work programme attached as Appendix 1 to this report.
- 11 Under the current Governance Structure, a mana whenua representative will be appointed to this Committee and will have the opportunity for ongoing input through attendance at subsequent Committee meetings.

Panonitanga āhuarangi | Climate change

- 12 There are no climate change considerations for this report.

Ahumoni me ngā rawa | Financial and resourcing

- 13 There are no financial or additional considerations for this report.

Ture me ngā Tūraru | Legal and risk

- 14 There are no legal considerations or risks for this report.

Ngā pānga ki ngā kaupapa here | Policy impact

- 15 There is no impact on existing Council policies.

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

- 16 No engagement planning is required for this report.

Whakatairanga | Publicity

- 17 All approved forward work programmes by the Committee will be uploaded to the Council website and will also be publicised through the publication of the agenda and minutes of the Council meetings.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Appendix 1 - Risk and Assurance Committee - Forward Work Programme 2023 [↓](#)

9 PURONGO KĀORE E WĀTEA KI TE MAREA | 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 - 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>