



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: Thursday, 3 August 2023

Te Wā | Time: 1.30pm

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

**Ewen Church
Acting 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 Thursday 3 August 2023, 1.30pm.

Te Komiti Whakamauru Tūraru | Risk and Assurance Committee Members

Mr David Shand	Chair
Mayor Janet Holborow	Member
Deputy Mayor Lawrence Kirby	Member
Cr Liz Koh	Member
Cr Jocelyn Prvanov	Member
Cr Glen Cooper	Member
Ms Oriwia Raureti	Member
Mr David Cochrane	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) 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 HE KŌRERO HOU | UPDATES

Nil

8 PŪRONGO | REPORTS

8.1 HEALTH AND SAFETY QUARTERLY REPORT: 1 APRIL 2023 - 30 JUNE 2023

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

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

TE PŪTAKE | PURPOSE

- 1 This Report presents the Health and Safety Quarterly Report for the period 1 April 2023 – 30 June 2023.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 The Health and Safety Quarterly Report links to the current draft 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 format of the current Plan is under review and is being updated to take on the format of a high-level work programme to enable greater transparency across the strategic areas of focus and the work program priorities and activities. The current Plan and the revised 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:
 - skills and capability of our people;
 - managing our critical risks; and
 - leadership and engagement.

TE TUKU HAEPAPA | DELEGATION

- 3 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 regard to the Health and Safety Plan.*

UNAKITANGA | RECOMMENDATIONS

- A. That the Risk and Assurance Committee notes the Health and Safety Quarterly Report for the period 1 April 2023 – 30 June 2023 attached as Appendix One to this Report.

TŪĀPAPA | BACKGROUND

- 4 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.
- 5 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 considered. With the current work programme and resource challenges, a three-year period remains appropriate.
- 6 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 however the format of this Plan is being improved to provide a more appropriate high level work program format clearly showing the linkage between strategic focus areas and the work programme priorities and activities.

- 7 In advance of the new format for the Health and Safety high level work program storyline being formally tabled at the Risk and Assurance 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.
- 8 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 risk events. Such events would be recorded and retrospectively included the next available Quarterly Report.

HE KŌRERORERO | DISCUSSION

- 9 Disruptions as a result of previous events beyond the Council's control (ie: Covid related absences and impact on resourcing) continue to be factored into Health and Safety work program priorities and activities and actions and deliverables are only now starting to progress again. This has been a key driver to review the Health and Safety Strategic Plan and re format to become a high-level work program.

He take | Issues

- 10 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.
- 11 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 dependent on Council's resource availability and acknowledgement of the potential that some services may be reduced intermittently or for a period.

Ngā kōwhiringa | Options

- 12 The delivery of key competency/qualification training will continue via remote delivery where practicable. Team management will ensure staff risk management is effectively 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

- 13 There are no mana whenua considerations arising from this report.

Panonitanga āhuarangi | Climate change

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

Ahumoni me ngā rawa | Financial and resourcing

- 15 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

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

Ngā pānga ki ngā kaupapa here | Policy impact

- 17 There are no policy considerations arising from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT

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

Te mahere tūhono | Engagement planning

19 An engagement plan is not needed regarding this Report.

Whakatairanga | Publicity

20 There are no publicity considerations.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Appendix One: Health and Safety Quarterly Report 1 April 2023 - 30 June 2023 [↓](#)

KĀPITI COAST DISTRICT COUNCIL
Health and Safety Quarterly Report to the Risk and Assurance Committee
1 April 2023 – 30 June 2023

Appendix One

1 Executive Summary

There were no notifiable events or serious harm events this Quarter. No 'reasonable cause' drug and alcohol tests were required from employees this quarter.

The Health and Safety staff induction has been incorporated into the e-Ako online learning modules as part of the onboarding process for all new employees.

The recently appointed Health and Safety representatives have completed the Health and Safety Representative Stage 1 training.

The Preventing and Responding to Workplace Bullying Policy has been reviewed and is currently under consultation through the Health and Safety Committee. This policy has been updated to include specific inclusion and reference to discrimination and harassment in accordance with recent legislation changes. The revised policy has been re named to ' Preventing and Responding to Workplace Bullying, Harassment and Discrimination Policy'.

Use of the Councils confidential employee support counselling services (EAP) has increased 15% this quarter in comparison to the last quarter. 100% use this quarter was for personal reasons compared to the last quarter with 30% combination of work and personal reasons, and 70% personal reasons.

Total reported incidents for this quarter compared to the same quarter last year are 31% higher. This is consistent with the encouragement from managers for staff to formally report incidents. The number of incidents reported this quarter in comparison to the last quarter is 64% lower. This is consistent with the last quarter capturing the end of the Waikanae Pool season. We are aware the number of aggressive interactions from external parties towards staff and others in their vicinity has increased over time, however nothing else in particular indicates a specific new area for concern at this time.

Initiatives to broaden awareness of risk identification, risk analysis, and reviewing the controls already in place for mitigation of risks to staff safety are underway and a focus on support for staff safety and wellbeing encompassing training, refresher training, and self awareness have been developed and are planned to commence roll out during the next quarter. Work is also underway to look into and address the effects of prolonged exposure to aggressive interactions in the workplace. In particular the potential for harm to staff who experience aggressive interactions over time as this can have a cumulative effect which may negatively impact on psychological health and safety.

2 LEAD INDICATORS

2.1 CORPORATE HEALTH AND SAFETY TRAINING SUMMARY

Training Type	Training Course Name	Scheduled	Status
<i>Task Related</i>	<ul style="list-style-type: none"> Confined Spaces & Gas Detection Electricity Competency Forklift (OSH & Licence) Resuscitation Level 3 Site Traffic Management Specialist Traffic Management Operative TTM Worker (Temporary Traffic Management) 	May 2023 Apr 2023 Apr 2023 Jun 2023 May 2023 May 2023 May 2023	Completed Completed Completed Completed Completed Completed Completed
<i>Critical Risk Related</i>	<ul style="list-style-type: none"> AA Safe Driving Assessment - Phase 1: All drivers of Council vehicles (online assessment) 		Not due to be scheduled

KĀPITI COAST DISTRICT COUNCIL
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1 April 2023 – 30 June 2023

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Training Type	Training Course Name	Scheduled	Status
	<ul style="list-style-type: none"> AA Safe Driving Assessment - Phase 2: Regular drivers (practical assessment) Situational Safety and Tactical Communications Risk Analysis/Adequacy of Control Working with Asbestos (as part of the work being undertaken regarding the Asbestos Management Plan) 		<p>Not due to be scheduled</p> <p>Review of timing for all training related to aggressive interactions</p> <p>Training on team by team basis commenced this quarter. Will become regular.</p>
<i>General - Health & Safety</i>	<ul style="list-style-type: none"> Comprehensive First Aid First Aid Refresher Health & Safety Rep training CPR/AED training** <p>** free training through Wellington Free Ambulance</p>	<p>May 2023</p> <p>May 2023</p> <p>May/Jun 2023</p> <p>May 2023</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>

2.2 EMERGENCY EVACUATIONS AND DRILLS

- Trial evacuations are current for all required buildings.

2.3 EMPLOYEE HEALTH AND SAFETY INDUCTIONS

- 21 new employees commenced this quarter. The Health and Safety staff induction has been incorporated into the e-Ako online learning modules as part of the onboarding process for all new employees. This is consistent with a move to bring all training and induction progress recording on-line.

2.4 WELLNESS INITIATIVES

Wellness Initiative	Staff recipients
Eye Examinations	33
Ergonomic Work Assessments	6
Hearing Tests Annual cycle August – October	Not due this quarter
Noise Monitoring (Water Treatment Plants and Operations) - 5 yearly cycle commenced October – December 2020	Not due this quarter
EAP Services hours utilised	38 hours

2.5 DRUG AND ALCOHOL MANAGEMENT

- Pre-employment Drug and Alcohol Tests continue to be undertaken by all preferred applicants.

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1 April 2023 – 30 June 2023

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- 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.

2.6 RISK MANAGEMENT

- Work is currently underway reviewing and updating asbestos management plans. This work is being done in conjunction with staff training regarding working with asbestos.
- Risk analysis workshops have been carried out across the Regulatory Services Group and further workshops will be scheduled and customized for other teams. These workshops use the 'bow tie' approach to risk analysis and have been well received to date.
- As of 30 June 2023, there are a total of 151 selected Contractors on the SiteWise system.
- As of 30 June, there were 55 Care Register entries, with no additions/deletions this quarter.

2.7 ORGANISATION HEALTH AND SAFETY COMMITTEE

- Monthly meetings were held in April, May and June 2023.
- All the new Health and Safety representatives have completed the Health and Safety Representative Stage 1 training this quarter with one existing member completing the Stage 3 H&S Rep training and another, the Stage 2 training.

2.8 SENIOR LEADERSHIP TEAM

- The Senior Leadership team continue to have a focus on staff wellbeing, in particular regarding;
 - Aggressive behaviour towards staff from external parties,
 - Use of annual leave for rest and recreation away from the workplace,
 - Work load expectations and management and effective prioritisation.
- The Senior Leadership completed a site visit to Paraparaumu Library in April, with a site visit to the Water Treatment Plant scheduled in the next quarter. These site visits are providing a great opportunity for staff to talk to members of the SLT about what's going on in their areas of work which in turn provides members of SLT with a better understanding of the diverse work areas across our organisation.

3 Reported Events

3.1 TOTAL REPORTED EVENTS BY GROUP 1 APRIL – 30 JUNE 2023

Group	Events	Notifiable Events*	Near Miss	Total
Chief Executive including Org Dev	0	0	0	0
Corporate Services	0	0	0	0
Infrastructure Services	12	0	1	13
People and Partnerships	2	0	0	2
Place and Space	21	0	4	25
Regulatory Services	1	0	3	4
Strategy, Growth & Recovery	0	0	2	2
Third Party	33	0	2	35
Contractor	2	0	1	3
Total	71	0	13	84

**Under the Health and Safety at Work Act 2015, Council must notify WorkSafe when certain work-related incidents occur.*

KĀPITI COAST DISTRICT COUNCIL
Health and Safety Quarterly Report to the Risk and Assurance Committee
1 April 2023 – 30 June 2023

Appendix One

3.2 WORKER REPORTED EVENTS BY TYPE 1 APRIL – 30 JUNE 2023

Worker Events by Type	Apr – Jun 2023
Injuries	15
Near Miss	11
Biological Hazards/Unknown Organisms	5
Aggressive Interactions	3
Vehicle	3
Contractor incidents	3
Fire	2
Theft	2
Equipment /machinery / appliance	1
Fall/ Trip or Slip	1
Physical Hazard	1
Illness	1
Indoor environment	1
TOTAL	49

3.3 THIRD PARTY EVENTS BY TYPE 1 APRIL – 30 JUNE 2023

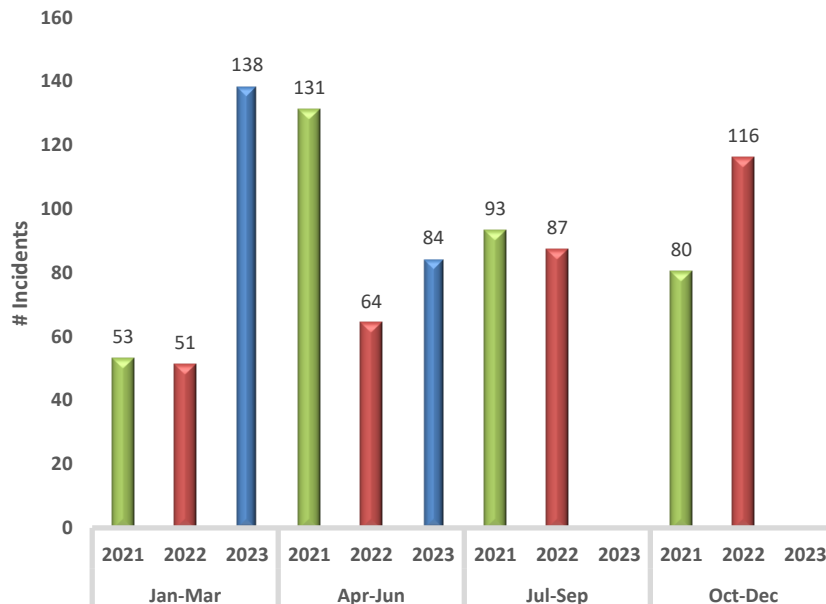
Third Party Incidents by Type	Apr – Jun 2023
Injuries	14
Aggressive Behaviour	5
Biological Hazards/Unknown Organisms	6
Water related	4
Near Miss	2
Medical Event	1
Dizziness	1
Physical Hazard	1
Trip/Slip	1
TOTAL	35

KĀPITI COAST DISTRICT COUNCIL
Health and Safety Quarterly Report to the Risk and Assurance Committee
1 April 2023 – 30 June 2023

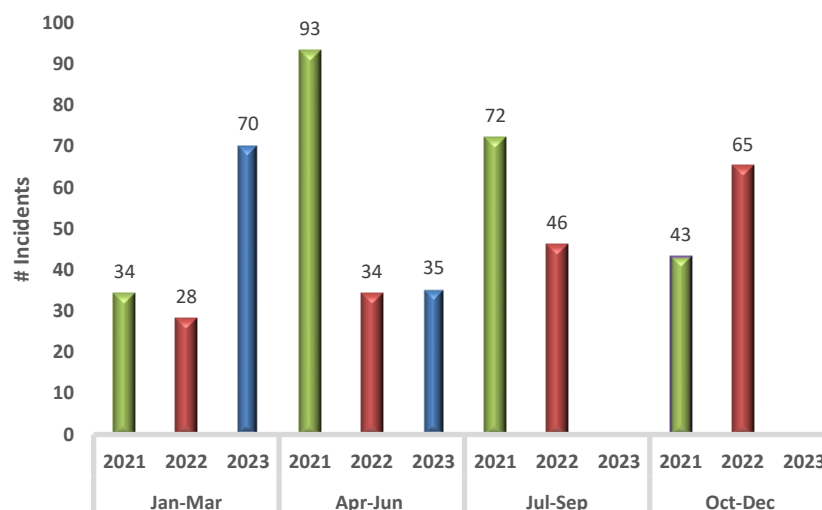
Appendix One

3.4 TOTAL REPORTED EVENTS 3-YEARLY COMPARISON

Total Reported Incidents 3-yearly Comparison
as at 30 June 2023

**3.5 THIRD PARTY EVENTS 3-YEARLY COMAPRISON**

Third Party Incidents 3-yearly Comparison
as at 30 June 2023



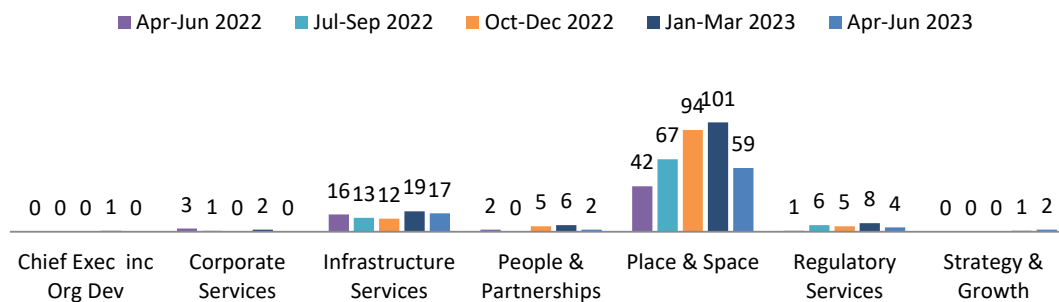
KĀPITI COAST DISTRICT COUNCIL
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1 April 2023 – 30 June 2023

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

3.6 TOTAL REPORTED INCIDENTS YEARLY COMPARISON (INCLUDING THIRD PARTY)

Total Reported Incidents by Group



The high proportion observed in Place and Space reflects the range of community facilities where responsibility sits under this group's activity area.

8.2 AUDIT PROPOSAL FOR THE 2023, 2024 AND 2025 FINANCIAL YEARS

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 (Committee) with the following:
 - 1.1 Ernst & Young (EY) audit proposal on behalf of the Auditor-General for the 2023, 2024 and 2025 financial years; and
 - 1.2 EY Audit Engagement Letter on behalf of the Auditor-General for the years ending 30 June 2023, 2024 and 2025.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 Not required for this report.

TE TUKU HAE PAPA | DELEGATION

- 3 The 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.”*
- 4 Within the purpose and delegated powers of the Committee, key responsibilities include: *“Confirming the terms of engagement for each audit with a recommendation to the Council; and receiving the external audit reports for recommendation to the Council”*

TAUNAKITANGA | RECOMMENDATIONS

- A. That the Committee receives and notes this report.
- B. That the Committee notes the EY audit fees, on behalf of the Auditor-General, for the 2023, 2024, 2025 financial years, as per attachment one to this report.
- C. That the Committee notes the EY Audit Engagement Letter, dated 27 June 2023, on behalf of the Auditor-General for the years ending 30 June 2023, 2024 and 2025, as per attachment two to this report
- D. That the Committee confirms the EY audit fees and Audit Engagement Letter, on behalf of the Auditor-General, and recommends approval to the Council at its next appropriate meeting.

TŪĀPAPA | BACKGROUND

- 5 The Auditor-General has proposed to appoint EY to carry the year-end audit of the Council for the next three years.
- 6 These audits are carried out under Section 15 of the Public Audit Act 2001 (the Act). Fees for audits of public entities are set by the Auditor-General under section 42 of the Act.
- 7 EY will audit the Council and report to Covenant Trustees, pursuant to the Debenture Trust Deed dated 19 September 2012.

HE KŌRERORERO | DISCUSSION

Audit Fees

- 8 EY budgeted to spend 928 hours on the Council's 30 June 2022 year-end audit. Actual hours spent was 1,565 at no additional cost to Council. EY estimate the 30 June 2023 year-end audit will likely take 1,080 hours to complete.
- 9 These additional hours mainly include now having to audit drinking water performance measures (Prior to November 2021, this was previously done by independent drinking water assessors), additional effort for auditing material estimates, the impact of adopting the auditing standard on risk assessment ISA (NZ) 315 (Revised) and the impact of a new accounting standard for financial instruments (PBE IPSAS 41)
- 10 The proposed audit fees for financial years 2023, 2024 and 2025 are \$243,964; \$246,810 and \$258,871 respectively, exclusive of GST.
- 11 These audit fees allow EY to carry out specific tasks identified in the Office of the Auditor General (OAG) Sector Brief, the OAG Audit Standards and Quality Support charge, and reasonable costs of estimated disbursements (namely travel where necessary).
- 12 Further details on the EY audit fees are provided in attachment one to this report.

Audit Engagement Letter

- 13 This engagement letter has been issued to the Council on behalf of the Auditor-General who is the auditor of all "public entities", including the Council, under section 14 of the Act.
- 14 The Auditor-General has appointed Sam Nicolle, using the staff and resources of Ernst & Young (EY), under section 32 and 33 of the Act to carry out the annual audits of the Council's financial statements and performance information for the years ending 30 June 2023, 2024 and 2025.
- 15 The Audit Engagement Letter outlines:
 - 15.1 The terms of the audit engagement and the nature, and limitations, of the annual audit; and
 - 15.2 The respective responsibilities of the Council and Sam Nicolle, as the appointed Auditor, for the financial statements and performance information.
- 16 The objectives of the annual audit are:
 - 16.1 To provide an independent opinion on the Council's financial statements and performance information; and
 - 16.2 To report on other matters that come to EY's attention as part of the annual audit. Typically, those matters will relate to issues of financial management and accountability.
- 17 Further details of the EY Audit Engagement Letter are provided in attachment two to this report.

He take | Issues

- 18 The delegations of the Committee include the responsibility of "*Confirming the terms of engagement for each audit with a recommendation to the Council*".
- 19 It has taken the Auditor-General longer than expected to propose the Audit fees and the Audit Engagement Letter to the Council. Fieldwork for the year-end audit to 30 June 2023 has already commenced, prior to Council Officers receiving these proposals.
- 20 To best discharge the Committee's responsibility to "*confirm the terms of engagement for each audit with a recommendation to the Council*", the Chair and Independent Member of the Committee have met with the Council's Group Manager Corporate Services and the Chief Financial Officer to review and discuss these proposals.
- 21 The rationale for the EY audit fees for 2023, 2024 and 2025 was considered fair and reasonable. A few minor clarifications were raised regarding the Audit Engagement Letter, which have been satisfactorily responded to by EY.

Ngā kōwhiringa | Options

22 There are no options arising directly from this report.

Mana whenua

23 There are no mana whenua considerations arising directly from this report.

Panonitanga Āhuarangi me te Taiao | Climate change and Environment

24 There are no climate change and environment considerations arising directly from this report.

Ahumoni me ngā rawa | Financial and resourcing

25 In the absence of receiving the proposed fees from the Auditor General on or before 30 June 2023, Officers accrued an estimated audit fee for 2022/23 of \$240,000. The additional costs of approximately \$4,000 will be absorbed within Council's overall 2023/24 Annual Plan budget.

26 Audit fees for 2024 and 2025 will be incorporated into the 2024-34 Long Term Plan.

Tūraru ā-Ture me te Whakahaere | Legal and Organisational Risk

27 There are no legal and organisational issues in addition to those already discussed in this report.

Ngā pānga ki ngā kaupapa here | Policy impact

28 There are no policy impacts arising directly from this report.

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

29 An engagement plan is not required for this report.

Whakatairanga | Publicity

30 There are no publicity considerations arising from this report.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. EY Audit Proposal Letter [↓](#)
2. EY Audit Engagement Letter [↓](#)



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27 June 2023

Ref.: 60822158/66703572

The Councillors

Kapiti Coast District Council
Private Bag 60601
Paraparaumu 5254

Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington

Dear Councillors

Proposal to conduct the audit of Kapiti Coast District Council on behalf of the Auditor-General for the 2023, 2024 and 2025 financial years

1 Introduction

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2023, 2024 and 2025. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2023, 2024 and 2025 and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

A member firm of Ernst & Young Global Limited



2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, you and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

3 Entities covered by this proposal

This proposal covers the audit of Kapiti Coast District Council and reporting to the Trustee pursuant to the Debenture Trust Deed dated 19 September 2012. The Trust Deed provides security for those that provide debt financing to the Council.

4 Key members of the audit team

Appointed Auditor	Sam Nicolle
Audit Manager	Shiela Mae Guardo

5 Estimated audit hours

We estimate that the following hours will be required to carry out the audits (compared to budgeted and actual data from the previous financial year):

Audit team member	2022 budget	2022 actual	2023	2024	2025
Appointed Auditor	56	65	66	63	63
Review Partner	12	1	-	-	-
Audit Manager	136	77	159	151	151
Other CA qualified staff	210	489	295	260	260
Non CA qualified staff	486	932	531	523	523
Technical Accounting Specialists	28	1	29	28	28



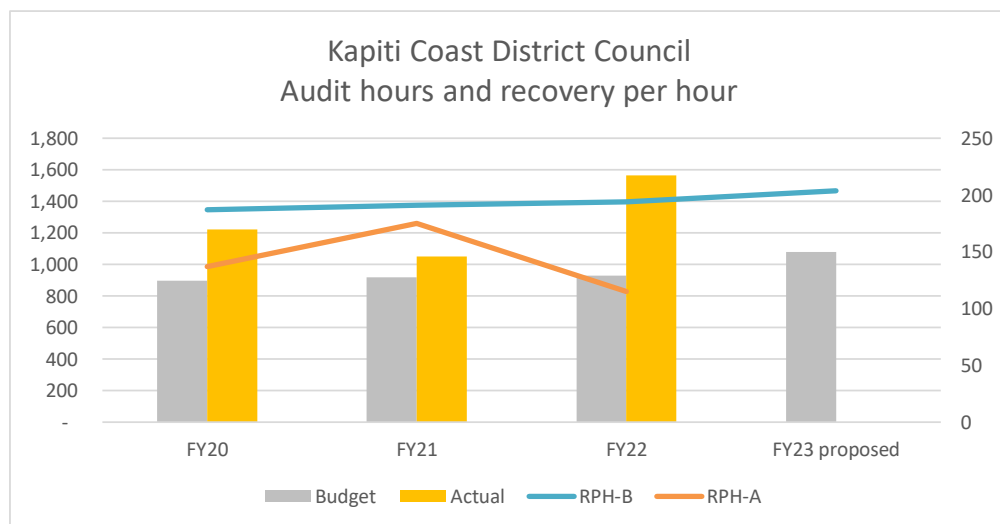
Audit team member	2022 budget	2022 actual	2023	2024	2025
Total audit hours	928	1,565	1,080	1,025	1,025

Three Waters Reform

Given the uncertainty related to the Three Waters Reform we have not adjusted audit hours or fees for the implications of this reform program. If there are changes from the Three Waters Reform programme that impact the 2023-2025 period covered by this letter we will agree changes to hours and fees with you at the point in time there is clarity regarding the changes.

Comparison to 2022 actual hours

Our recent experience completing the audit of the Council has required additional staff hours in excess of the hours budgeted in the 2020-2022 Audit Proposal Letter. The 2020 audit was impacted by COVID-19 and remote working. The chart below shows budget and actual hours and budget and actual fee per hour over the 2020-2022 period.



Actual hours for the 2022 audit were higher than the budgeted hours set out in the 2020 to 2022 audit proposal letter due to several reasons. We have examined these reasons and some are expected to reoccur in future years while others are not. This is explained for each matter as follows:



- The level of work required to audit areas where there are material estimates has been greater than budgeted in recent years arising from the application of ISA (NZ) 540 (revised) *Auditing Accounting Estimates and Related Disclosures*. The key areas of estimation in the financial statements are the measurement of infrastructure assets which is increasingly impacted by changing economic conditions.
- Council is required to report on mandatory measures in relation to drinking water, as required by the Department of Internal Affairs' rules for local authority performance reporting. Historically independent drinking water assessors have performed audits of sufficient regularity and quality to support the assurance needed for the audit of the annual report. Independent drinking water assessors weren't required to complete audits from November 2021 onwards. As a result we were required to perform additional audit procedures in order to gain assurance over these performance measures for the 2022 year. We have factored this into our estimate of audit hours going forward in section 5.1. The additional hours included going forward for this matter are less than those incurred in 2022 as we acknowledge that because 2022 included the impact of navigating the changes and there were some inherent inefficiencies and we expect the work to be more streamlined in future as we apply historical learnings.
- There were some inefficiencies in the 2022 audit relating to both working remotely due to COVID-19 restrictions and a reduced level of audit staff continuity. Increased hours in 2022 as a result of these matters have been assumed not to recur in future years.

The 2023 budgeted audit hours reflect the anticipated additional effort in adopting for the first time the PBE IPSAS 41 *Financial Instruments* and Revised auditing standard ISA (NZ) 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement* as detailed below

We are committed to working with the Council to drive efficiency in the audit process and thereby contain future fee increases.



5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation's audit are:

Reasons for increased or decreased audit hours compared to previous period budgeted hours:	2023	2024	2025
Removal of independent partner no longer required by the OAG's policy	(12)	-	-
Audit of drinking water performance measures	50	(15)	-
Additional effort for auditing material estimates	57	-	-
Impact of adopting PBE IPSAS 41 Financial Instruments	12	(12)	-
Impact of ISA 315 auditing standard	45	(28)	-
Total increase (decrease) in audit hours	152	(55)	-

Application of the OAG's policy on Engagement Quality Review Partners

We refresh our risk assessment of the Council's audit annually and we have not identified any high risk factors. We have considered the requirements of AG PES 3 *Quality management for firms that perform audits or review of financial statements, or other assurance or related services engagements* and determined that an engagement quality review Partner is not necessary for the Council's annual audit.

Drinking water performance measures

- Changes to the use of independent drinking water assessors has meant we need to complete additional audit procedures in order to gain assurance over the drinking water performance measures. The incremental work required in 2022 was not included in our budget hours. New drinking water standards were introduced from November 2022 which we expect to have consequential changes to Council's reporting. The 2023 year includes additional time in the year of transition.

ISA 315

- The revisions to the auditing standard on risk assessment (ISA (NZ) 315) are effective for the 2023 audit. The auditing standard impacts our risk assessment of the IT environment. Regardless of whether we plan to rely on controls, we are required to consider, in greater detail, the IT environment (applications, infrastructure and IT processes) that support key business processes and identify specific IT risks, and evaluate design and implementation of management's IT general controls ("ITGCs") that address those risks.



6 Proposed audit fees

Our proposed fees for the next three audits (compared to budgeted and actual data from the previous financial year) are:

Structure of audit fees	2022 budget fees \$	2022 actual fees charged \$	2023 \$	2024 \$	2025 \$
Net audit fee (excluding OAG Audit Standards and Quality Support and disbursements)	180,900	180,900	220,022	223,043	234,195
OAG Audit Standards and Quality Support charge	15,500	15,500	20,542	20,367	21,283
Total audit fee (excluding disbursements)	196,400	196,400	240,564	243,410	255,478
Estimated disbursements	3,400	3,400	3,400	3,400	3,400
Total billable audit fees and charges	199,800	199,800	243,964	246,810	258,878
GST	29,970	29,970	36,595	37,022	38,832
Total (including GST)	229,770	229,770	280,559	283,832	297,710

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.



As explained in Section 5, fees for the 2023, 2024 and 2025 audits have been based on our experience in completing the 2022 audit.

6.1 Reasons for changes in audit fees

In Section 5, we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased or decreased audit fees compared to previous period budgeted fees.	2023 \$	2024 \$	2025 \$
Predicted staff salary cost movements	14,472	11,421	11,152
Audit of drinking water performance measures	7,000	(2,500)	
Additional effort for auditing material estimates	9,350		
Impact of adopting PBE IPSAS 41 Financial Instruments	2,000	(2,000)	0
Impact of revised auditing standard ISA (NZ) 315 (Revised) Identifying and Assessing the Risks of Material Misstatement	6,300	(3,900)	0
Total increase (decrease) in audit fees	39,122	3,021	11,152

Predicted staff salary cost movements

Audit service providers are currently working through a number of challenges that have substantially increased the cost of providing audits. These include:

- Significantly increasing payroll costs to retain an appropriately qualified workforce capable of delivering a quality audit. This is driven in part by increasing inflationary pressures but is primarily sector specific and relates to high market demand for those that have an appropriate skill set to fill audit roles.
- The time taken to prepare for, and respond to, file inspections that have increased in frequency and duration.
- Investments in audit tools to provide greater levels of assurance through examining large data sets rather than smaller statistical samples.

Of these, the primary pressure is the increased cost of retaining and attracting audit staff of an appropriate calibre. These increased costs of completing the Kapiti Coast



District Council audit have not been reflected in base audit fee increases for Kapiti Coast District Council over the past three years.

In response to market conditions, our direct costs, comprising salaries and direct employee expenses have increased by approximately 31% over the past 3 years (9.5% CAGR). By comparison, the base audit fee (excluding fee adjustments for scope increases and decreases) included in our previous letter remained almost flat.

We have included a direct cost increase of 8% in 2023 and 5% per annum for 2024 and 2025, which reflects us passing on only a part of the cost pressures we have experienced.

7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- You will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.
- Your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit.
- Your organisation's financial statements will include all relevant disclosures including, the impact of adopting PBE IPSAS 41 *Financial Instruments*.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).
- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work other than items specifically identified in the tables above.
- There are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above.



- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, timing of, or disbursements related to, this audit.
- There are no changes to the Trust Deed and associated assurance requirements from the year ended 30 June 2022

If the scope and/or amount of work changes significantly, we will discuss the issues and any implications for our audit costs and your audit fees with you and the OAG at the time.

8 What the OAG Audit Standards and Quality Support charge provides

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support charge) to be funded by public entities.

The OAG Audit Standards and Quality Support charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support charge portion of the audit fee, to the OAG.

9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and



- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me on 027 489 9693 or sam.nicolle@nz.ey.com.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely

Sam Nicolle
Partner
Ernst & Young
On behalf of the Auditor-General

I accept the audit fees for the audit of the three financial years as stated above.

Full name:	_____	Position:	_____
Authorised signature:	_____	Date:	_____
Entity name:	Kapiti Coast District Council		

**Actions to take when agreement has been reached:**

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to: Sam Nicolle
 Ernst & Young
 PO Box 490
 Wellington 6140



Ernst & Young
40 Bowen Street
Wellington 6011 New Zealand
PO Box 490 Wellington 6140

Tel: +64 4 499 4888
Fax: +64 4 495 7400
ey.com/nz

27 June 2023

Ref: 60822158/66703572

The Councillors
Kapiti Coast District Council
Private Bag 60601
Paraparaumu 5254

Dear Councillors

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Kapiti Coast District Council, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Sam Nicolle, using the staff and resources of Ernst & Young, under section 32 and 33 of the Act, to carry out the annual audits of the Kapiti Coast District Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2023, 2024 and 2025.

This letter outlines:

- ▶ the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- ▶ the respective responsibilities of the Council and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- ▶ to provide an independent opinion on the Council’s financial statements and performance information; and
- ▶ to report on other matters that come to our attention as part of the annual audit. Typically those matters will relate to issues of financial management and accountability.

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether Kapiti Coast District Council’s financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

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Your responsibilities

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for:

- ▶ preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- ▶ having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- ▶ providing us with:
 - ▶ access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - ▶ all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - ▶ additional information that we may request from Kapiti Coast District Council for the purpose of the audit;
 - ▶ unrestricted access to Council members and employees that we consider necessary; and
 - ▶ written confirmation concerning representations made to us in connection with the audit.
- ▶ In addition, the Council is responsible:
 - ▶ for the preparation of the summary financial statements and summary performance information;
 - ▶ for making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
 - ▶ for including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- ▶ the resources, activities, and entities under its control have been operating effectively and efficiently;
- ▶ it has complied with its statutory obligations including laws, regulations, and contractual requirements;

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- ▶ it has carried out its decisions and actions with due regard to minimising waste;
- ▶ it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- ▶ its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within Kapiti Coast District Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred - regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Annex 1. Annex 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of Kapiti Coast District Council:

- ▶ present fairly, in all material respects:
 - ▶ its financial position as at 30 June 2023, 2024 and 2025; and
 - ▶ its financial performance and cash flows for the years then ended;
- ▶ comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether:

- ▶ the funding impact statement, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Kapiti Coast District Council's annual plan or long term plan;
- ▶ the performance information of Kapiti Coast District Council presents fairly, in all material respects, the performance for the year ended 30 June 2023, 2024 and 2025, including:

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- ▶ the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
- ▶ the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- ▶ complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.
- ▶ the statement about capital expenditure for each group of activities, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in Kapiti Coast District Council's annual plan or long term plan; and
- ▶ the funding impact statement for each group of activities, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Kapiti Coast District Council's annual plan or long term plan.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- ▶ be alert for issues of effectiveness and efficiency - in particular, how the Council have carried out their activities;
- ▶ consider laws and regulations relevant to the audit;
- ▶ be alert for issues of waste - in particular, whether the Council obtained and applied the resources in an economical manner, and whether any resources are being wasted;

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- ▶ be alert for issues of a lack of probity – in particular, whether the Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- ▶ be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Ernst & Young remain both economically and attitudinally independent of Kapiti Coast District Council (the Council), including being independent of management personnel and members of the Council. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and Ernst & Young.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and myself or Ernst & Young.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report. In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a management letter that will be sent to the Council. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically those matters will relate to issues of financial management and accountability. We may also provide other management letters to Kapiti Coast District Council from time to time. We will inform the Council of any other management letters we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the enclosed copy of the letter in the space provided and returning it to me. The terms will remain effective until a new Audit Engagement Letter is issued.

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If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Sam Nicolle', written over a dotted line.

.....
Sam Nicolle
Partner
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature:

Name:

Title:

Date:

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Annex 1 – Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities for the financial statements and performance information	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> - present fairly, in all material respects: <ul style="list-style-type: none"> - the financial position as at 30 June 2023, 2024 and 2025; and - the financial performance and cash flows for the year then ended; - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards. <p>We are also responsible for forming an independent opinion on whether:</p> <ul style="list-style-type: none"> - the funding impact statement, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Kapiti Coast District Council's annual plan or long term plan; - the performance information of Kapiti Coast District Council presents fairly, in all material respects, the performance for the year ended 30 June 2023, 2024 and 2025, including: <ul style="list-style-type: none"> - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and - complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards - the statement about capital expenditure for each group of activities, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in Kapiti Coast District Council's annual plan or long term plan; and - the funding impact statement for each group of activities, presents fairly, in all material

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	<p>respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Kapiti Coast District Council's annual plan or long term plan.</p> <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> - the appropriateness of accounting policies used and whether they have been consistently applied; - the reasonableness of the significant accounting estimates and judgements made by those charged with governance; - the appropriateness of the content and measures in any performance information; - the adequacy of the disclosures in the financial statements and performance information; and - the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> - the adoption of the going concern basis of accounting is appropriate; - all material transactions have been recorded and are reflected in the financial statements and performance information;
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	<ul style="list-style-type: none"> - all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and - uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
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Responsibilities for the accounting records	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> - correctly record and explain the transactions of the public entity; - enable you to monitor the resources, activities, and entities under your control; - enable the public entity's financial position to be determined with reasonable accuracy at any time; - enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and - are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities for accounting and internal control systems	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the public entity), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p>

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and - where applicable - performance information reporting.	We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.
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Responsibilities for preventing and detecting fraud and error	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the public entity) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within Kapiti Coast District Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> - obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and - report to you any significant weaknesses in internal control that come to our notice. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>

Responsibilities for compliance with laws and regulations	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for ensuring that the public entity has systems, policies, and procedures (appropriate to the size of the public entity) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the public entity are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> - the relevance of the law or regulation to the audit;

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	<ul style="list-style-type: none"> - our assessment of the risk of non-compliance; - the impact of non-compliance for the addressee of the audit report <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>
--	--

Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity - particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of the public entity may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>

Responsibilities for conflicts of interest and related parties	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

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Responsibilities for publishing the audited financial statements on a website	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>



Annex 2 - Health and safety of audit staff

The Auditor-General and Audit Service Providers take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

8.3 PROGRESS UPDATE REGARDING AUDIT CONTROL FINDINGS 2021/22Kaituhi | Author: **Sharon Foss, Business Improvement Manager**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 HAEPAHA | 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 2021/22	-	-	(2)	(2)
New points raised in financial year 2021/22	-		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 table below details the year-to-date progress against these control findings.

EY Risk Ranking	Control Findings year end 30 June 2022		As at 21 July 2023	Completion status
			Summary	
Moderate	2.1.1	Accuracy of response and resolution times	<p>Agreed action: Investigate why there were discrepancies between response and resolution times.</p> <p>Action update: Completed. Improved workflow process and guidance documents and assurance checks as follows:</p> <ul style="list-style-type: none"> ○ when a SR Status Report (SR report) shows a late or overdue SR then a check is made for an error in entering the time. If there is no error and the response was late then entry stays as is. ○ rerun SR report when a SR is amended; ○ check that an overdue SR was printed (forwarded) by Call Centre to Depot. ○ conduct additional training / investigate if a discrepancy is discovered. ○ run regular reports to check for discrepancies. 	 Completed (Ready for EY testing)

EY Risk Ranking	Control Findings year end 30 June 2022		As at 21 July 2023	Completion Status
Low	2.2.1	Approval of expenditure	Agreed action: The Elected Members Remuneration, Expenses and Allowances Policy update. Action update: Completed. <u>Updated</u> the Elected Members Remuneration, Expenses and Allowances Policy to clarify that all claims for elected members (including the Mayor) will be approved by the Democracy Services Manager.	 Completed (Ready for EY testing)
			Agreed action: Chief Executive expense claims process. Action update: Completed CE expense claims now approved by the Mayor and co-signed by GM Corporate Services. This requirement is now captured in the updated General Expense policy. All of the current CE's expense claims are compliant to the policy.	 Completed (Ready for EY testing)
			In Progress Capture the new approval requirement in the Financial Delegations procedures scheduled for approval by September 2023.	 September 2023
	2.2.2	Purchase orders approved after receiving invoices	Agreed action: Introduce a periodic monitoring process. Action update: Completed Established a periodic monitoring process to identify exceptions, and follow-up these up on a case-by-case basis with relevant staff and provide advice/training as appropriate.	 Completed (Ready for EY testing)
			Agreed action: General Expenses Policy update. Action update: Completed. Refreshed the General Expenses Policy to clarify that PO authorisation must be given before expenditure is incurred, wherever practicable.	 Completed (Ready for EY testing)
			Agreed action: Monitoring and review process. Action update: In Progress Council is currently developing a monitoring and review process to identify cases where a PO was authorised after the fact. The intent is for a review of the 2022-23 year to be completed in time for the Audit. Non-compliance will be followed up and assessed on a case-by case basis, and training offered where necessary.	 September 2023

EY Risk Ranking	Control Findings year end 30 June 2022		As at 21 July 2023	Completion Status
	2.2.3	Transition to maintenance of records electronically	Agreed action: Implement a new payroll system iCHRIS21. Action update: Completed.	 Completed (Ready for EY testing)
	2.2.4	Overhead rate applied to projects	Agreed action: Develop a specific overhead allocation model. Action update: In Progress. The current model was used for developing the 2023/24 Annual Plan. However more regular reviews were added for 2022/23 and we are developing a mechanism to ensure our time and effort for projects are considered for 2023/24.	 September 2023

He take | Issues

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

Ngā kōwhiringa | Options

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

Tangata whenua

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

Panonitanga āhuarangi | Climate change

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

Ahumoni me ngā rawa | Financial and resourcing

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

Ture me ngā Tūraru | Legal and risk

15 There are no legal considerations arising from this report.

16 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

17 There are no policy implications arising from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT

Te mahere tūhono | Engagement planning

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

Whakatairanga | Publicity

19 There are no publicity considerations.

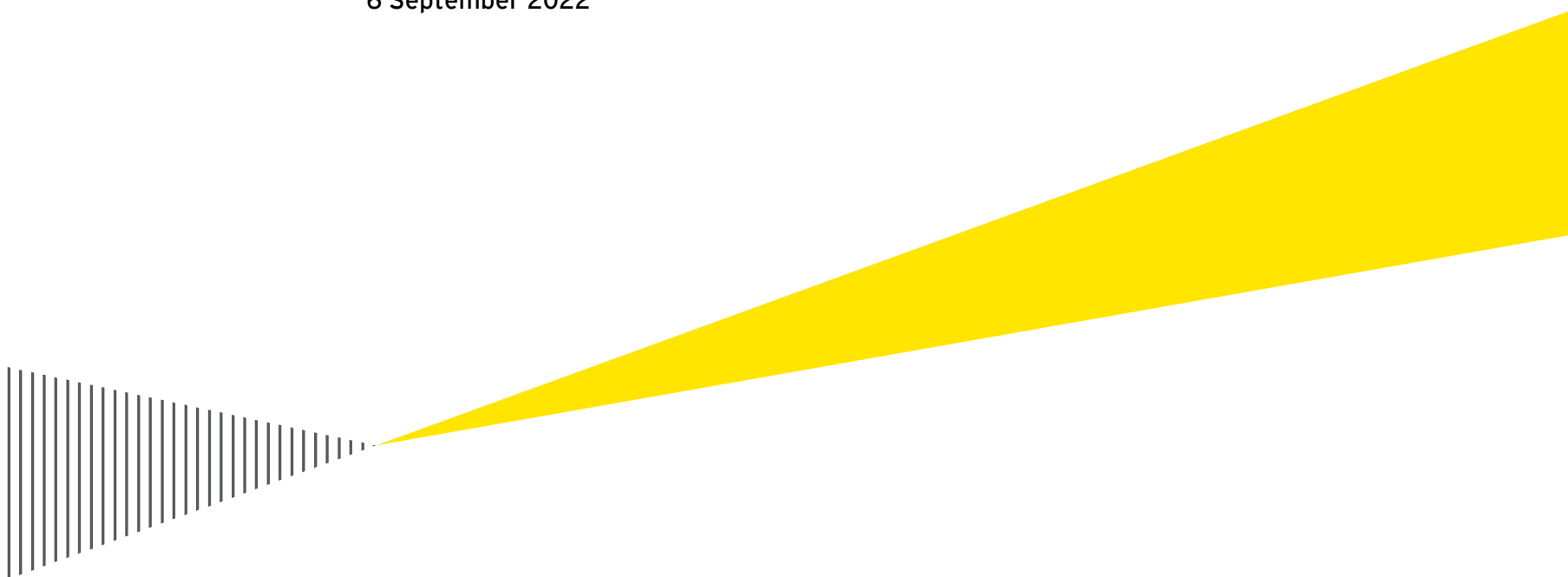
NGĀ ĀPITI HANGA | ATTACHMENTS

1. Appendix 1 - Ernst & Young Kapiti Coast District Council Report on Control Findings [↓](#)

Kāpiti Coast District Council

Report on Control Findings

6 September 2022





**Building a better
working world**

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Mark de Haast
Group Manager - Corporate Services
Kāpiti Coast District Council
Private Bag 60601
Paraparaumu 5254

6 September 2022

Dear Mark

Report on Control Findings

We have substantially completed our audit of the financial statements and service performance information of Kāpiti Coast District Council ("Council" or "KCDC") for the year ended 30 June 2022.

This Report on Control Findings includes control matters and issues arising from our audit that we consider appropriate for review by management.

In accordance with the Auditor-General's Auditing Standards we performed a review of the design and operating effectiveness of KCDC's significant financial and non-financial reporting processes. Our audit procedures do not address all internal control and accounting procedures and are based on selective tests of accounting records and supporting data. They have not been designed for the purposes of making detailed recommendations. As a result, our procedures would not necessarily disclose all weaknesses in KCDC's

internal control environment. We wish to express our appreciation for the courtesies and co-operation extended to our representatives during the course of their work. If you have any questions or comments, please do not hesitate to call me on 021 923 431.

Yours faithfully

A handwritten signature in dark ink, appearing to be 'D. Borrie', with a horizontal line extending to the right.

David Borrie
Partner
Ernst & Young

EY | i

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2. Detailed recommendations..... 4

1. Overview

1.1 Overview of Risk Ranking System and Recommendations

The following table provides an overview of the number of observations and the associated risk ratings.

	High	Moderate	Low	Total
Open at 30 June 2021	-	1	5	6
Closed during FY22	-	-	(2)	(2)
New points raised in FY22	-	-	1	1
Total open points as at 30 June 2022	-	1	4	5

Key:

■	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
■	Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should normally be taken within 6 months.
■	Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within 3 months.

1.2 Audit observations

The following table summarises open recommendations at 30 June 2022.

Observations	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Accuracy of response and resolution times	-	✓	-
Approval of expenditure	-	-	✓
Purchase orders approved after receiving invoices	-	-	✓
Transition to maintenance of records electronically	-	-	✓
Overhead rate applied to projects	-	-	✓

1.3 Disclaimer

Issues identified are only those found within the course of the audit for year ended 30 June 2022. Recommendations are intended solely for the use of Council's management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than Council and the management team or for any purpose other than that for which it was prepared.

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 response times used as a basis for calculating performance measures were identical to the time the request for service was raised with Council. We observed this mostly arises where a request for service is not logged with the call centre immediately. This results in the on call staff member arriving on site before the request for service has been logged in the system. As MagiQ does not allow response times to be before the received time the response time will default to the earliest possible time which will be identical to the received time.</p> <p>For six items tested we noted the 'response' time was identical to the 'service requested' time (one instance for stormwater services requests and five instances for wastewater overflow and blockage requests).</p>
Implication	There is a risk that Council report incorrect performance results as a result of not using accurate response times. 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 the either the process for recording requests for service be updated or that the data used as an input to calculating the request for service based measures be reviewed prior to being used to calculate performance measures.
Management Response	Management accepts Audit's findings and recommendation. A continuous improvement process will be implemented 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 seven 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 where necessary to budget managers regarding the Council's General Expenses Policy over the coming months. The Policy will also be reviewed and updated to better reflect current Council practices.
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 fourteen instances where purchase orders were approved after the receipt of invoices and one instance where a purchase order was raised after receipt of the related invoice.</p> <p>Without adequate controls for processing and approving purchase orders, invoices and receipt of goods and services there is an increased risk inappropriate or unneeded expenditure is incurred.</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 into.
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.
Responsibility	Corporate Services

2.2.3 Transition to maintenance of records electronically

Observation	<p>During our previous audit we noted instances where Council records are maintained as hard copies and we highlighted the benefit and convenience of retaining information electronically.</p> <p>During this year's audit we noted improvement in relation to Council's records for performance measure information being stored electronically.</p> <p>However; we also noted there is a continued opportunity relating to payroll information where information continues to be maintained as hard copy. We acknowledge that Council is transitioning to iCHRIS21 in the near future which might assist in shifting record keeping to electronic form.</p>
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. As noted in the observation above, over the coming months Council will transition to iCHRIS21 which will assist in shifting record keeping to electronic form.
Responsibility	Corporate Services

2.2.4 Overhead rate applied to projects

Observation	During our testing of the capital grants and capex, we observed that there was change in the method to apply the allocation of overhead staff costs to capital projects. This method allocates based on an approved SLT rate (percentage) that is applied against the budgeted personnel recovery costs. The approved SLT rates are average market recovery rates and are not specific to KCDC.
--------------------	---

Implication	The Council are using rates that are reasonable in the market but not specific to KCDC. Therefore, there is uncertainty on whether the time and effort recovered at the market rates is reflective of the actual time and effort incurred on the project
Recommendation	We recommend KCDC develop an overhead rate specific to actual time and effort that has been incurred for KCDC projects.
Management Response	Management accepts the finding and recommendation, and commits to exploring options to enhance the overhead recovery methodology to be more KCDC specific.
Responsibility	Corporate Services

EY | Assurance | Tax | Transactions | Advisory

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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 30 June 2023.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 This is not required for this report.

TE TUKU HAE PAPA | 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 notes the Council's full compliance with its Treasury Management Policy for the three months ended 30 June 2023.

TŪĀPAPA | BACKGROUND

- 4 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.
- 5 The Policy mandates regular treasury reporting to management, the Strategy, Operations and Finance Committee, as well as quarterly compliance reporting to the Risk and Assurance Committee.
- 6 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

- 7 Table 1 below shows the Council's net debt position as at 30 June 2023 against the 2022/23 full year budget and the prior year closing balance.

Table 1	June YTD Actual	Full Year Budget	Prior year 2021/22
	\$000's	\$000's	\$000's
External debt	275,000	300,000	255,000
/less borrower notes	(6,110)	(6,735)	(5,250)
/less Term Deposits	(55,000)	(75,000)	(65,000)
/less cash	(14,084)	(15,596)	(15,274)
Net debt	199,806	202,669	169,476

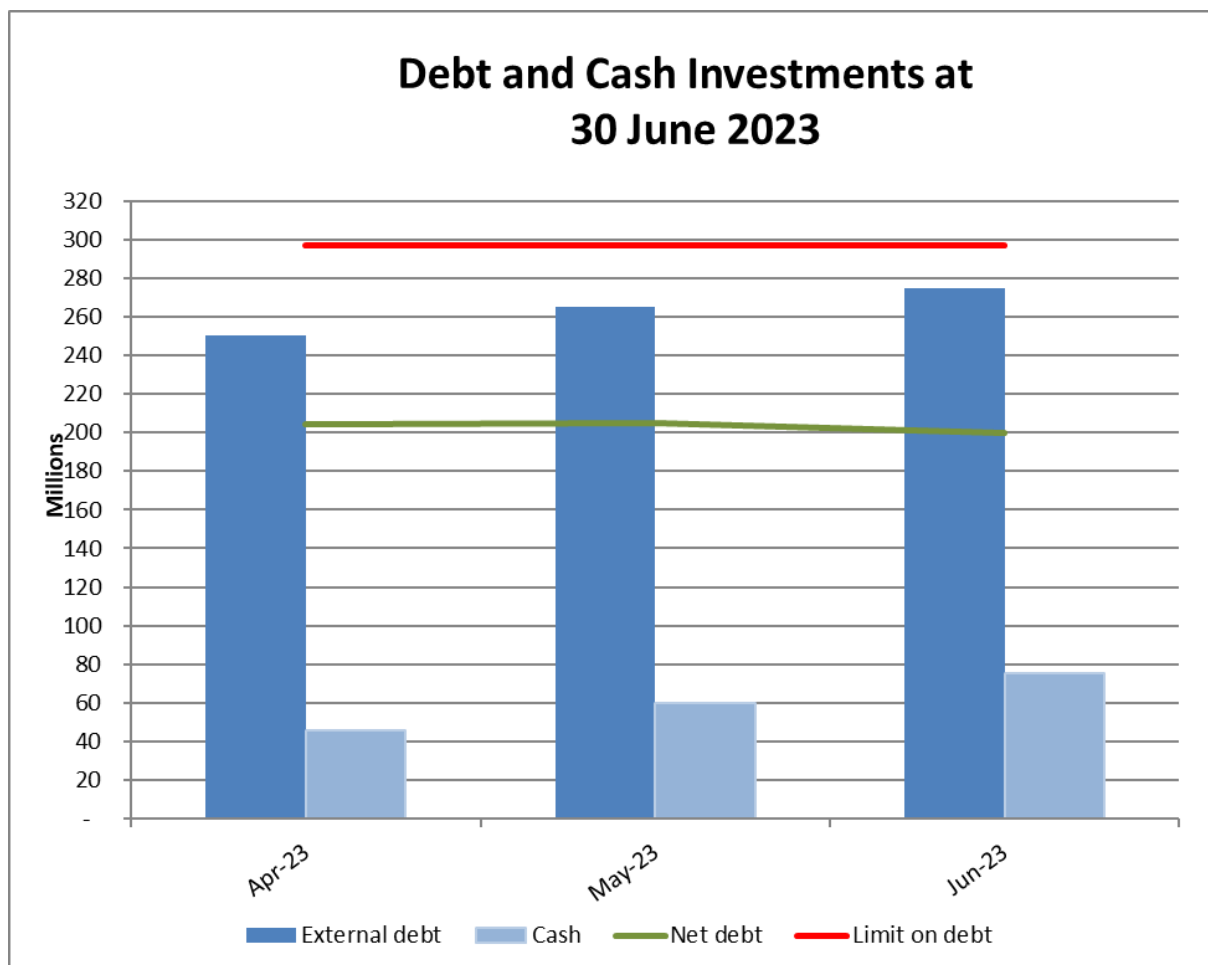
- 8 During the past three months, the Council has issued \$35million of new debt bringing the total amount of debt drawn during the past twelve months to \$65 million.
- 9 The \$35 million issued this quarter was used to pre-fund the May 2024 debt maturity (\$20million), and planned 2022/23 capex programme costs (\$15 million).
- 10 The table below shows (a) the movement in the Council's external debt balance, (b) the movement in the Council's pre-funding programme by debt maturity and (c), that part of the Council's CAPEX programme funded by new borrowings for the twelve months ended 30 June 2023.

Borrowings	Gross borrowings	Pre-funding					CAPEX
		TD Oct 2022 \$000	TD Apr 2023 \$000	TD Oct 2023 \$000	TD May 2024 \$000	Total Prefunding \$000	Capex programme \$000
Opening balance 1 July	255,000	20,000	25,000	20,000	-	65,000	n/a
New Long term debt issued YTD	65,000	-	-	5,000	30,000	35,000	30,000
Matured Long term debt	(45,000)	(20,000)	(25,000)	-	-	(45,000)	n/a
Total	275,000	-	-	25,000	30,000	55,000	30,000

- 11 As at 30 June 2023 the Council had \$75.2 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 Oct 2023	25,000	-	-	25,000
LGFA debt maturing May 2024	30,000	-	-	30,000
Surplus cash	-	-	14,084	14,084
Borrower notes held	-	6,110	-	6,110
Total	55,000	6,110	14,084	75,194

- 12 For the three months ended 30 June 2023, the Council has not breached its net debt upper limit, as shown in the chart below:

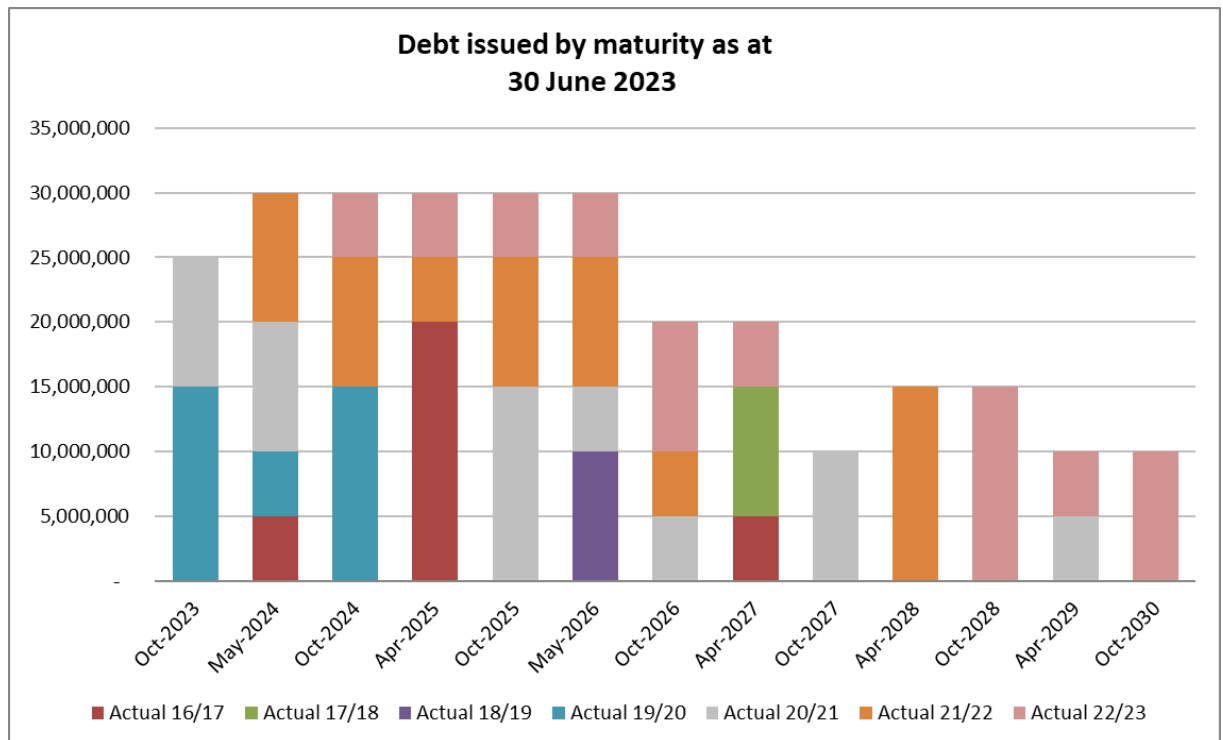


- 13 ¹ The Council targeted through its LTP 2021-41 financial strategy to keep net borrowings below 280% of total operating income with a preferred limit of 250%. As at 30 June 2023, the Council's net borrowings are 193% of total operating income.

Liquidity/Funding control limits

- 14 Liquidity and funding management focuses on reducing the concentration of risk at any point so that the overall borrowings cost is not increased unnecessarily and/or the desired maturity profile is not compromised due to market conditions. This risk is managed by spreading and smoothing debt maturities and establishing maturity compliance buckets.
- 15 Since October 2015 the Council's treasury strategy has included a debt pre-funding programme. The Policy allows pre-funding of the Council debt maturities and Capex programme up to 18 months in advance, including re-financing.

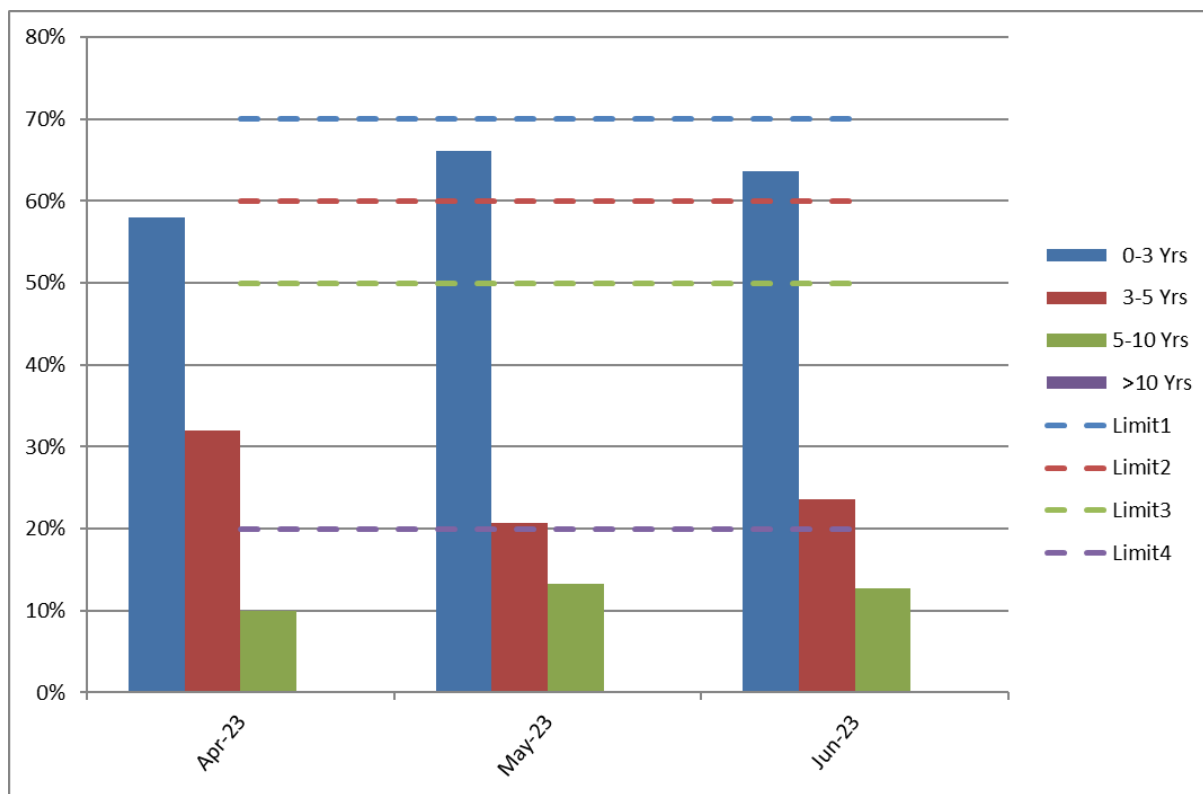
- 16 The following chart presents the Council's debt maturity dates in relation to the financial year in which the debt was issued. This demonstrates that since 2016/17, the Council has actively reduced risk concentration by spreading debt maturity dates and debt maturity values.



- 2
17 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%

- 18 For the three months ended 30 June 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

- 19 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.
- 20 Without such hedging, the Council would have difficulty absorbing adverse interest rate movements. A 1% increase in interest rates on \$275 million of external debt would equate to additional interest expense of \$2.75 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.
- 21 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.
- 22 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%.

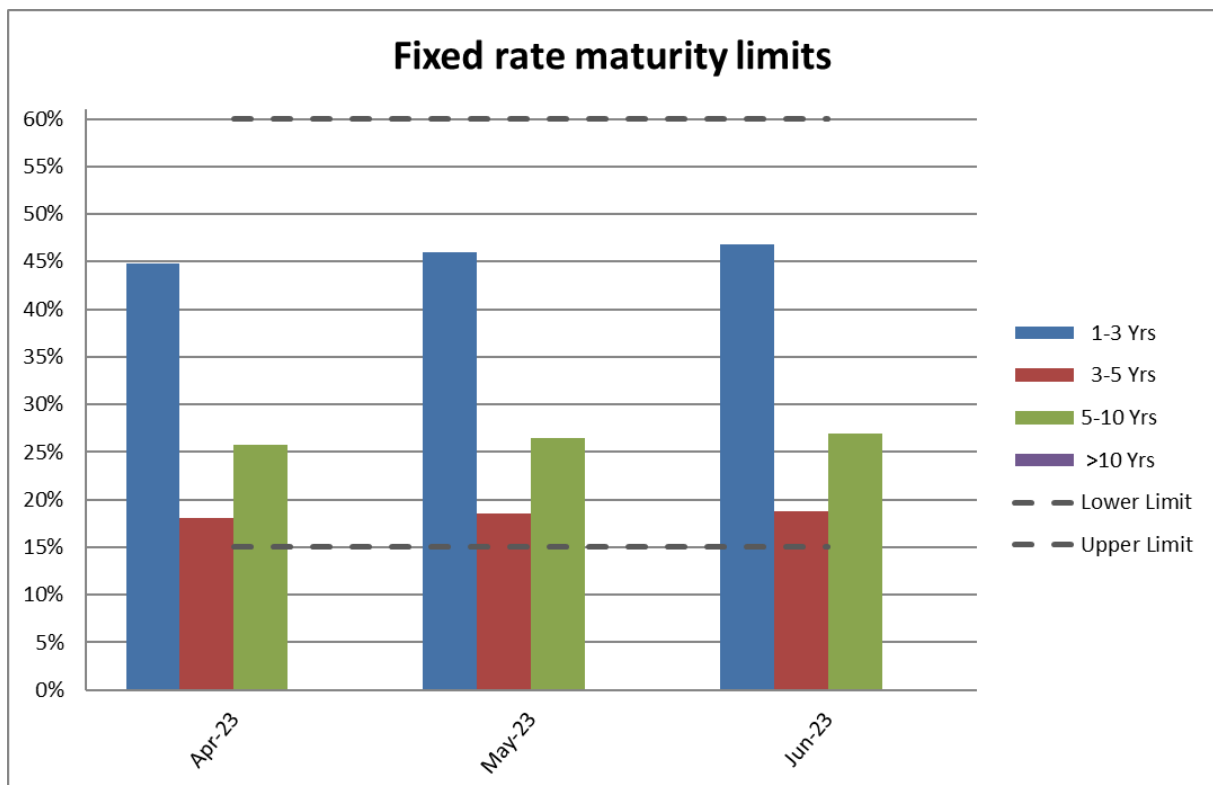
- 23 The Council has been fully compliant for the three months ended 30 June 2023, as shown by the table below.

\$000's	Apr-23	May-23	Jun-23
External debt (floating)	250,000	265,000	275,000
Swaps (fixed portion)	194,000	189,000	186,000
Fixed %	77.6%	71.3%	67.6%
Unfixed debt	56,000	76,000	89,000

- 24 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%

- 25 The Council has been fully compliant for the three months ended 30 June 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

- 26 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.

- 27 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

- 28 The Council was in full compliance with all counterparty credit limits for the three months ended 30 June 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	Apr-2023		May-2023		Jun-2023		Comply
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	20,000	49.79%	25,000	46.24%	30,000	43.43%	✓
NZ Registerd Bank 2	-	0.00%	-	0.00%	-	0.00%	✓
NZ Registerd Bank 3	19,000	47.30%	23,000	42.54%	35,000	50.66%	✓
NZ Registerd Bank 4	1,170	2.91%	6,070	11.23%	4,084	5.91%	✓
	40,170	100.00%	54,070	100.00%	69,084	100.00%	

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

Interest rate swaps

Counter party	Apr-2023		May-2023		Jun-2023		Comply
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	40,000	20.62%	40,000	21.16%	40,000	21.51%	✓
NZ Registerd Bank 2	93,000	47.94%	88,000	46.56%	85,000	45.70%	✓
NZ Registerd Bank 3	61,000	31.44%	61,000	32.28%	61,000	32.80%	✓
	194,000	100%	189,000	100%	186,000	100%	

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

Specific Borrowing Limits

- 29 In managing debt, the Council is required to adhere to the specific borrowing limits.
- 30 The Council fully complied with these limits for the three months ended 30 June 2023 and the results are shown below:

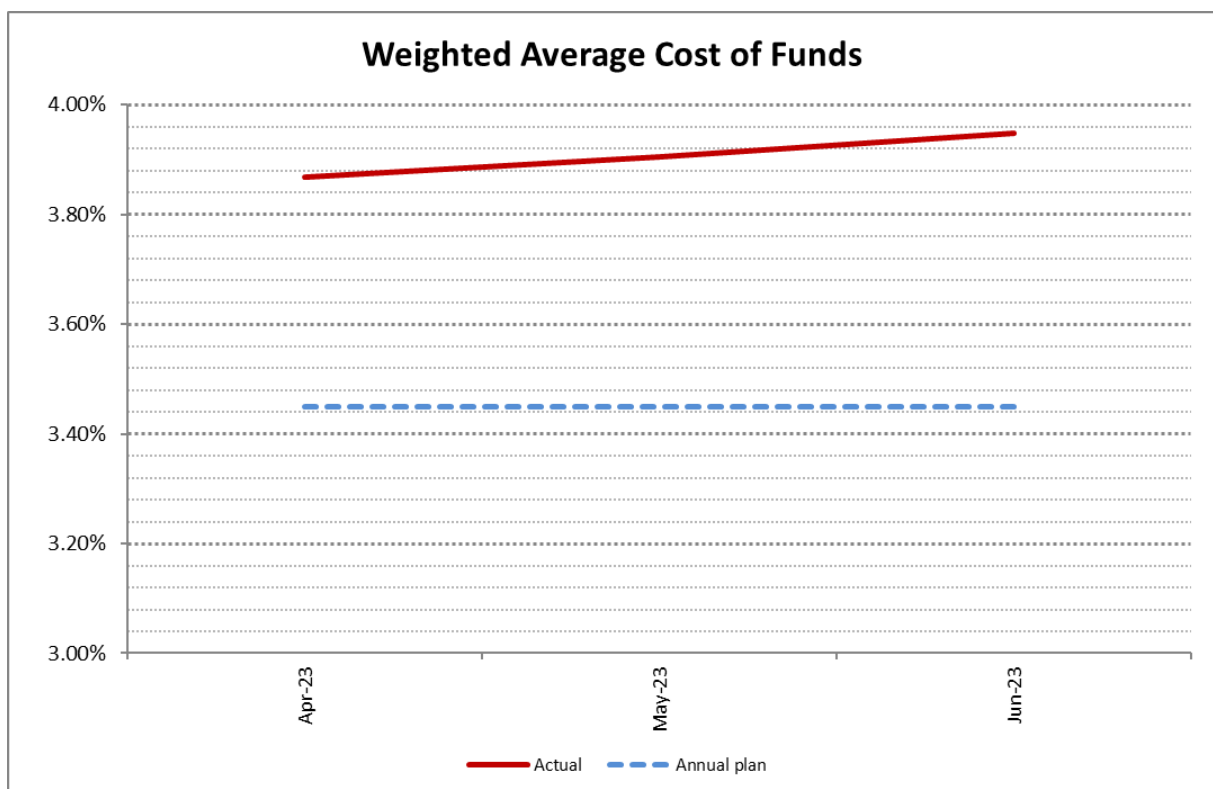
Borrowing limit	Policy limit	2022/23	Comply
Net interest expense/Total Operating Income	< 20%	7.3%	✓
Liquidity ((total debt +total committed facilities +cash on hand)/total debt))	> 110%	128.8%	✓
Net External Debt/Total Operating Income	< 280%	192.5%	✓

Risk Management Performance

- 31 The following table shows the Council's interest income and expense for the twelve months ended 30 June 2023 together with the weighted average cost of borrowing (WACB), compared to year-to-date budget and full year forecast.

	June YTD Actual \$000	YTD Budget \$000	Variance (Fav/UnFav) \$000	Full year Forecast \$000
Interest Expense	10,137	8,983	(1,154)	10,192
less: Interest Income	(2,570)	(1,500)	1,070	(2,473)
Net Interest Cost	7,567	7,483	(84)	7,719
Weighted Average Cost of Borrowings	3.95%	3.45%	-0.50%	3.95%

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



He take | Issues

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

Ngā kōwhiringa | Options

- 34 There are no options to be considered.

Tangata whenua

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

Panonitanga āhuarangi | Climate change

36 There are no climate change considerations within this report.

Ahumoni me ngā rawa | Financial and resourcing

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

Ture me ngā Tūraru | Legal and risk

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

Ngā pānga ki ngā kaupapa here | Policy impact

39 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**

40 An engagement plan is not required for this report.

Whakatairanga | Publicity

41 There are no publicity considerations arising from this report.

NGĀ ĀPITI HANGA | ATTACHMENTS

Nil

8.5 2023 COUNCIL INSURANCE UPDATE

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 (Committee) with a summary of the Council's 2023 insurance renewals as well as a progress update on alternate risk transfer options currently being investigated.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 Not required for this report.

TE TUKU HAE PAPA | 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 notes the Council's 2023 insurance renewals and the progress update regarding alternative risk financing options.

TŪĀPAPA | BACKGROUND

- 4 The Council, together with Porirua City, Hutt City and Upper Hutt City councils (collectively known as the Outer Wellington Shared Services Insurance Group (OWSS)) has been purchasing insurance for their respective assets on a combined basis since 2009. This syndicate was established to provide the OWSS with the scale necessary to access wider domestic and off-shore insurers. In July 2016 Greater Wellington Regional Council joined the OWSS to insure their above ground assets only. This wider collective for above ground assets is known as the Wellington Combined Insurance Group (WCIG).
- 5 Over recent years, insurance markets have continued to tighten. New Zealand, and in particular Wellington, is seen as increasingly challenging for underwriters due to the seismic and flooding risk. Through the increasing severity and frequency of global natural disasters and extreme weather events across New Zealand, insurance capital is increasingly demanding higher returns. The most simple lever insurers have to meet these costs is through increases in premium levels, which has been the recent trend.
- 6 Through Aon, the Council's property and underground infrastructure insurance, which accounts for the majority of Council's total insurance cover, renewed on 1 May 2023. Aon provides Council with independent expert insurance advisory and brokerage services.

- 7 Significant asset insurances, as renewed for the year commencing 1 May 2023, are summarised in the following table:

Asset	Type of insurance	Value of assets insured	Limit of cover	Deductible
Infrastructure assets	Material damage and business interruption in the event of natural catastrophe	~\$884 million	\$600 million OWSS combined material damage and business interruption limit for an event involving more than one council for any loss or series of losses arising out of any one event. Limited to a \$130 million sub-limit for the Council.	The deductible is \$1million per event.
Property, plant and equipment	Material damage and business interruption (MDBI)	~\$275 million	\$600 million WCIG combined limit for any one loss or series of losses arising out of any one event and applying to material damage and business interruption combined.	The natural disaster deductible is 5% of sum insured, with a minimum deductible of \$100,000. For other events the deductible is \$50,000 (except for landslip or subsidence which is \$250,000).
Residential property	Included within MDBI policy above Earthquake Commission (EQC)	~\$30 million (Included in \$275 million MDBI)	EQC: First \$150,000 for each loss event per property to be recovered from the EQC. All other losses: as per MDBI policy above	The EQC deductible is 1% of sum insured with a minimum deductible of \$200, if claim is for land deductible is 10% of sum insured with minimum deductible of \$500. All other deductibles: as per the MDBI policy above

- 8 Current government policy allows for central government to reimburse local government up to 60% of the cost of restoring infrastructure (known as the 60:40 cost sharing arrangement). This policy has been in place for over 25 years. Insurance cover has been based on the assumption that government will provide a full contribution of up to 60%, and therefore, insurance has been placed which covers approximately 40% of loss estimates. It is our understanding that Treasury is now actively seeking to remove this provision from central government as it further develops details pertaining the Affordable Waters Reform.

RISK AND ASSURANCE COMMITTEE MEETING AGENDA

- 9 The Council's infrastructure assets has a total replacement value of \$884 million. Council's maximum insurance cover is \$130 million for natural catastrophe damage to infrastructure assets, within a combined \$600 million loss limit for OWSS. The \$130 million loss limit is based on assessed Maximum Probable Loss (MPL) event in Kapiti. Of this \$130 million limit, 40% is insured with offshore insurers with central government responsible for the remaining 60% of the costs. There is a \$1 million deductible per claim per event.
- 10 The Council has a total sum insured value of \$275 million, including residential property, for material damage and business interruption (MDBI) insurance to above ground assets, with a deductible of \$50,000 per claim per event. Losses suffered to above ground assets by natural catastrophe/s trigger a deductible of 5% of the site sum insured with a minimum \$100,000 deductible per claim per event. The total limit of cover available to the WCIG is \$600 million. The overall limit will be shared among the five councils following an event.
- 11 Residential assets have a sum insured of \$30 million and are included in the MDBI policy. EQC covers up to \$150,000 per dwelling, with the balance of any loss covered with the MDBI policy with a deductible of \$50,000 per event. Council has achieved premium savings by including residential properties within its MDBI insurance.
- 12 In addition to the above key policies, the Council also carries motor vehicle, general liability, professional indemnity, statutory and employer's liability, crime, cyber risk, personal accident and business travel insurances which renewed on 1 November 2022.

HE KÖRERORERO | DISCUSSION

PREMIUM AND BUDGET IMPACTS OF RENEWAL

- 13 Renewal premiums are summarised in the following table:

	2023 premium \$000s	2022 premium \$000s	Change \$000s	Change %
Infrastructure	895	745	150	20.1%
Material Damage	1,409	1,189	220	18.5%
FENZ (Material Damage	76	79	(3)	(3.7%)
EQC (Material Damage)	43	39	4	10.3%
Other policies	314	270	44	16.3%
Total	2,737	2,322	415	17.9%

- 14 Sum insured values are summarised in the following table:

	2023 Sum Insured Value \$000s	2022 Sum Insured Value \$000s	Change \$000s	Change %
Infrastructure	883,444	691,335	192,109	27.7
Material Damage	275,209	226,704	48,505	21.4
Total	1,158,653	918,039	240,614	26.2

- 15 As shown, the total annual cost of the November 2022 and May 2023 renewals was \$2.74 million, an increase of \$415,000 or 17.9% over the previous year's insurances. Importantly, Council's sum insured values over the last 12 months have increased by \$240.6 million or 26.2%. This is due in part, from new asset additions but mainly due to significantly higher

replacement costs from inflation and supply and resource constraints. Against this context, Council has done very well to secure 100% of its insurance required and the premium increase is well below the increase in sum insured values.

- 16 The total insurance budget for 2023/24 is \$2.58 million. The budget shortfall of \$160,000 will need to be funded from existing budgets through additional operating revenues than planned (if any), and/or planned expenditure prioritisation.

- 17 Over the past three years, the insurance market has continued to tighten and ratepayers have endured significant premium increases year-on-year. New Zealand continues to be perceived as high risk for underwriters with some underwriters no longer providing insurance to New Zealand at all. Aon has had to seek new insurance markets to achieve successful insurance renewals for our sum insured values.

As endorsed by the former Audit and Risk subcommittee of the previous triennium, Officers are continuing to work with Aon to further explore whether there are tangible benefits to ratepayers from establishing a captive, a protected cell and/or a managed self-insurance fund of significantly larger scale. These are referred to as risk financing options.

- 18 A captive is an insurance company owned by a non-insurance company parent (e.g. the Council), which primarily insures the risks of its parent and/or affiliated companies. Captives are usually formed in a specialised regulatory environment - a domicile. At a very basic level a captive is a form of risk retention mechanism (like a deductible) that is used to aggregate premium and loss information for its parent. A captive can retain a portion of the risk and seek co-insurance or reinsurance cover for the full risk amount. A captive can make risk financing more cost effective and ultimately reduce the total cost of risk. A captive will control the budget that is allocated to risk management and will pay for the company's losses.
- 19 A Protected Cell, or Cellular Captive can provide similar risk retention capabilities, with the flexibility of faster entry and exit and reduced governance requirements. A protected cell entity is less onerous to establish and administer than a captive and is likely to be the more suitable form for our Council, should we wish to proceed in this direction.
- 20 Increasingly more Councils in New Zealand are exploring managed self-insurance funds, to help reduce year-on-year insurance premium increases and to help fund the costs of uninsured losses from more frequent and significantly larger loss events.
- 21 Council already has a small self-insurance fund mechanism in place to offset the costs of any uninsured loss events. Each year, Council rates funds \$150,000 for uninsured operating costs (repairs and maintenance) and the capital works programme includes \$250,000 per annum for uninsured losses to assets (asset replacements). Unused capex budget is carried over to subsequent years and unused opex funding accumulates in a self-insurance reserve. Typically, the reserve is depleted within one to two years due to more frequent loss events.
- 22 Irrespective of the risk financing option chosen, advantages of establishing any of these include:
- a) achieving a degree of formality and separation from the Council, allowing for arm's length management of insurances; and
 - b) adopting a level of risk retention separate from the Council; and
 - c) assuming no significant losses, the benefit of retaining some risk (and therefore some of the premium budget) will accumulate in the risk financing option, rather than being paid away to insurers; and
 - d) fund capital, while being retained to meet potential future losses, could be invested and earn a return, subject to appropriate investment risk and liquidity controls; and
 - e) the ability to provide insurance cover for uninsurable or hard to insure assets; and
 - f) Council's attractiveness to underwriters is substantially increased as these risk financing options all provide them with a further layer of protection before they are required to pay any insurable claim(s).

- 23 Work to date on captives and protected cells has identified tangible benefits to ratepayers however, those benefits are also derived from the costs of the Council's infrastructure insurance. The Affordable Waters Reform will involve transfer of Council's three waters infrastructure assets to Entity G and the insurance of such assets will remain with Entity G. These initial benefits need to be re-examined in this context.

Council's insurances renew on 1 November and 1 May each year. The largest insurances, MDBI and Infrastructure, renew on 1 May each year to accommodate budget planning for Council's Long-Term Plans and/or Annual Plans. Officers and Aon have recently met to discuss and agree the next steps regards presenting risk financing options to the Committee and Council for further consideration. To crystallise any benefits early, a risk financing option must ideally be in place before the 1 May 2024 renewal. The agreed work effort to February 2024 is summarised below.

- 24 Risk Modelling: Council must update its likely risk exposure. Critical to each risk financing option, is an accurate determination of the Council's current actual MPL for infrastructure assets, including post transfer of three waters infrastructure assets to Entity G by 1 July 2026, and MDBI. This includes modelling the Council's asset portfolio using the latest update to the National Seismic Hazard Model. This is particularly relevant to Council because the shaking hazard increase in the Kapiti district is likely to correlate through to an increase in secondary perils (liquefaction/lateral spread, landslip and differential settlement) and higher MPL expectancies. Aon expects to complete this by January 2024.
- 25 Risk Financing Options: These will incorporate the updated risk modelling impact (likely higher loss limits) on the OWSS and WCIG syndicates as well as for Council as a standalone entity. Options of a captive, protected cell and externally managed self-insurance fund will be provided by Aon. The required insurance capacity, insurance rate impacts and indicative premium impacts (from a commercial perspective) will also be included for each option, as part of the OWSS and WCIG syndicates and as a standalone entity.

He take | Issues

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

Ngā kōwhiringa | Options

- 27 There are no options in addition to those already noted in this report.

Tangata whenua

- 28 There are no tāngata whenua considerations required with this report.

Panonitanga āhuarangi | Climate change

- 29 There are no climate change considerations required with this report.

Ahumoni me ngā rawa | Financial and resourcing

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

Ture me ngā Tūraru | Legal and risk

- 31 There are no legal issues arising from this report. There are no risk considerations in addition to those already discussed in this report.

Ngā pānga ki ngā kaupapa here | Policy impact

- 32 This report has no impact on the Council policies.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT

Te mahere tūhono | Engagement planning

33 There are no engagement plans required for this report.

Whakatairanga | Publicity

34 No publicity is planned in relation to this report.

NGĀ ĀPITI HANGA | ATTACHMENTS

Nil

8.6 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 WHAKARĀPOOTO | EXECUTIVE SUMMARY

- 2 This report does not require an Executive Summary.

TE TUKU HAE PAPA | 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 As Chief Executive 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 for me to report my operational responsibilities in detail, that sits with me while you manage your governance duties. Having said that, this Committee does support my successful oversight of the various functions of this organisation. In return, this report provides you with a high-level summary of risks that concern me as the head of the organisation.
- 5 Key areas of interest to be highlighted at this meeting are health and safety, preparing for the future, inflation and increased costs, and business continuity for core services.
- 6 A more detailed review of Council's key risk topics is included in the Top 10 Organisational Risk Report and Health and Safety Quarterly Report to this Committee meeting.

HE KŌRERORERO | DISCUSSION

Health and Safety

- 7 Maintaining a safe working environment for workers is our top priority. We are actively responding to support our frontline staff who continue to experience aggressive and intimidating customer behaviour. A small internal working group is 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. One example of an initiative to support the wellbeing of our people is to learn from our local Police on how to communicate effectively with members of the public who have mental health issues, or who have caused issues in public areas previously, to staff who carry out community and stakeholder engagement activity. In time this will become part of our corporate training offering.
- 8 Staff shortages remain in some areas of Council because of staff vacancies and winter sickness, including some with Covid-19 who need to isolate. This continues to create stress and fatigue for a number of staff in the business at this time. While it is important that we maintain momentum and deliver for our community that does not come at the cost of staff health, safety, or wellbeing. If staff are sick or need to focus on their own wellbeing, need to take annual leave, or take time out to care for dependents they are reminded to not stress

about the need to get work done. We let them know that if their work cannot be put on hold, slowed down or re-prioritised then we can always find a workaround. At this time of year, we regularly remind staff that to achieve winter wellness everyone needs to all play their part to keep each other safe and keeping germs at home is the best way to do this. To support this flu vaccine vouchers were made available for all staff who wanted a flu vaccine.

- 9 More detail can be found on this agenda in the Top 10 Organisational Risk Report and the Health and Safety Quarterly Report which highlights the efforts and focus the business continues to make in support of driving an improved safety culture and performance.

Preparing for the Future

- 10 As an organisation we are facing some significant challenges - from 42 central government reform programmes (including Affordable Waters, previously known as 3 Waters, resource management reform, and the future for local government), climate change, growth, rising costs and delivery on our Long-term Plan. To prepare ourselves for the future the Senior Leadership Team (SLT) recognise that change may be needed to help the organisation to respond to these challenges.
- 11 SLT have invited all staff to be involved in this process and share their thoughts on whether we need to make some organisational changes to help us meet these challenges and why, and what outcomes people would like to see as a result of any potential changes.
- 12 This is an operational programme of work that will inform me as Chief Executive that the organisation is well placed to continue to deliver significant benefits to the wellbeing of our community post government reforms. I have shared with all staff that SLT want to:
- 12.1 enable a great transition for our Three Waters function moving to Entity G, with our people as a key focus,
 - 12.2 optimise how organisational functions are organised to best service our community,
 - 12.3 continue efforts to develop a more mutually mana enhancing partnership with mana whenua and Kāpiti Māori,
 - 12.4 be in the best position to respond to new pressures that are growing in demand. For example, new mandates and geo-political, technological and environmental/climate issues, and
 - 12.5 maintain high standards of business as usual delivery whilst managing escalating delivery costs, supply chain issues and skilled labour shortages.
- 13 However, the above points represent just one view. At the outset of focusing on these considerations the most important thing to do is to hear from staff first on how they think we can optimise the opportunity that these huge delivery, legislative and central government reform challenges offer. All staff have been told that this is the start point of a conversation and not something that is being done to them and there are no specific changes being proposed. To that end all staff have received the following points as conversation starters and invited to provide their feedback on:
- 13.1 whether we can manage these challenges the way we are now, or whether we should make some changes,
 - 13.2 the outcomes they would like to see from any changes, and
 - 13.3 anything else that SLT has not considered.
- 14 The changes and significant challenges the organisation is facing are happening. The organisation must have a conversation about the need to play what is in front of us and what we can see and influence. To do nothing would be both negligent and risky.

Inflation and Increasing Costs

- 15 Increasing costs to serve the community continues to be a problem. The continued global impacts from the war in Ukraine and the COVID-19 hangover 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 increasing costs. Managing these cost increases to minimise the impact on our District is challenging. An example of these cost pressures was seen in the development of the 2023-24 Annual Plan adopted on 29 June 2023 as staff worked with elected members to deliver a meaningful and impactful Annual Plan that addresses the balance of priorities of living within our means whilst delivering on our commitments as best as possible.

Business Continuity for Core Services

- 16 While there has been no movement in residual risk ratings for the Top Ten Organisational Risks separately reported to this meeting, the impact of the North Island's severe weather events through January and February has had and will continue to have implications for risk assessment across the board including:
- 16.1 deployment of staff to support the Civil Defence Emergency Management response and ongoing recovery efforts,
 - 16.2 additional financial pressure on an economy already feeling significant pain,
 - 16.3 highlighting conversations about planning where and how we grow,
 - 16.4 unavailability of external resources impacting on progress and cost of some projects,
 - 16.5 our readiness to respond had we been more directly impacted,
 - 16.6 increased pressure on staff and resources in response to incidents,
- 17 These implications are consistent with what we are seeing in the global risk landscape which indicates the cost of living dominating global risks over the next two years and climate action failure dominating the next decade.
- 18 Staff will be working with Elected Members to develop a draft long term plan that acknowledges and adapts to these challenges as best as possible.
- Equally important and already underway is a refreshed focus on confirming business continuity of core services across the organisation. By way of an example Cyclone Gabrielle has had a devastating impact on many parts of Aotearoa and Council's thoughts are with all those suffering significant hardship as a result. The need to rebuild many communities is a New Zealand wide priority. We were lucky enough to not be impacted. However, a by-product of this event that we have already experienced is an even more restriction in access to key materials and suppliers to support the completion of our capital programme. Council staff are monitoring the situation carefully and will make procurement decisions for example bulk buying as the situation develops and relevant information comes to hand.

He take | Issues

- 19 There are no issues to be raised in this report. Other topics including risks, may be included in the verbal update should they become a matter of concern to me as the Chief Executive following submission of this report.

Ngā kōwhiringa | Options

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

Tangata whenua

- 21 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

- 22 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

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

Ture me ngā Tūraru | Legal and risk

- 24 There are no specific legal or risk considerations associated with the recommendation of this report.

Ngā pānga ki ngā kaupapa here | Policy impact

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

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

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

Whakatairanga | Publicity

- 27 There are no publicity considerations.

NGĀ ĀPITI HANGA | ATTACHMENTS

Nil

8.7 TOP 10 ORGANISATIONAL RISK REPORT

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

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 WHAKARĀPOOTO | EXECUTIVE SUMMARY

- 2 This report does not require an Executive Summary.

TE TUKU HAE PAPA | 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 “Risk” for the management of the council organisation is defined as:
 - 4.1 the impact of unforeseen events on the planned objectives that the Senior Leadership Team (SLT) intend to deliver and/or achieve (short, medium and long term), and
 - 4.2 risks including strategic, reputational, regulatory, legal, security, change and some operational risks deemed important enough to become organisational risks. Although they have not happened, they have the potential to affect the ability of the SLT to achieve its objectives.
- 5 The SLT identified and set the Top Ten Organisational Risks discussed in this report. These risks set a clear direction for staff as to what SLT believe are the highest areas of risk for the organisation being able to successfully achieve its objectives and show the plans to mitigate them through our work programmes.
- 6 The current top ten risks listed in the following table are managed in a risk register in our Enterprise Risk Management software: Camms Risk. It is important to note that these risk listings are:
 - 6.1 not ranked in order of severity,
 - 6.2 capped at 10, to provide a clear focus for SLT and this Committee,
 - 6.3 not ‘set in stone,’ emerging risks can be brought forward by SLT to replace an existing organisational risk when required and/or relevant.
- 7 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 conducted to further mitigate the risk.
- 8 The Top 10 Organisational Risks will contribute to the development of the 2024 Long Term Plan, particularly to help inform the significant forecasting assumptions that form the foundation of the Long Term Plan. 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 Long Term Plan which assist in mitigating some of the Organisational Risks in the future.

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

HE KŌRERORERO | DISCUSSION

Organisational Risks

- 9 This report updates the Risk and Assurance Committee of the current Top 10 Organisational Risks for the organisation. The 'Top 10 Organisational Risk Heatmap Report' attached as Appendix 1 to this report, details how the organisation is treating and mitigating these risks, with progress updates against each of the individual risk treatments highlighted in yellow to make for easier reference. There are no changes to any of the residual risk ratings.

Global Risk Horizon Scan

- 10 The similarities between the Top 10 Organisational Risks and the global risks predicted for the next two and ten years by the World Economic Forum remain the same. Those global risks reported to this Committee on 16 May 2023 and outlined in [The Global Risks Report 2023](#) and remain the latest report by a major global organisation.

Assurance Linkages

- 11 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. The latest Internal Audit – Progress Update Internal Audit Work is on this agenda.

He take | Issues

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

Ngā kōwhiringa | Options

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

Tangata whenua

- 14 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*.
- 15 This risk update was undertaken by the Group Manager People and Partnerships. With the arrival of the Group Manager, Iwi Partnerships the role of risk sponsor has been transferred to that role and that change is reflected in the report.

Panonitanga āhuarangi | Climate change

- 16 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*.

Ahumoni me ngā rawa | Financial and resourcing

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

Ture me ngā Tūraru | Legal and risk

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

Ngā pānga ki ngā kaupapa here | Policy impact

- 20 There are no further 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 - Top 10 Organisational Risk Heatmap Report [↓](#)
2. Appendix 2 - Definitions [↓](#)



Top 10 Organisational Risk Heatmap Report

Kapiti Coast District Council

camms**risk**

HEATMAP SUMMARY

The Heatmap shown below presents a 'big picture' and concise view of all the current Organisational Risks for Council. It enables you to see on one page how each risk has travelled since the last time they were reported on and where the Council is aiming to get the target risk rating down to with appropriate treatment plans. The treatments in this report will detail how the Council will look to achieve this.

- 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



RISK SUMMARY

Organisational Risks

No.	Risk Title	Initial	Current	Target	Trend
	ORG 1 - Loss of life, serious injury or illness due to insufficient Health, Safety and Wellbeing management	Extreme	High	Moderate	↔
	Risk Comment: Council is committed to providing a healthy, safe working environment improved by a continuous improvement approach for learning opportunities and leadership development.				
	ORG 2 - Failure to adequately maintain social licence	High	High	Moderate	↔
	Risk Comment: This is a new way of understanding and thinking about how our organisation maintains the trust and confidence of its community so our understanding of this risk and the appropriate controls and treatments will grow over time.				
	ORG 3 - Failure to give effect to Te Tiriti and our obligations to Iwi, Hapu and Maori	Extreme	High	Moderate	↔
	Risk Comment: There are potential partnership, legal and reputational consequences for the Council associated with this risk, however an increased focus within Council provides an improving foundation for working alongside our mana whenua iwi partners to understand and mitigate these. The creation of an Iwi Partnerships Group will further enhance the work in this space.				
	ORG 4 - Inadequate mitigation and adaptation responses to known and future climate change challenges	Extreme	Extreme	High	↔
	Risk Comment: We are seeing increasing impacts of climate change, from severe weather events to loss of biodiversity and will need to continually increase our response to adapt and mitigate climate change. The risk treatments underway are critical to essentially keeping our head above water, they will not reduce the likelihood of climate change, this is a global crisis.				
	ORG 5 - Failure to achieve legislative obligations	Extreme	Moderate	Low	↔
	Risk Comment: There are significant controls in place and staff are acutely aware of the risks of not meeting their statutory obligations as part of their jobs. Staff understand the potential consequences to Council's reputation if we were to fail to meet these legislative obligations from our community and customers.				
	ORG 6 - Inadequate management of the impacts of central government reform/change	Extreme	Extreme	High	↔
	Risk Comment: We are working in a reasonably fluid environment with this being an election year in regard to central government reform/change. We should see a pause through to the October 2023 general election, however there remains a high degree of uncertainty around direction for much of the planned reform/change currently underway. We are reviewing lead party policy commitments to understand potential incoming focus and implications, monitoring change and direction closely and ensuring there is a good understanding of the implications of changes proposed now.				
	ORG 7 - Inadequate safeguards against cyber security threats	Extreme	Moderate	Moderate	↔
	Risk Comment: Cyber security protection measures need to be fit for purpose for the Council and resourced appropriately.				
	ORG 8 - Failure to prudently manage Council's financial stability including fraudulent activity	Extreme	Moderate	Low	↔
	Risk Comment: Generally satisfied with internal controls of the financial system. More regular training and awareness of the fraud mitigation policy is to be planned.				
	ORG 9 - Failure to maintain business continuity for our core services	High	Moderate	Moderate	↔
	Risk Comment: Significant work has been undertaken in this area due to Covid-19, but core infrastructure business continuity has been a key area of focus from before Covid-19 for Local Government. Work review to be undertaken to ensure BCP's are fit for purpose, with regular reviews and complacency checks to ensure controls are kept up to date with improvements to processes highlighted and updated.				

No.	Risk Title	Initial	Current	Target	Trend
DRG 10 - Inability to attract and retain sufficient capacity to deliver Council’s objectives		Extreme	High	Low	↔
Risk Comment: Our Council is experiencing similar challenges in attracting and retaining suitably skilled and experienced staff. This is a current observation across Local Government at present, especially in small-sized Councils.					

ORG 1 - Loss of life, serious injury or illness due to insufficient Health, Safety and Wellbeing management

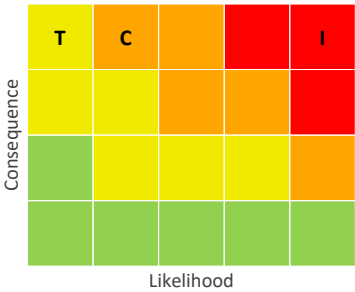


RISK OVERVIEW

Corporate

ORG 1	Loss of life, serious injury or illness due to insufficient Health, Safety and Wellbeing management			
Risk Category: Health, Safety and Wellbeing, Legal and Regulatory Compliance, Reputational and Stakeholder Relationship		Risk Sponsor: Chief Executive	Secondary Risk Sponsors: Senior Leadership Team (SLT)	Last Reviewed Date: 13 Jul, 2023
				Next Review Date: 13 Oct, 2023

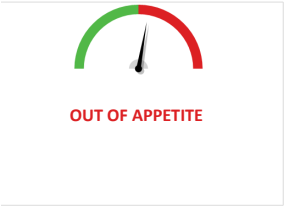
Individual Heatmap



- I Initial Risk Assessment
- C Current Risk Assessment
- T Target Risk Assessment

Effectiveness of control	
I	N/A
C	Partially Effective
T	N/A

Risk Appetite



Causes

- Complacency
- Failure to engage and listen to staff
- Ineffective consistent engagement and communication between staff and management
- Ineffective safeguards and/or process controls
- Insufficient levels of capability
- Lack of adherence of contractor management frameworks
- Lack of sharing information to enable lessons learnt
- Loss of balance between resourcing and expectations
- Personal circumstances of staff
- Poor health and safety processes
- Poor safety culture and/or behaviours

Risk Sponsor Comments: Council is committed to providing a healthy, safe working environment improved by a continuous improvement approach for learning opportunities and leadership development.

Risk Treatment: Take further action to modify impact / likelihood




Consequences

- Absenteeism
- Financial penalties
- Injuries and/or fatalities
- Negative impact on psychological wellbeing
- Reduced resilience
- Reputational damage

Risk Controls

Control Title	Control Owner	Control Effectiveness Rating
Kapiti staff Health and Safety Committee	Organisational Development Manager	Not Assessed
Proactive modelling of good Health & Safety behaviours to promote wellbeing	Organisational Development Manager	Partially Effective
Health and safety management systems	Organisational Development Manager	Effective
Employee Assistance Programme for Kapiti staff	Organisational Development Manager	Effective
Asbestos Management Plan	Organisational Development Manager	Partially Effective
AA Driver Training and Assessment Programme	Organisational Development Manager	Partially Effective

Risk Treatments

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Continuing the risk-based approach / assessment focus on: asbestos, hazardous substances, contractor management, driving, and psychological wellbeing	Organisational Development Manager	Ongoing	0	31 Dec, 2024	 N/A
Progress Comment: Work continues on developing and strengthening a risk based approach across the organisational critical H&S risks, including risk assessment and mitigation education (e.g. equipping staff with tools/skills to do their jobs safely in face of aggressive customers) and a revised focused format for H&S reports.					
Offer Wellbeing initiatives to Kapiti Council staff	Organisational Development Manager	Ongoing	0	31 Dec, 2024	 N/A
Progress Comment: Additional resources are now in place to focus on development and implementing a range of wellbeing initiatives.					
The Health and Safety Committee provides regular updates to the Senior Leadership Team	Organisational Development Manager	Ongoing	0	31 Dec, 2024	 N/A
Progress Comment: A new Health and Safety Committee structure has been implemented to provide greater opportunities for worker engagement and more regular engagement with the CE and SLT.					

ORG 2 - Failure to adequately maintain social licence



ORG 2**Failure to adequately maintain social licence**

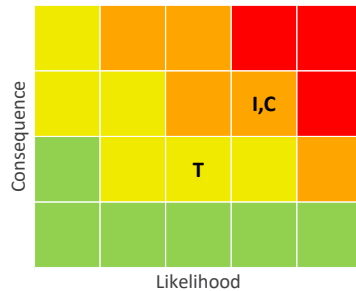
Risk Category: Reputational and Stakeholder Relationship, Assets & Infrastructure Resilience, Environmental Impact, Legal and Regulatory Compliance

Risk Sponsor: GM People & Partnerships

Secondary Risk Sponsors:
Senior Leadership Team (SLT)

Last Reviewed Date: 13 Jul, 2023

Next Review Date: 13 Oct, 2023

Individual Heatmap**Effectiveness of control**

I	N/A
C	Partially Effective
T	N/A

Risk Appetite

OUT OF APPETITE

Causes

- Inconsistent approaches to engagement and collaboration
- Inconsistent direction setting across Council activities
- Lack of transparency and accountability
- Poor explanation of rationale for Council decisions
- Poor understanding of and responsiveness to community needs and expectations

Risk Sponsor Comments: This is a new way of understanding and thinking about how our organisation maintains the trust and confidence of its community so our understanding of this risk and the appropriate controls and treatments will grow over time.

Risk Treatment: Take further action to modify impact / likelihood

Risk Controls

Control Title	Control Owner	Control Effectiveness Rating
Proactive Disclosures Policy	Governance & Legal Services Manager	Partially Effective
Residents Opinion Survey	Manager Corporate Planning & Reporting	Partially Effective
Communication and Engagement Strategy	Communications & Engagement Manager	Partially Effective
Significance and Engagement Policy	GM People & Partnerships	Partially Effective

Risk Treatments

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Work is underway to better understand social licence and develop an approach and associated work programme	GM People & Partnerships	In Progress	5	30 Sep, 2023	RED
Progress Comment: Draft approach and action plan will be agreed by Q1 23/24. Deep dive into social licence proposed for a future Risk and Assurance Committee meeting.					

ORG 3 - Failure to give effect to Te Tiriti and our obligations to Iwi, Hapu and Maori



ORG 3

Failure to give effect to Te Tiriti and our obligations to Iwi, Hapu and Maori

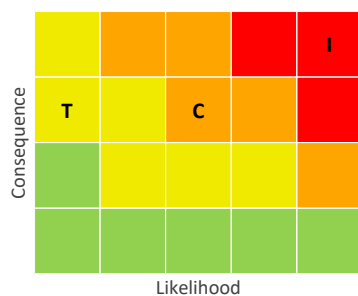
Risk Category: Reputational and Stakeholder Relationship

Risk Sponsor: Chief Executive

Last Reviewed Date: 13 Jul, 2023

Next Review Date: 13 Oct, 2023

Individual Heatmap



I Initial Risk Assessment
C Current Risk Assessment
T Target Risk Assessment

Effectiveness of control

I	N/A
C	Partially Effective
T	N/A

Risk Appetite



OUT OF APPETITE

Causes

- Failure to be a supportive partner to mana whenua iwi during treaty claim and negotiation processes
- Inadequate resourcing of organisation to have appropriate capacity and capability to partner, collaborate and engage
- Inadequate support for resourcing of mana whenua iwi to enable appropriate capacity to partner, collaborate and engage
- Inadequate understanding of obligations to iwi, hapu and maori
- Inadequate understanding of partnership obligations to mana whenua iwi
- Inadequate understanding of Te Tiriti o Waitangi obligations
- Miscommunication or No communication

Consequences

- Deterioration of partnership/s with mana whenua iwi
- Legal consequences
- Reputational damage

Risk Sponsor Comments: There are potential partnership, legal and reputational consequences for the Council associated with this risk, however an increased focus within Council provides an improving foundation for working alongside our mana whenua iwi partners to understand and mitigate these. The 24 July 2023 arrival of the new Group Manager Iwi Partnerships will see progress on the establishment of the new group and will further enhance the work in this space.

Risk Controls

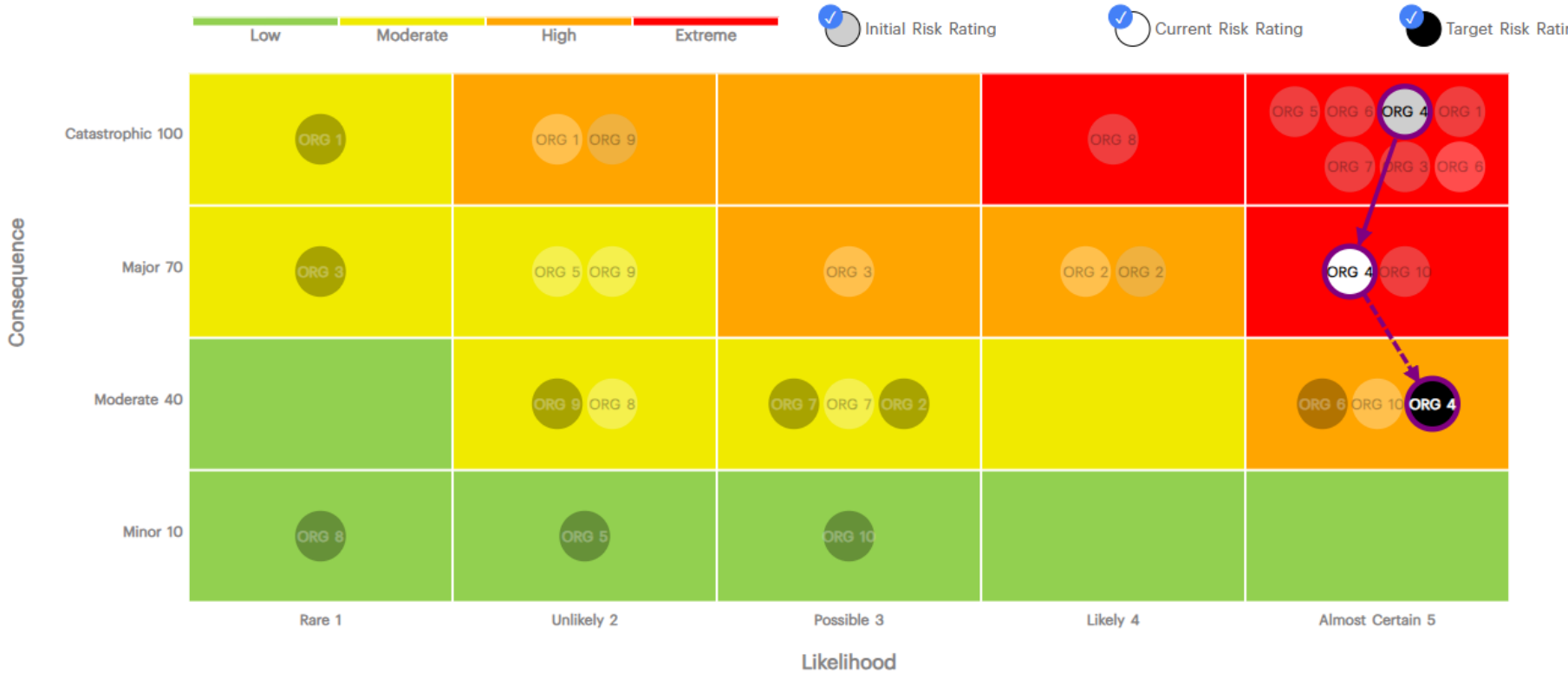
Control Title	Control Owner	Control Effectiveness Rating
Mana whenua representation in Council Governance Structure	GM Iwi Partnerships	Effective
Te Whakaminenga o Kapiti work programme	GM Iwi Partnerships	Partially Effective
Regular communication between Council and Iwi partners	GM Iwi Partnerships	Partially Effective
Funding for Iwi capacity	GM Iwi Partnerships	Partially Effective
Asset Management Plans	Senior Leadership Team (SLT)	Partially Effective

Risk Treatments

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Establish a staff capability development programme on enhancing Te Ao Maori and Council's obligation to Maori	GM Iwi Partnerships	Ongoing	0	29 Dec, 2023	N/A
Progress Comment: Procurement of suppliers for a multi-year programme is underway. This was delayed slightly due to the impacts of Covid-19 on our workforce.					
Establishment of new Iwi Partnerships Group	Chief Executive	In Progress	80	31 May, 2023	RED
Progress Comment: The new Group Manager Iwi Partnerships joined Council on 24 July 2023 and establishment of the new group is underway.					

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Requests for specialist advice to understand implications and opportunities in response to Waitangi Tribunal Reports (past, current and future reports)	GM Iwi Partnerships	Ongoing	0	31 Dec, 2024	<div><div></div><div></div><div></div></div> N/A
Progress Comment: Ongoing					
Work with our mana whenua iwi partners to review the Memorandum of Partnership and Te Whakaminega o Kapiti terms of reference	GM Iwi Partnerships	Ongoing	0	29 Dec, 2023	<div><div></div><div></div><div></div></div> N/A
Progress Comment: Discussions are ongoing with all three of our Iwi partners specific to the partnership aspirations and needs of each Iwi.					

ORG 4 - Inadequate mitigation and adaptation responses to known and future climate change challenges



ORG 4**Inadequate mitigation and adaptation responses to known and future climate change challenges**

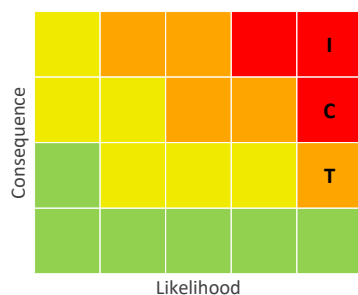
Risk Category: Environmental Impact, Assets & Infrastructure Resilience, Health, Safety and Wellbeing, Reputational and Stakeholder Relationship

Risk Sponsor: GM Strategy & Growth

Secondary Risk Sponsors: GM Regulatory Services, GM Corporate Services, GM Infrastructure Services

Last Reviewed Date: 13 Jul, 2023

Next Review Date: 13 Oct, 2023

Individual Heatmap

I Initial Risk Assessment
C Current Risk Assessment
T Target Risk Assessment

Effectiveness of control

I	N/A
C	Partially Effective
T	N/A

Risk Appetite

OUT OF APPETITE

Causes

- Failure to appropriately consider climate change in growth decisions
- Failure to consider climate change appropriately in BAU activities
- Inadequate consideration in Council strategies and plans
- Misalignment between Council's climate change strategies and operational activities
- Misalignment between national direction and appropriate local responses

Consequences

- Building consents liabilities
- Coastal erosion
- Disruption to core Infrastructure
- Economic development disruption to local businesses and community
- Environmental non-compliances due to discharge
- Flooded properties
- Increased capital costs for resilient assets
- Increased wastewater overflow
- Injuries and/or fatalities
- Loss of credit rating
- Loss of cultural taonga of significance
- Negative impacts on our resilience
- Reduced quality of land for use
- Reduced quality of wai (rivers, streams and ocean)

Risk Sponsor Comments: We are seeing increasing impacts of climate change, from severe weather events to loss of biodiversity and will need to continually increase our response to adapt and mitigate climate change. The risk treatments underway are critical to essentially keeping our head above water, they will not reduce the likelihood of climate change, this is a global crisis. For example, while we know that transport produces 60% of our emissions, Council does not control transport, and therefore does not own this risk outright.











Risk Treatment: Take further action to modify impact / likelihood

Risk Controls

Control Title	Control Owner	Control Effectiveness Rating
Regulatory assessment of environmental non-compliance	Environmental Standards Manager	Partially Effective
Build climate change into Asset Management Plans	Sustainability & Resilience Manager	Effective
Natural Catastrophe Insurance	GM Corporate Services	Effective
Stormwater Framework	Stormwater & Coastal Asset Manager	Effective

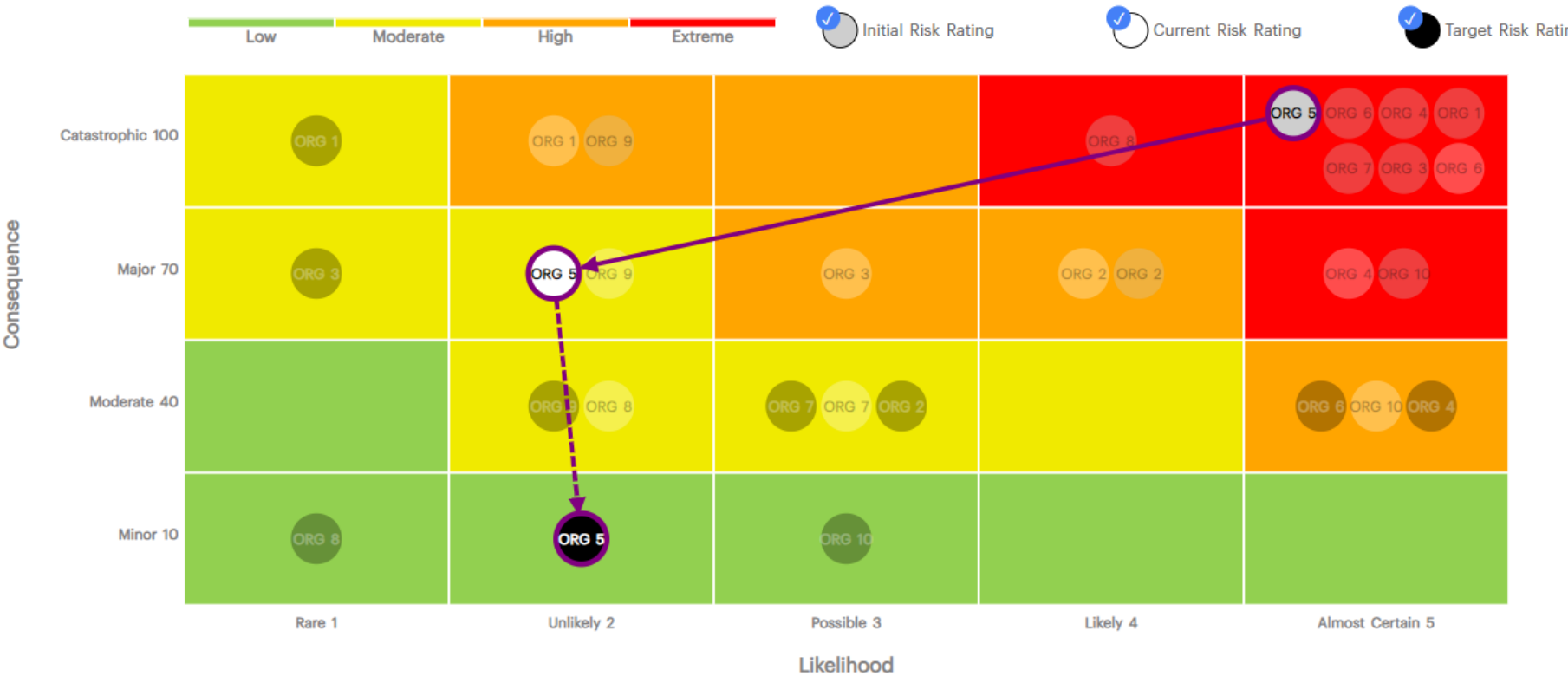
Risk Treatments

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Coastal Adaptation Panel (CAP) recommendations provided to Council	District Planning Manager	In Progress	40	01 Aug, 2024	GREEN
Progress Comment: We have completed work in the northern adaptation area. Initial work is now underway in the central adaptation area.					

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Develop a report on the effectiveness of consent decisions regarding response to climate change challenges	Resource Consents and Compliance Manager	In Progress	30	31 Dec, 2023	 AMBER
Progress Comment: This work is underway.					
Ensure comprehensive assessment of district plan changes respond to climate change challenges	District Planning Manager	Not Started	0	31 Dec, 2025	 RED
Progress Comment: As component parts of the district plan are amended an assessment of impact will be made.					
Ensure that key data informs regulatory work and the District Plan is updated	District Planning Manager	Ongoing	0	31 Dec, 2027	 N/A
Progress Comment: The Proposed Plan Change 2 Independent Hearing Panel's recommendations are back and will go to Council for a decision on 10 August 2023. Wider work continues and further District Plan updates will progress later this year.					
Implement Climate Emergency Action framework	Sustainability & Resilience Manager	Not Started	0	31 Dec, 2025	 RED
Progress Comment: Council adopted a Climate Action Grants Policy earlier this year and the first round of applications closed on 7 July. The proposed grants will go to the Climate and Environment Sub-committee on 8 August. Grants will be decided by Council on 28 August. Staff continued to work across activities to embed mitigation and adaptation in the development of documents for the draft Long Term Plan 2024. Work to develop a Climate Strategy that will cover mitigation, adaptation and transition to low carbon living has started, in conjunction with the development of Vision 2060.					
Implement recommendations from CAP	District Planning Manager	Not Started	0	31 Dec, 2026	 RED
Progress Comment: The recommendation from CAP, if adopted will inform the district plan change and other associated actions.					
Implement resilience maintenance of core infrastructure	Manager Project Management Office	Ongoing	0	31 Dec, 2041	 N/A
Progress Comment: Ongoing through to end of current LTP in 2041.					
Introduce a Climate Strategy	Strategy Manager	In Progress	40	31 Dec, 2023	 GREEN
Progress Comment: Council requested a "think tank" which will go live post the Climate and Environment Sub-committee meeting on 8 August 2023. Council have confirmed the intention to set an Emissions Reduction Strategy (post June). There is now a staff lead on the Climate Strategy and work is progressing on the Straw Person Strategy which will be drafted for consultation in late 2023.					
Introduce recovery plan to address potential impacts of severe weather events or states of emergency in the future	Chief Advisor, Strategy & Growth / Research & Policy Manager	In Progress	20	31 Dec, 2023	 RED
Progress Comment: Workshops planned for May & June 2023 to land a recovery plan to ensure that resilience is optimised in the event of exacerbated climate impacts or natural hazard events were delayed due to Plan Change 2 workload pressures and Council discussion, and are now booked for August. Staff attended a Recovery Masterclass and will incorporate the recovery plans with both our Climate Strategy and our Environment Strategy. We are networking nationally in this space now.					
Progress district plan changes (flood and coastal risk)	District Planning Manager	Not Started	0	31 Dec, 2025	 RED
Progress Comment: This work has not started as it depends on the CAP and flood mapping work underway (refer to infrastructure stormwater and inland flooding project).					
Update the Carbon and Energy Management Plan	Sustainability & Resilience Manager	In Progress	30	31 Dec, 2023	 RED

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Progress Comment: Council set new targets for its organisational emissions on 29 June 2023, in line with new technical requirement from Toitu Envirocare’s Carbon Reduce Programme and also in line with current best practice which is to set science-based emission reduction targets. Council has achieved 64% emissions reductions since it started measuring its emissions in 2010 and has now set two new targets: a mid-term target of reducing category 1 and 2 emissions with a ‘further’ 15.5% by 2032, and a long-term target of Net Zero by 2040. Category 1 and 2 emissions are so called direct emissions from the use of fuel, natural gas (cat 1) and electricity (cat 2). However, while we know that transport produces 60% of our emissions, Council does not control transport – and therefore does not own this risk outright.					

ORG 5 - Failure to achieve legislative obligations



ORG 5**Failure to achieve legislative obligations**

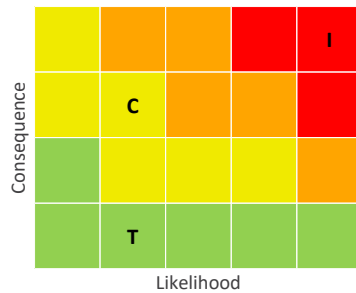
Risk Category: Legal and Regulatory Compliance, Reputational and Stakeholder Relationship

Risk Sponsor: GM Regulatory Services

Secondary Risk Sponsors: GM People & Partnerships, GM Strategy & Growth, GM Corporate Services, GM Infrastructure Services

Last Reviewed Date: 13 Jul, 2023

Next Review Date: 13 Oct, 2023

Individual Heatmap

I Initial Risk Assessment
C Current Risk Assessment
T Target Risk Assessment

Effectiveness of control

I	N/A
C	Partially Effective
T	N/A

Risk Appetite**Causes**

- Breach of policy or procedure
- Failure to provide or maintain safe infrastructure
- Insufficient analysis of available data
- Insufficient resourcing
- Misaligned policies
- Miscommunication or No communication
- Political decisions made against professional advice
- Political influence in operational matters
- Staff non-compliance
- Staff providing incorrect advice to Council

Consequences

- Community impact
- Council liability
- Environmental impact
- Failed infrastructure
- Failure to adopt LTP / Annual Plans
- Financial exposure
- Legal consequences
- Loss of IANZ accreditation
- Loss of public confidence
- Loss of skilled and specialist staff
- Loss of staff due disciplinary action or termination
- Non-compliance with regulatory and legislative obligations
- Poor decision making
- Regulatory infringement
- Reputational damage
- Unlawful decisions

Risk Sponsor Comments: There are significant controls in place and staff are acutely aware of the risks of not meeting their statutory obligations as part of their jobs. Staff understand the potential consequences to Council's reputation if we were to fail to meet these legislative obligations from our community and customers.







Risk Controls

Control Title	Control Owner	Control Effectiveness Rating
Improved communications (Regulatory Services)	Planning Projects Team Leader	Effective
Building consent authority International Accreditation New Zealand (IANZ) audits	Building Team Manager	Effective
Implement District Plan	District Planning Manager	Partially Effective
Internal legal counsel services	GM People & Partnerships	Effective
Advice available from external legal service providers	Governance & Legal Services Manager	Effective
Annual Compliance Reports to Ministry of Health	GM Infrastructure Services	Effective
Compliance with Regulatory standards and associated Annual Reports	GM Regulatory Services	Effective
Compliance with Local Government Act 2002	Senior Leadership Team (SLT)	Effective

Risk Controls

Control Title	Control Owner	Control Effectiveness Rating
Monitoring policy / legislative announcements	Chief Advisor, Strategy & Growth / Research & Policy Manager	Effective

Risk Treatments

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Better analysis of trend information	Senior Leadership Team (SLT)	Ongoing	0	31 Dec, 2023	 N/A
Progress Comment: Work is underway to strategically align activity and services with refreshed legislation and our new outcomes approach.					
Better communications with Elected Members	Senior Leadership Team (SLT)	Ongoing	0	31 Dec, 2024	 N/A
Progress Comment: This is an ongoing treatment that SLT will continue to improve to build trust and confidence with Elected Members.					
Regulatory Services monthly reporting	GM Regulatory Services	Ongoing	0	31 Dec, 2025	 N/A
Progress Comment: This is an ongoing BAU task completed within Regulatory Services. Improvements will be made in the future to share these reports outside of the Regulatory Services group.					
Review of regulatory information on the Council website	GM Regulatory Services	In Progress	20	31 Dec, 2024	 GREEN
Progress Comment: A project is underway to improve the consenting information on the Council website (resource consents and building consents). After substantial testing with users, an improved navigation structure for this content is almost completed; the next stage will map information to the new structure, ensuring that it is easy to find, understand, and use, for a better experience of Council consenting processes.					
Reviews of Quality Assurance Systems (QAS)	GM Regulatory Services	Ongoing	0	31 Dec, 2024	 N/A
Progress Comment: This is an ongoing requirement for the IANZ accreditation in the BCA area. Continuous improvement reviews now embedded as part of our 3 year strategy.					
SLT oversight of Asset Management Plans and work programmes	Senior Leadership Team (SLT)	Ongoing	0	31 Dec, 2024	 N/A
Progress Comment: Ongoing status updates on work programmes to SLT continuing					

ORG 6 - Inadequate management of the impacts of central government reform/change



ORG 6**Inadequate management of the impacts of central government reform/change**

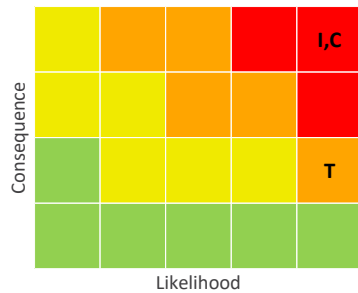
Risk Category: Legal and Regulatory Compliance, Environmental Impact, Financial Exposure, Reputational and Stakeholder Relationship

Risk Sponsor: GM Strategy & Growth

Secondary Risk Sponsors: GM Regulatory Services, GM People & Partnerships, GM Place & Space, GM Infrastructure Services

Last Reviewed Date: 13 Jul, 2023

Next Review Date: 13 Oct, 2023

Individual Heatmap

I Initial Risk Assessment
C Current Risk Assessment
T Target Risk Assessment

Effectiveness of control

I	N/A
C	Partially Effective
T	N/A

Risk Appetite

OUT OF APPETITE

Causes

- Change in Government
- District impacts
- Government intervention
- Government timeframes
- Lack of clarity of current government priorities

Consequences

- Decreased level of service
- Delays to work programmes
- Doability challenges in implementing national directive
- Financial exposure
- Increased costs
- Redesign
- Reprioritisation
- Reputational damage

Risk Sponsor Comments: We are working in a reasonably fluid environment with this being an election year in regard to central government reform/change. We should see a pause through to the October 2023 general election, however there remains a high degree of uncertainty around direction for much of the planned reform/change currently underway. We are reviewing lead party policy commitments to understand potential incoming focus and implications, monitoring change and direction closely and ensuring there is a good understanding of the implications of changes proposed now.

Risk Treatment: Take further action to modify impact / likelihood

Risk Controls

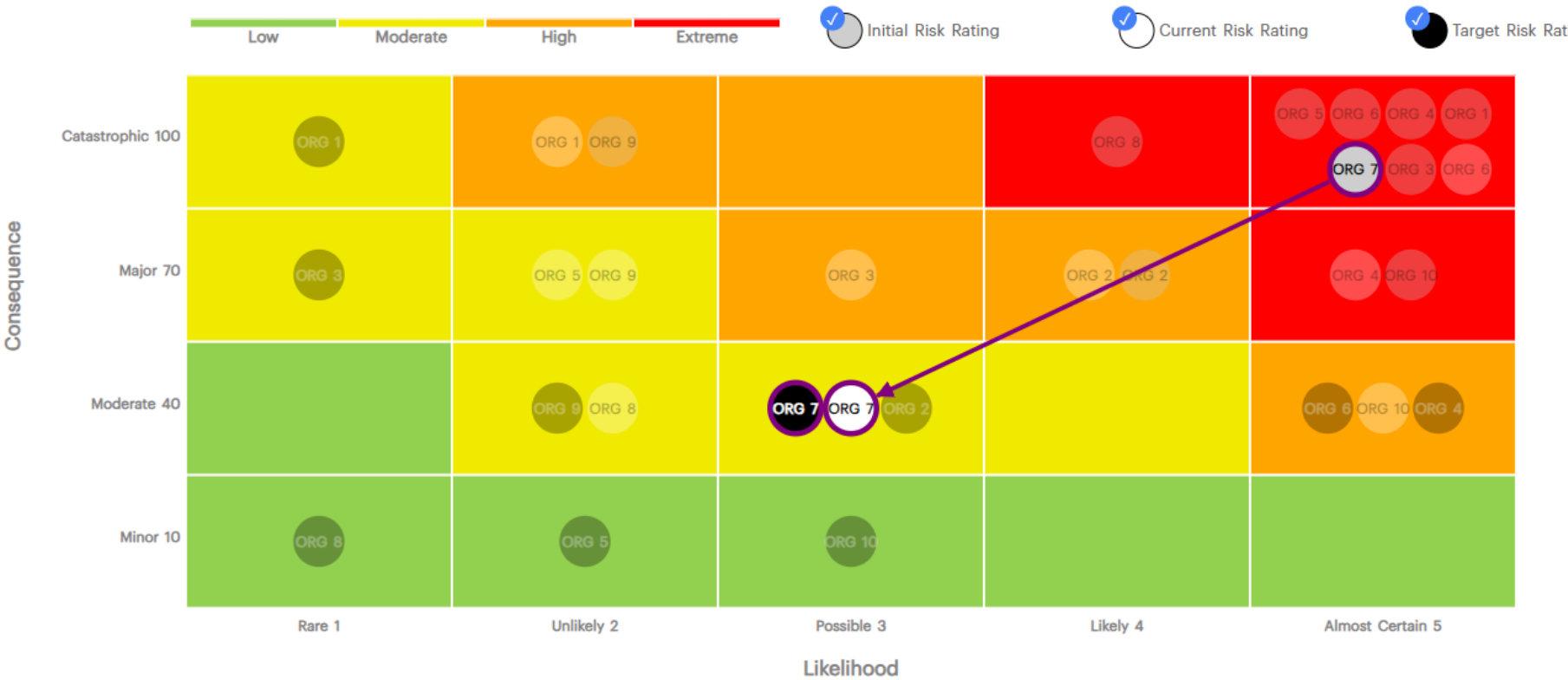
Control Title	Control Owner	Control Effectiveness Rating
Engaged in the Wellington leadership committee (this includes opportunities to engage with Horowhenua District Council)	Chief Advisor, Strategy & Growth / Research & Policy Manager	Partially Effective
Environmental scanning – looping in all other change	Strategy Manager	Not Assessed
Submissions to advocate on behalf of the community	Chief Advisor, Strategy & Growth / Research & Policy Manager	Effective
Monitoring policy / legislative announcements	Chief Advisor, Strategy & Growth / Research & Policy Manager	Effective

Risk Treatments

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Actively engaging with DIA to progress implementation steps required for 3 Waters	Transition Manager 3 Waters	Ongoing	0	01 Jul, 2024	N/A
Progress Comment: Internal transition has been established and is engaging with DIA to progress the agreed work programme (noting the recent announcements and uncertainty around elections)					
Annually form and strengthen good relationships, and actively collaborate, with both Central and Regional Government to influence decisions	Chief Advisor, Strategy & Growth / Research & Policy Manager	In Progress	20	29 Dec, 2023	RED

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Progress Comment: Progressively targeting engagement with central government and regional government. We have a series of upcoming engagement with various committees and sub committees where key governing agencies are engaging on current issues and upcoming change.					
Council is reviewing current settings to identify the potential implications of the proposed RMA amendments and its implications for district planning and growth	District Planning Manager	Ongoing	0	30 Jun, 2027	N/A
Progress Comment: We are currently progressing district plan change for intensification which responds to national direction. We're also engaged in the development of the future development strategy and regional policy statement, which are new requirements set through the RMA. There is a degree of uncertainty around this due to the elections later this year and not all aspects of the legislation programme have currently landed. The draft Future Development Strategy is due to be approved for consultation in August. The Wellington Regional Leadership Group (WRLG) Terms of Reference has been updated to enable the WRLG Committee to consult on this.					
Implications of health reform for Kapiti district as a locality will need to be worked through as well as existing growing gaps in service addressed through the development of a health strategy	Strategy Manager	In Progress	20	30 Jun, 2024	GREEN
Progress Comment: We are now engaging with the wider health community to initiate a Health Strategy. The Mayor has written to the Minister of Local Government and Minister for Health about the role of local government and better engagement in locality work. Staff are engaged with Te Whatu Ora and the Maori Health Authority.					
Recent introduction of new central government powers for recovery of national/civil emergency will require the development of more comprehensive recovery planning	Chief Advisor, Strategy & Growth / Research & Policy Manager	In Progress	20	29 Dec, 2023	RED
Progress Comment: Early assessment of recovery requirements is underway with input from lessons learned from WREMO and Cyclone Gabrielle. Council will be involved in workshops in August to land a recovery plan to ensure that resilience is optimised in the event of exacerbated climate impacts or natural hazards. We are now joined to a national recovery group. We are setting up a meeting with WREMO, Police, Health, MSD and Education to ensure we have national connections which are critical (August - September 2023)					
Scenario planning that will inform our short, medium and long term direction (includes input to LTP)	Strategy Manager	In Progress	20	29 Feb, 2024	RED
Progress Comment: Councillors have agreed that this is part of the strategic direction approach that will be progressed to October 2023.					
There's an increasing need to plan for the impacts of climate change and to establish roles and responsibilities through an overarching climate strategy and environment strategy due to increasing legislative requirements	Strategy Manager	In Progress	20	29 Dec, 2023	RED
Progress Comment: Council requested a "think tank" which will go live post the Climate and Environment Sub-committee meeting in August. Council have confirmed the intention to set an Emissions Reduction Strategy. We now have a staff lead on the Climate Strategy and work is progressing on the Straw Person Strategy which will be drafted for consultation in late 2023. We are also progressing the Environment Strategy which will bring a holistic picture across Kapiti Coast District Council activity related to land and water (for example).					

ORG 7 - Inadequate safeguards against cyber security threats



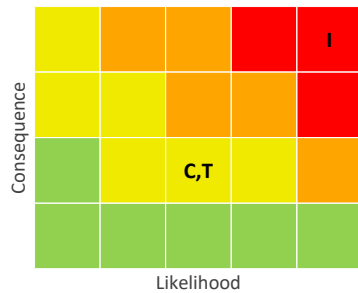
ORG 7**Inadequate safeguards against cyber security threats**

Risk Category: Information and Data Management, Financial Exposure, IT Systems and Processes, Reputational and Stakeholder Relationship

Risk Sponsor: GM Corporate Services

Last Reviewed Date: 13 Jul, 2023

Next Review Date: 13 Oct, 2023

Individual Heatmap

I Initial Risk Assessment
C Current Risk Assessment
T Target Risk Assessment

Effectiveness of control

I	N/A
C	Effective
T	N/A

Risk Appetite**Causes**

- Data breach
- Denial of service
- Inappropriate use
- Malicious code
- Phishing attack
- Poor physical security
- Ransomware
- Supplier being breached
- Unauthorised access
- Unpatched systems
- Zero-day attacks

Consequences

- Financial exposure
- Information leakage
- Legal consequences
- Reputational damage
- Service disruption
- Theft of information
- Privacy breaches

Risk Sponsor Comments: Cyber security protection measures need to be fit for purpose for the Council and resourced appropriately.

Risk Treatment: Take further action to modify impact / likelihood

Risk Controls

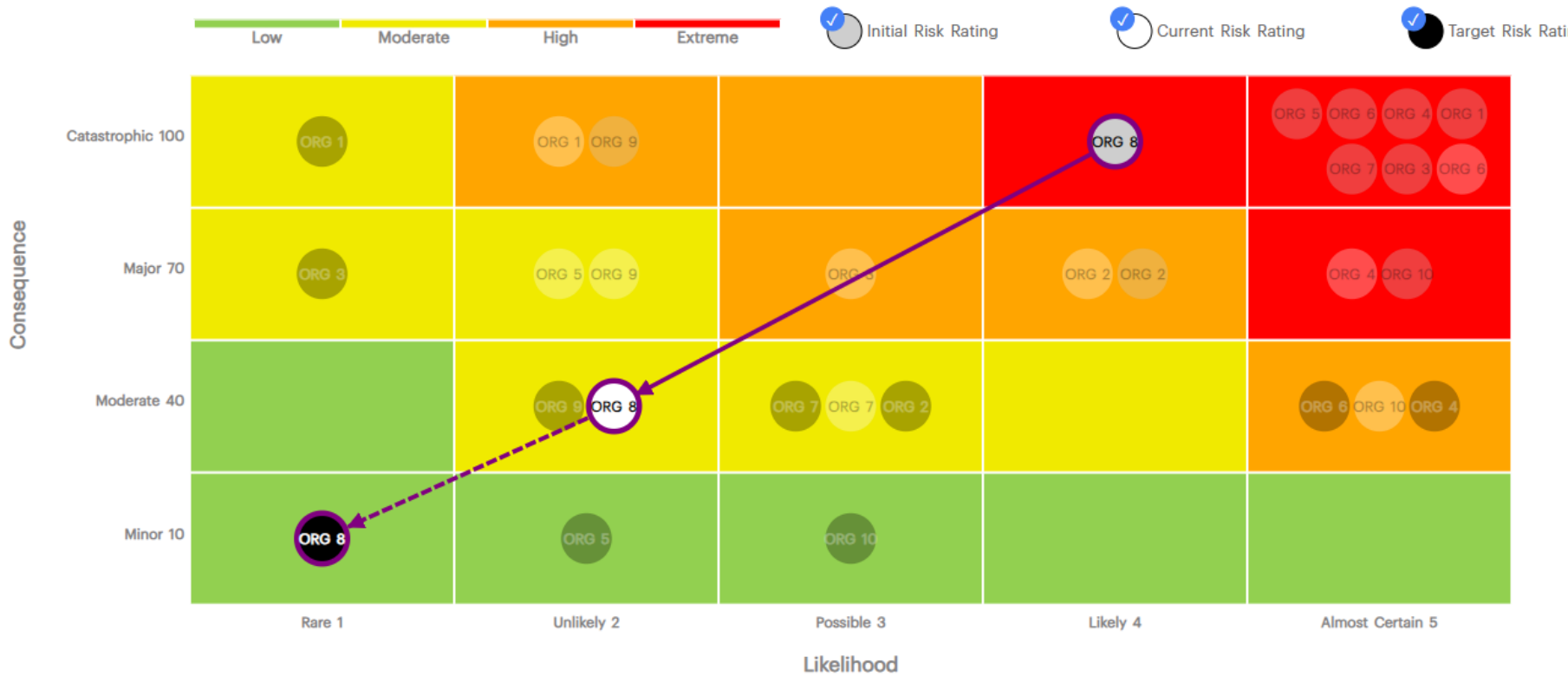
Control Title	Control Owner	Control Effectiveness Rating
Managed Security Information Event Management (SIEM) for proactive monitoring	Information Technology Manager	Effective
User Security Permissions	Chief Information Officer	Effective
Software security patches	Chief Information Officer	Effective
Annual independent cyber security audit	Chief Information Officer	Effective
Maintain ALGIM Government Cyber Security Programme membership	Chief Information Officer	Effective
Security Incident Management System	Information Technology Manager	Effective
Cyber Security Awareness Training	Chief Information Officer	Effective

Risk Treatments

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Develop and run staff training on cyber security	Chief Information Officer	In Progress	25	31 Dec, 2023	RED

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Progress Comment: Scheduled for Q1/Q2 of 2023/24.					
Rapid implementation of cyber security independent audit action recommendations	Chief Information Officer	Ongoing	0	31 Dec, 2025	<div><div></div><div></div><div></div></div> <div>N/A</div>
Progress Comment: Respond rapidly to all accepted recommendations.					

ORG 8 - Failure to prudently manage Council’s financial stability including fraudulent activity



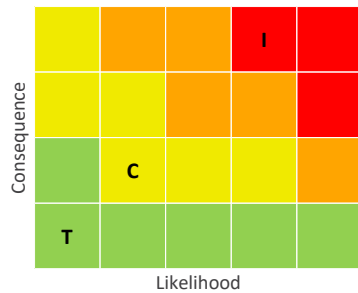
ORG 8**Failure to prudently manage Council's financial stability including fraudulent activity**

Risk Category: Financial Exposure, Reputational and Stakeholder Relationship

Risk Sponsor: GM Corporate Services

Last Reviewed Date: 13 Jul, 2023

Next Review Date: 13 Oct, 2023

Individual Heatmap

- I** Initial Risk Assessment
C Current Risk Assessment
T Target Risk Assessment

Effectiveness of control

I	N/A
C	Effective
T	N/A

Risk Appetite**Causes**

- Cost of living crisis
- Cyber security attack
- Decreased revenue
- Global financial crisis
- Inadequate financial controls
- Increased insurance premiums
- Inflation
- Lack of process controls
- Major government policy changes
- Personal circumstances of staff
- Recession
- Rising costs

Risk Sponsor Comments: Generally satisfied with internal controls of the financial system. More regular training and awareness of the fraud mitigation policy is to be planned.

Risk Treatment: Take further action to modify impact / likelihood

Risk Controls

Control Title	Control Owner	Control Effectiveness Rating
Internal Audit work programme	Business Improvement Manager	Effective
Mitigation of Fraud Policy	GM Corporate Services	Effective
Fraud management framework	Chief Financial Officer	Effective
Fraud awareness training	Chief Financial Officer	Effective
Enterprise Risk Management	Business Improvement Manager	Effective
Employee screening	Organisational Development Manager	Effective
Procurement Policy and Manual	Procurement Lead	Effective
Financial Strategy	GM Corporate Services	Effective
Financial reporting	Chief Financial Officer	Effective
Financial management awareness training	GM Corporate Services	Effective





Consequences

- Delays to work programmes
- Failure to meet legislative and statutory obligations
- Financial losses
- Legal consequences
- Reputational damage
- Service disruption

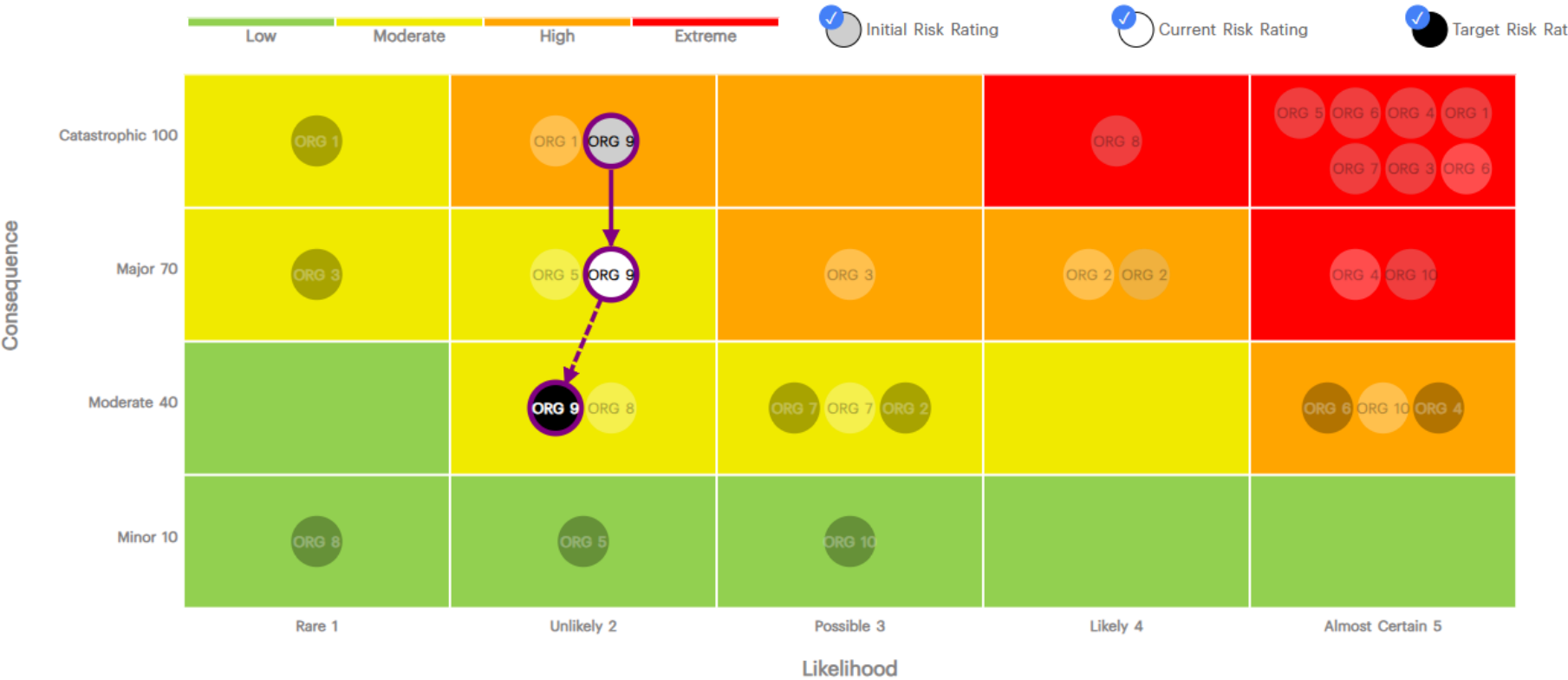
Risk Controls

Control Title	Control Owner	Control Effectiveness Rating
Financial Internal Audits	Chief Financial Officer	Effective
Financial External Audits	Chief Financial Officer	Effective

Risk Treatments

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Mitigation of Fraud Policy Internal Audit	Business Improvement Manager	Completed	100	18 Jul, 2023	 GREEN
Progress Comment: Completed. Review with CE for consideration and management response. Update included in the Internal Audit Work Programme report for the Risk and Assurance Committee meeting on 03/08/2023.					
Promote awareness and understanding of the fraud mitigation policy and the protected disclosures policy/procedures annually (or more often as required)	Chief Financial Officer	Ongoing	0	30 Jun, 2025	 N/A
Progress Comment: Ongoing awareness and training as required by the Mitigation of Fraud Policy					
Regularly review relevant corporate policies	GM Corporate Services	Ongoing	0	26 Dec, 2025	 N/A
Progress Comment: Ongoing as part of Corporate Services work programme					
Test the adequacy of financial system internal controls (1st and 2nd line of defence)	Chief Financial Officer	Ongoing	0	30 Jun, 2025	 N/A
Progress Comment: This will be sample tested by external auditors, supported by financial internal testing.					

ORG 9 - Failure to maintain business continuity for our core services



ORG 9**Failure to maintain business continuity for our core services**

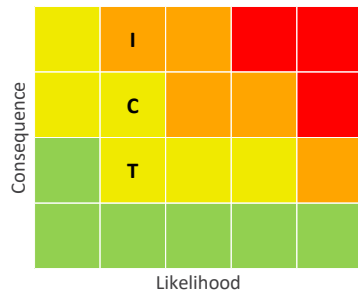
Risk Category: Assets & Infrastructure Resilience, Financial Exposure, Health, Safety and Wellbeing, IT Systems and Processes, Legal and Regulatory Compliance, Reputational and Stakeholder Relationship

Risk Sponsor: GM Infrastructure Services

Secondary Risk Sponsors: GM People & Partnerships, GM Corporate Services

Last Reviewed Date: 13 Jul, 2023

Next Review Date: 13 Oct, 2023

Individual Heatmap

- I** Initial Risk Assessment
C Current Risk Assessment
T Target Risk Assessment

Effectiveness of control

I	N/A
C	Partially Effective
T	N/A

Risk Appetite**Causes**

- Cyber security attack
- Data breach
- Earthquakes
- Fire
- Flooding
- Natural catastrophe
- Network failure
- Pandemics

Consequences

- Criminal prosecution
- Customer dissatisfaction
- Decreased capacity in production
- Delays to work programmes
- Disruption to core Infrastructure
- Failure to achieve business objectives
- Financial exposure
- Financial losses
- Loss of time
- Negative impacts on our resilience
- Reputational damage
- Service disruption

Risk Sponsor Comments: Significant work has been undertaken in this area due to Covid-19, but core infrastructure business continuity has been a key area of focus from before Covid-19 for Local Government. Work review to be undertaken to ensure BCP's are fit for purpose, with regular reviews and complacency checks to ensure controls are kept up to date with improvements to processes highlighted and updated.

Risk Treatment: Take further action to modify impact / likelihood

Risk Controls

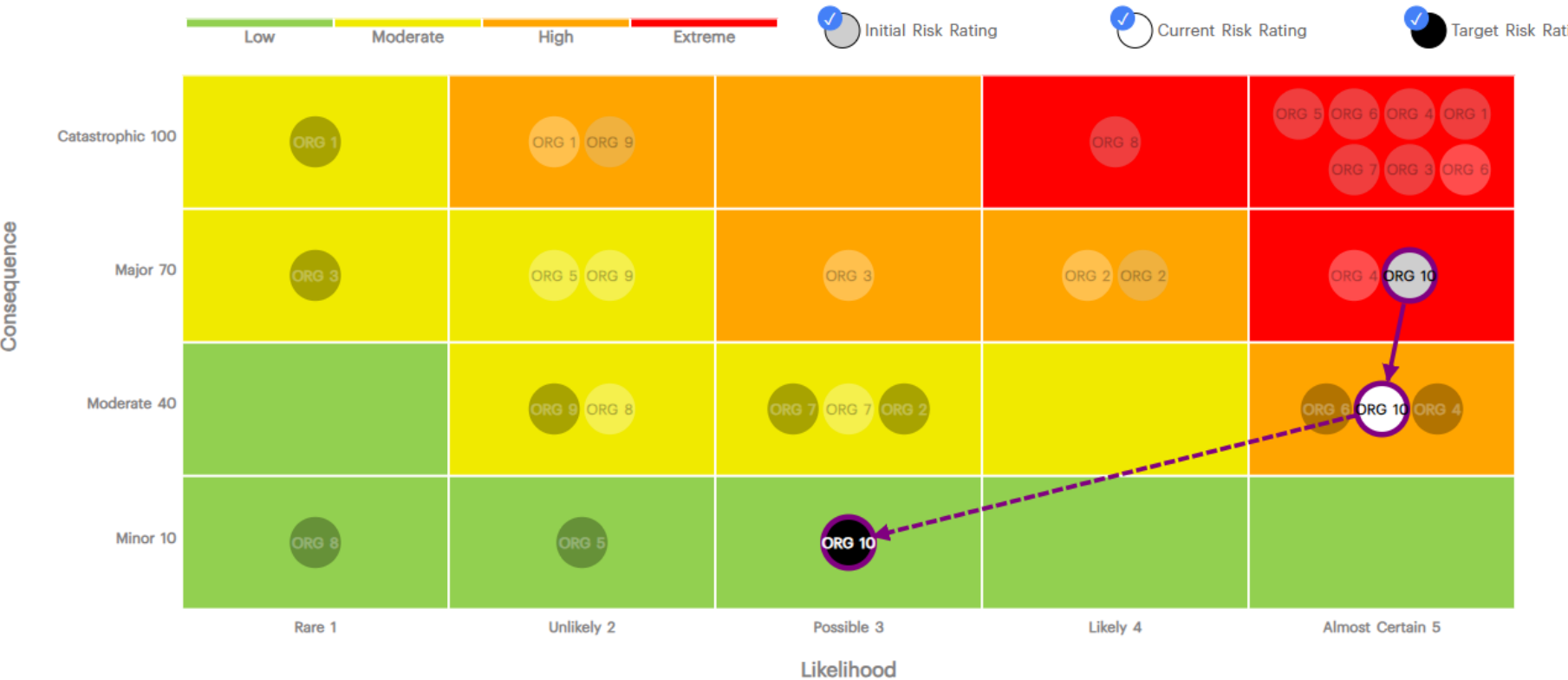
Control Title	Control Owner	Control Effectiveness Rating
Asset Management Plans	Senior Leadership Team (SLT)	Partially Effective
Business Continuity Plans	Senior Leadership Team (SLT)	Partially Effective
Audit operational readiness	Business Improvement Manager	Effective
Pandemic plan	Organisational Development Manager	Effective

Risk Treatments

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Council wide rolling review of BCP's	Senior Leadership Team (SLT)	Ongoing	0	30 Jun, 2025	N/A
Progress Comment: This is planned for financial year 2023/24.					

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Regular testing of back-up systems for business functions	Senior Leadership Team (SLT)	Ongoing	0	31 Dec, 2025	<div><div></div><div></div><div></div></div> N/A
Progress Comment: Ongoing					
Review of Infrastructure BCP's	GM Infrastructure Services	Ongoing	0	29 Dec, 2023	<div><div></div><div></div><div></div></div> N/A
Progress Comment: Review of current plans for appropriateness.					

ORG 10 - Inability to attract and retain sufficient capacity to deliver Council’s objectives



ORG 10 Inability to attract and retain sufficient capacity to deliver Council's objectives

Risk Category: Health, Safety and Wellbeing

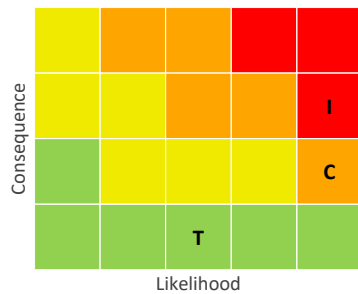
Risk Sponsor: Organisational Development Manager

Secondary Risk Sponsors: Senior Leadership Team (SLT)

Last Reviewed Date: 13 Jul, 2023

Next Review Date: 13 Oct, 2023

Individual Heatmap



I Initial Risk Assessment
C Current Risk Assessment
T Target Risk Assessment

Effectiveness of control

I	N/A
C	Partially Effective
T	N/A

Risk Appetite



OUT OF APPETITE

Causes

- Competitive market
- Increased workload expectations
- Inflation
- Limited opportunities for career progression
- Significant family or life event

Consequences

- Corporate loss of institutional and intellectual knowledge
- Decreased staff welfare and mental health
- Delays to work programmes
- Failure to meet legislative and statutory obligations
- Increased costs
- Loss of skilled and specialist staff
- Lowering of staff morale
- Reputational damage

Risk Sponsor Comments: Our Council is experiencing similar challenges in attracting and retaining suitably skilled and experienced staff. This is a current observation across Local Government at present, especially in small-sized Councils.

Risk Treatment: Take further action to modify impact / likelihood

Risk Controls

Control Title	Control Owner	Control Effectiveness Rating
Reprioritisation of Work Programmes	Senior Leadership Team (SLT)	Partially Effective
Workforce and Succession Planning	Organisational Development Manager	Partially Effective
Regular staff engagement surveys and associated work programmes	Organisational Development Manager	Partially Effective
Professional development opportunities	Organisational Development Manager	Partially Effective
Monitoring Remuneration trends	Organisational Development Manager	Effective
Monitoring job grade & remuneration policy	Organisational Development Manager	Effective
Engaging Contractors / Consultants to backfill vacancies	Organisational Development Manager	Partially Effective

Risk Treatments

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Continuous review on ways to maintain an effective workforce	Organisational Development Manager	Ongoing	0	31 Dec, 2024	N/A
Progress Comment: 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.					

Risk Treatment Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Workforce and Succession Planning	Organisational Development Manager	Ongoing	0	31 Dec, 2024	<div><div></div><div></div><div></div></div> <div>N/A</div>
Progress Comment: A career pathway model for technical skills in hard to recruit roles is under development across the organisation and has been commenced in some areas, we are also looking to establish a value proposition for attracting incoming staff candidates.					



| cammsrisk

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Appendix 2

Risk Term	Definition (AS/NZS/ISO 31000:2018 Standard: Risk Management – Guidelines)	
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	Accept No further treatment required.	
	Take further action to modify impact and/or likelihood Not satisfied with current risk rating, further planned mitigations are required.	
	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).	
	Share or Transfer (to Council team or Group) Sharing the risk across Council's Teams/Groups	
	Share or Transfer (outside Council) Sharing the risk (e.g., buying insurance, transfer to another entity).	
	Drive / Enhance Taking or increasing the risk to pursue an opportunity.	
Control	A measure that maintains and / or modifies the current risk rating.	
Control Effectiveness	Not Assessed Effectiveness of Control has not yet been assessed.	
	Ineffective Significant control gaps exist and do not reduce the risk as the operating effectiveness of the control is ineffective.	
	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.	
	Effective Control is well designed and operating effectively to reduce risk. These controls are consistently applied to address the root cause of risk.	
Risk Appetite	The amount of risk that Council is willing to pursue, or retain, to achieve its objectives.	
Trend Control	↑	Current risk rating: increased over the last reporting period.
	↓	Current risk rating: decreased over the last reporting period.
	↔	Current risk rating: no change since the last reporting period.

8.8 INTERNAL AUDIT - PROGRESS UPDATE INTERNAL AUDIT WORK PROGRAMMEKaituhi | 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

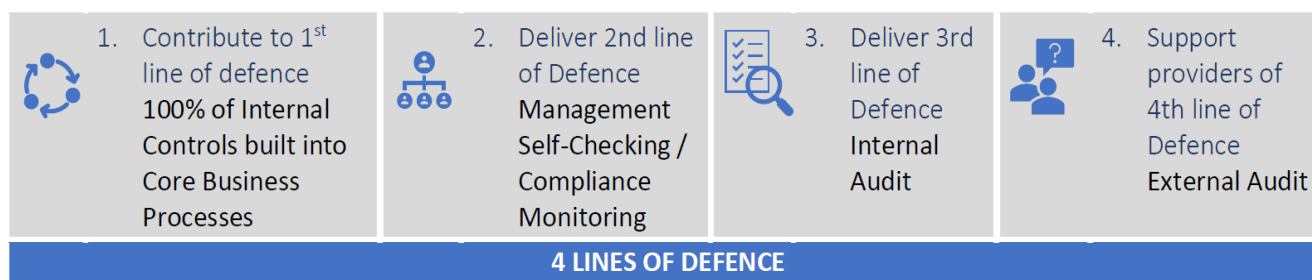
- 3 The Risk and Assurance Committee has delegated authority to consider this report under section C.3 of the Governance Structure and Delegations.
- *Ensuring that Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.*

TAUNAKITANGA | RECOMMENDATIONS

- A. That the Risk and Assurance Committee receives and notes the Internal Audit progress update on the 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 As reported to the 16 May 2023 meeting, internal audit as a continuous improvement tool can deliver organisational changes to:
- influence positive change
 - review internal controls
 - help understand risks
 - identify improvement opportunities
 - promote integrity, and
 - inform senior management by providing objective analysis, evaluations, and recommendations.
- 6 Internal audit is line three of the 'Four Lines of Defence' model as used by the Risk and Assurance workstream.



- 7 Each of the four sources of assurance in the table above 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 The 2023 internal audit work programme was set by the Chief Executive 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.
- 9 The Chief Executive receives the internal audit report for his consideration and management response in relation to both the first and second lines of defence.
- 10 This Committee receives two forms of reports in relation to the approved Internal Audit work programme:
- this progress report, and
 - a final outcomes report on the internal audits completed in a calendar year which will be reported to the 9 November 2023 meeting. 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*”.

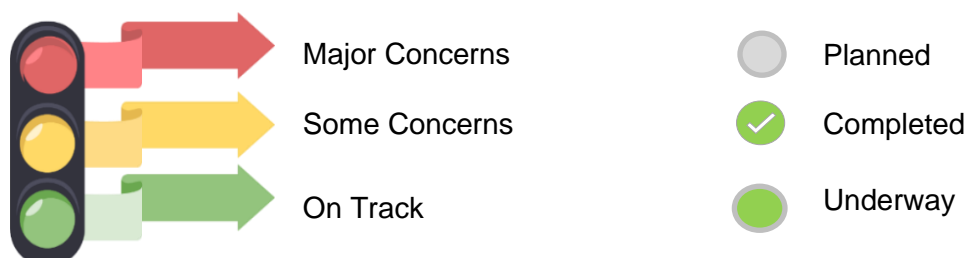
HE KŌRERORERO | DISCUSSION

Third Line of Defence (Internal Audit)







- 11 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	• Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance.
Moderate	• Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance, or best practice for processes.
Low	• A weakness which does not seriously detract from the internal control framework.

- 12 The following progress status categories have been updated to reflect the comment made at the 16 May 2023 meeting that “Planned” is a better reflection of the work programme intent and status than “Not Started”.



13 The Internal Audit Work Programme has progressed well since the last meeting as noted below.

Risk Ranking	Activity	Internal Audit Work Programme 2023 Progress as of 21 July 2023	
		Progress Status	Update
High	<p>Compliance with Mitigation of Fraud Policy</p> <p><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.</p>		<p><u>Completed</u> Internal audit report received by CE and management response underway.</p> <p><u>Next step for this Committee</u> Receive final outcomes of the internal audit at the 9 November 2023 meeting.</p>
High	<p>Compliance with Procurement Policy Framework</p> <p><u>Audit scope</u> Review 10 key internal controls to see if they meet their objectives, remain current to meet the organisation's requirements and are being followed.</p>		<p><u>Completed</u> Internal audit report received by CE and management response underway.</p> <p><u>Next step for this Committee</u> Receive final outcomes of the internal audit at the 9 November 2023 meeting.</p>
High	<p>Compliance with Employee Code of Conduct document (incl. Conflict of Interest)</p> <p><u>Audit scope</u> Test the fundamental principles and high-level rules that apply to employee conduct.</p>		<p><u>Underway</u> Commenced initial planning and preliminary desk top review.</p>
High	<p>Compliance with General Expenses Policy</p> <p><u>Audit scope</u> Test compliance with selected internal controls within the General Expenses Policy.</p>		<p><u>Planned</u> Commence within Quarter 1, 2023/24 in line with approved internal audit work programme.</p>
Moderate	<p>Compliance with Receipt of Gifts and Hospitality Policy</p> <p><u>Audit scope</u> Test compliance with the rules that apply to Receipt of Gifts and Hospitality.</p>		<p><u>Planned</u> Commence within Quarter 2, 2023/24 in line with approved internal audit work programme.</p>
Moderate	<p>Compliance with Protected Disclosures (Protection of Whistleblowers) Policy.</p> <p><u>Audit scope</u> Test the rules that apply to protecting disclosures (protection of whistleblowers).</p>		<p><u>Planned</u> Commence within Quarter 3, 2023/24 in line with approved internal audit work programme.</p>

Risk Ranking	Activity	Internal Audit Work Programme 2023 Progress as of 21 July 2023	
		Progress Status	Update
Moderate	EY Audit Control Findings: follow up on independent recommendations		<u>Ongoing</u> F/Y 2022/23. See separate report on this agenda.
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). Progress on planning for scope of rolling review of Business Continuity Plans across Council was delayed due to Internal Audit Work Programme.

He take | Issues

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

Ngā kōwhiringa | Options

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

Tangata whenua

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

Panonitanga āhuarangi | Climate change

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

Ahumoni me ngā rawa | Financial and resourcing

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

Ture me ngā Tūraru | Legal and risk

19 There are no legal considerations arising from this report.

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

Ngā pānga ki ngā kaupapa here | Policy impact

21 There are no policy implications arising from this report.

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

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

Whakatairanga | Publicity

23 There are no publicity considerations.

NGĀ ĀPITI HANGA | ATTACHMENTS

Nil

8.9 COUNCIL'S CREDIT RATING FOR 2023/24

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 (Committee) with the Council's credit rating for 2023/24 from independent credit rating agency S&P Global.

HE WHAKARĀPOOTO | EXECUTIVE SUMMARY

- 2 Not required.

TE TUKU HAE PAPA | DELEGATION

- 3 The 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 receives this report, including attachment 1 to this report.
- B. That the Risk and Assurance Committee notes that S&P Global have re-affirmed the Council's credit rating for 2023/24 as **AA** but has revised the Council's outlook from stable to **negative**.
- C. That the Risk and Assurance Committee notes that budgetary management concerns raised by S&P Global will be monitored and reported during 2023/24 and taken into further consideration when developing the budgets for the **2024-34 Long Term Plan**.

TŪĀPAPA | BACKGROUND

- 1 S&P Global provides an annual credit rating which provides an assessment of the Council's financial management based on its historical and planned performance. S&P Global use key rating factors including liquidity, budgetary management and debt burden to determine their overall credit rating.
- 2 The credit rating, as well as being internationally recognised, also impacts the Council's ability to secure debt funding. Unrated councils, or councils with a long-term credit rating lower than 'A' equivalent, have more restrictive borrowing requirements than councils with a long-term credit rating of 'A' or higher.
- 3 The Council's current credit rating report from S&P Global was published on the 21 July 2023 and is attached as Appendix 1 to this report.

HE KŌRERORERO | DISCUSSION

- 4 The Council's large capex budget for 2023/24 together with significant cost pressures from inflation, supply constraints and resourcing costs are causing S&P Global some concern regards the money we plan to spend in 2023/24 and the associated debt levels, compared to their earlier forecasts using our 2021-41 Long-Term Plan.
- 5 S&P Global predict that elevated operating expenses will contribute to larger after-tax capital deficits and rising debt than previous forecasts. Key to liquidity is that the Council maintains

its debt prefunding strategy, which allows the Council to prefund debt maturities up to 18 months in advance. The Council has an active prefunding strategy. As at 30 June 2023, the Council's gross debt was \$275 million, including \$55 million of debt prefunding. Net debt was \$199.8 million (193% of total income against the preferred limit of 250%).

- 6 S&P Global considers that New Zealand has an excellent institutional framework, and the Council has strong financial management to underpin the Council's creditworthiness.
- 7 As noted in their report, the Council's credit rating could be downgraded if its after-tax capital account deficit does not materially improve. S&P Global consider that the Council has sufficient budget flexibility to make these improvements.
- 8 S&P Global has also clearly indicated that they may revise the outlook back to stable if the Council reduces its after-tax capital account deficits materially. The Council's after-tax capital deficits will be closely monitored and reported during 2023/24. In addition, the Council will fully consider these concerns raised by S&P Global when it develops and balances the budgets for the 2024-34 Long Term Plan over the next eleven months.

He take | Issues

- 9 There are no issues in addition to those already raised in this report.

Ngā kōwhiringa | Options

- 10 There are no options in addition to those already discussed in this report.

Mana whenua

- 11 There are no mana whenua considerations arising from this report.

Panonitanga Āhuarangi me te Taiao | Climate change and Environment

- 12 There are no climate change and environment issues arising directly from this report. However, these will certainly be the main considerations when developing the 2024-34 Long Term Plan over the next eleven months.

Ahumoni me ngā rawa | Financial and resourcing

- 13 The Council has retained its AA credit rating for 2023/24. There are no financial consequences of the Council's outlook now being negative.
- 14 The Council issues 100% of its debt from the Local Government Funding Agency (LGFA). Included in the borrowing costs from LGFA, is a long-term credit margin. At the time of writing this report, AA+ and AA rated Council's pay nil margin, AA- rated councils pay a margin of 5 basis points (bps) and A+ rated councils pay a margin of 10 bps. Unrated and non-guarantor councils pay a margin of up to 30bps.
- 15 On these margins, if the Council was to be downgraded to AA- or A+, the Council would incur additional borrowing costs between five to ten bps on new debt issued. In dollar terms, this equates to \$5,000 to \$10,000 per annum for every \$10 million of debt issued.
- 16 The Council's credit rating fee per annum is approximately \$60,000. A credit rating provides a minimum saving of 20bps to rated councils. Credit ratings are beneficial to councils with debt levels of at least \$30 million.

Tūraru ā-Ture me te Whakahaere | Legal and Organisational Risk

- 17 There are no legal or organisational risk considerations arising directly from this report.

Ngā pānga ki ngā kaupapa here | Policy impact

- 18 There are no policy implications arising directly 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 The Council issued a media release shortly after S&P Global issued their report. This report is available to the public on the Council's website.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. S&P Global Ratings Direct Report, 20 July 2023 [↓](#)



RatingsDirect®

Research Update:

Kapiti Coast District Council Outlook Revised To Negative On Weakening Budgetary Metrics; 'AA/A-1+' Ratings Affirmed

July 20, 2023

Overview

- Kapiti Coast District Council has weak budgetary metrics, given inflationary pressures on its operating budget while capital expenditure (capex) is at a record high.
- Wider deficits will weigh on the council's liquidity coverage, while pushing up its gross debt to 309% of operating revenues by fiscal 2026 (year-end June 30). This is higher than the level for all other 'AA'-rated peers globally.
- We revised the outlook on the long-term rating on Kapiti to negative from stable. At the same time, we affirmed our 'AA/A-1+' issuer credit ratings.
- The negative rating outlook reflects the possibility that Kapiti's budgetary metrics will not recover in line with our expectations over the next two years.

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Rating Action

On July 21, 2023, S&P Global Ratings revised its long-term rating outlook on Kapiti, a New Zealand local government, to negative from stable. At the same time, we affirmed our 'AA/A-1+' issuer credit ratings on the council.

Outlook

The negative outlook reflects our view that Kapiti's budgetary metrics will remain weak over the next two years, potentially leading to higher debt and narrowing tolerances within the 'AA' rating.

Downside scenario

We could lower our long-term rating on Kapiti if its after-capital account deficit does not materially improve as we forecast. This could occur if the council is less willing and has less

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Research Update: Kapiti Coast District Council Outlook Revised To Negative On Weakening Budgetary Metrics; 'AA/A-1+' Ratings Affirmed

flexibility to adjust its budget than we currently believe.

Upside scenario

We could revise the outlook to stable if Kapiti reduces its after-capital account deficits materially. This would result in lower stabilizing debt, and potentially higher liquidity coverage, than our forecasts.

Rationale

Higher recurring costs could weaken Kapiti's credit metrics if the council fails to widen its revenue sources amid extended inflation over the next two years. The council's operating expenses have ballooned over the past year due to sharply higher operating and staff costs.

The challenges will remain, although Kapiti expects upside to revenues via new grants from the New Zealand central (Crown) government. Wider after-capital deficits could continue to drive the council's debt higher. The council has higher debt to operating revenue than all 'AA'-rated peers globally.

We expect rising interest costs and growing deficits to structurally weaken Kapiti's liquidity coverage. That said, the council's debt prefunding strategy will keep its liquidity afloat, and underpin its strong financial management. This strategy, as well as the council's access to the New Zealand Local Government Funding Agency (LGFA), partially offsets risks from very high debt levels relative to peers.

Our base case excludes the potential effects of the Crown's proposed water reforms. The reform program, as currently envisaged, could shift the responsibility for drinking water, wastewater, and stormwater assets from local government councils to 10 new regional water service entities from early 2025. The reforms are still under development.

Elevated operating expenses will contribute to larger after-capital account deficits and rising debt; prefunding strategy remains key to liquidity. We estimate Kapiti will run after-capital account deficits averaging 22% over fiscal years 2024-2026 as it moves forward with its large infrastructure program. Our new base case assumes wider deficits than before, mainly due to inflation in the council's operating budget. The council has managed to stay well-staffed in a tight and competitive labor market, allowing it to deliver a record amount of capital spending. Its after-capital account deficit weakened to more than 32% of total revenues in 2023.

Kapiti expects to deliver NZ\$64 million in capital expenditure (capex) over fiscal 2023. We forecast declining capex year on year, averaging NZ\$61 million over the next three years. This is about 2.5x higher than the capex delivered in fiscal years 2019-2021. The council's 2024 annual plan includes an ambitious infrastructure pipeline, consisting of upgrades to water infrastructure, roads, and coastal infrastructure.

Despite weak fiscal outcomes, we believe Kapiti has more budgetary flexibility than international peers. The council is able to freely adjust its own-source revenues to meet its spending needs. General property rates, fees, and user charges typically make up 80%-90% of its annual operating revenues.

Kapiti increased general rates by 7.8% in fiscal 2024 to partially offset higher inflation than it expected in its cost of delivering services. Furthermore, the council could defer or cancel non-essential capital plans to support budgetary outcomes.

Research Update: Kapiti Coast District Council Outlook Revised To Negative On Weakening Budgetary Metrics; 'AA/A-1+' Ratings Affirmed

Kapiti's large capital program and prefunding strategy continue to add to its debt. We forecast a ratio of total tax-supported debt to operating revenue of about 309% by 2026, up from 274% in 2022. Interest costs could average 11% of operating revenues over fiscal years 2023-2025, although the council remains well-hedged against interest rate movements.

Kapiti's internal liquidity, which includes interest costs and upcoming budgetary needs, has fallen versus our previous expectation. This is due to wider after-capital account deficits and rapidly rising interest rates. In our view, liquidity remains one of the council's key credit strengths, with support from its policy to prefund upcoming debt maturities up to 18 months in advance.

Kapiti's cash and liquid assets after budgetary needs will be sufficient to cover 93% of upcoming debt maturities, and interest costs, in our estimation. As of June 30, 2023, the council had about NZ\$15 million of cash and term deposits and NZ\$55 million in term deposits linked to upcoming debt maturities.

Additionally, Kapiti had NZ\$10 million in undrawn bank lines. Upcoming debt service requirements for the next 12 months include NZ\$55 million of term debt maturities and NZ\$13 million of interest costs, by our estimate. The council has prefunded all upcoming maturities for the next 12 months.

Access to LGFA provides Kapiti and other local New Zealand councils with additional sources of external liquidity, particularly during periods of stress in financial markets. In our view, LGFA benefits from an extremely high likelihood of central government support and has helped Kapiti lengthen its maturity profile and reduce its interest costs.

We consider Kapiti's contingent liabilities to be small, mainly reflecting its exposure to natural disasters such as floods and earthquakes. The council is part of the Outer Wellington shared services syndicate with four other councils in the region and is jointly insured for above- and below-ground assets.

An excellent institutional framework and strong financial management underpin Kapiti's creditworthiness. The council's local economy supports its credit profile. Kapiti's economy is benefiting from widespread hybrid working arrangements across New Zealand, and improved access to the Wellington central business district. The opening of the Transmission Gully Motorway in early 2022 and more affordable housing than Wellington make Kapiti an attractive location for Wellington-based workers.

Kapiti will be upgrading its infrastructure to support an additional 32,000 residents and 15,000 dwellings over the next 30 years as part of its new housing strategy.

According to Infometrics (a New Zealand economic consultancy), Kapiti's economy grew by 2.7% in the year to March 31, 2023. This reflected strong consumer spending and construction activity. The local economy has a higher proportion of residents employed as professionals or managers than the New Zealand average, and is less exposed to tourism, agriculture, and manufacturing than domestic peers.

The Kapiti Coast district had about 57,600 residents as of June 30, 2022. Prior to the pandemic, more than 10,000 of the residents commuted to Wellington for work each day.

According to the Ministry for Business, Innovation and Employment, Kapiti's GDP per capita is less than half of the national average. This is largely because the output of its residents is captured within Wellington's economic data. Another reason is the district's relatively older population. The district has about 26.6% of residents aged over 65, compared with the national average of 16.4%. Average household income in Kapiti was about 20% lower than the national average in 2022, according to Infometrics.

Research Update: Kapiti Coast District Council Outlook Revised To Negative On Weakening Budgetary Metrics; 'AA/A-1+' Ratings Affirmed

New Zealand's extremely strong and predictable institutional framework underpins Kapiti's credit profile. We believe the country's institutional framework is one of the strongest and most predictable globally. The New Zealand local government system promotes a strong management culture, fiscal discipline, and high levels of financial disclosure among local councils.

Additionally, the framework supports the rate-collection ability of the councils. The system allows Kapiti to support higher debt than some of its international peers at the current rating level.

We consider Kapiti's management to be strong. The district elected a new mayor, Janet Holborow, in October 2022. Ms. Holborow had served as deputy mayor for the last two council terms. The council also appointed Darren Edwards as chief executive in October 2022.

Kapiti prepares long-term plans every three years, annual plans in the intervening years, and audited end-of-year annual reports, in line with national requirements. This forward-looking approach to prudent financial management sets an important baseline for the council's operating and capex requirements, and funding strategy.

In our view, Kapiti has prudent liquidity policies. Preparing its prefunding strategy up to 18 months in advance of debt maturities minimizes refinancing risks. The council does not use debt to fund operating expenses, does not issue foreign-currency debt, and mostly hedges its interest exposure.

Key Statistics

Key Statistics

(mil. NZ\$)	Year ended June 30				
	2022	2023e	2024bc	2025bc	2026bc
Selected Indicators					
Operating revenues	94	105	116	117	122
Operating expenditures	73	91	97	96	100
Operating balance	20	15	19	21	22
Operating balance (% of operating revenues)	21.5	13.8	16.3	17.8	18.0
Capital revenues	15	11	11	13	12
Capital expenditures	45	64	65	60	59
Balance after capital accounts	(10)	(38)	(35)	(26)	(24)
Balance after capital accounts (% of total revenues)	(9.7)	(32.4)	(27.4)	(20.0)	(18.3)
Debt repaid	45	45	55	60	60
Gross borrowings	70	65	95	90	90
Balance after borrowings	15	(18)	5	4	6
Tax-supported debt (outstanding at year-end)	256	276	316	346	376
Tax-supported debt (% of consolidated operating revenues)	273.6	262.2	272.5	295.5	308.7
Interest (% of operating revenues)	8.8	10.1	11.0	11.9	12.5

Research Update: Kapiti Coast District Council Outlook Revised To Negative On Weakening Budgetary Metrics; 'AA/A-1+' Ratings Affirmed**Key Statistics**

(mil. NZ\$)	Year ended June 30				
	2022	2023e	2024bc	2025bc	2026bc
Selected Indicators					
National GDP per capita (single units)	70,956	75,662	76,757	79,640	82,902

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N/A--Not applicable. N.A.--Not available. N.M.--Not meaningful.

Ratings Score Snapshot

Institutional framework	1
Economy	2
Financial management	2
Budgetary performance	3
Liquidity	2
Debt Burden	5
Stand-alone credit profile	aa
Issuer credit rating	AA

Key Sovereign Statistics

- Sovereign Risk Indicators. An interactive version is available at <http://www.spratings.com/sri>

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S. , July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011

Related Research

- Economic Outlook Asia-Pacific Q3 2023: Domestic Demand, Inflation Relief Support Asia's Outlook, June 26, 2023
- Default, Transition, and Recovery: 2022 Annual International Public Finance Default And Rating Transition Study, May 24, 2023

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- Institutional Framework Assessment: New Zealand Local Governments, May 17, 2023
- New Zealand Local Government Funding Agency, March 1, 2023
- Pipedream Or Panacea: New Zealand's "Three Waters" Reforms Pt.1, Feb. 27, 2023
- Pipedream Or Panacea: New Zealand's "Three Waters" Reforms Pt.2, Feb. 27, 2023
- Global Ratings List: International Public Finance Entities 2023, Jan. 9, 2023
- Local And Regional Governments Outlook 2023: Rougher Seas Ahead, Nov. 29, 2022
- Credit FAQ: Lifting The Lid On New Zealand's "Three Waters" Reforms, Oct. 12, 2022
- Comparative Statistics: Local And Regional Government Risk Indicators: Asia-Pacific LRGs' Post-Pandemic Appetite For Capital Spending Is Strong, Sept. 22, 2022

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Kapiti Coast District Council		
Issuer Credit Rating	AA/Negative/A-1+	AA/Stable/A-1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Research Update: Kapiti Coast District Council Outlook Revised To Negative On Weakening Budgetary Metrics; 'AA/A-1+' Ratings Affirmed

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Research Update: Kapiti Coast District Council Outlook Revised To Negative On Weakening Budgetary Metrics; 'AA/A-1+' Ratings Affirmed

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9 TE WHAKAŪ I NGĀ ĀMIKI | CONFIRMATION OF MINUTES**9.1 CONFIRMATION OF MINUTES**

Author: Anna Smith, Senior Democracy Services Advisor

Authoriser: Mark de Haast, Group Manager Corporate Services

Taunakitanga | Recommendations

That the minutes of the Risk and Assurance Committee meeting of 16 May 2023 be accepted as a true and correct record.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Confirmation of Minutes - 16 May 2023 [↓](#)

RISK AND ASSURANCE COMMITTEE MEETING MINUTES**16 MAY 2023**

**MINUTES OF KAPITI COAST DISTRICT COUNCIL
RISK AND ASSURANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, GROUND FLOOR, 175 RIMU ROAD, PARAPARAUMU
ON TUESDAY, 16 MAY 2023 AT 9.30AM**

PRESENT: Mayor Janet Holborow, Cr Jocelyn Prvanov, Mr David Shand, Mr David Cochrane, Cr Lawrence Kirby

IN ATTENDANCE: Sam Nicolle (Ernst & Young), Mr Mark de Haast (via zoom), Ms Steffi Haefeli, Mr Darren Edwards, Ms Jessica Mackman, Ms Anna Smith, Cr Nigel Wilson, Cr Martin Halliday, Mr Bernie Randall, Mr Richard Mansell, Mr Cam Butler, Mr Bede Laracy, Cr Shelly Warwick, Cr Sophie Handford, Mr Sean Mallon, Ms Kris Pervan, Ms Janice McDougall, Ms Sharon Foss, Ms Jing Zhou, Mr Andrew Gillespie, Mr Mike Mendonça

APOLOGIES: Nil

LEAVE OF ABSENCE: Cr Liz Koh

1 WELCOME

2 COUNCIL BLESSING

Mr David Shand, Independent Chair, welcomed everyone to the meeting and read the Council blessing.

3 APOLOGIES

APOLOGY

COMMITTEE RESOLUTION RAC2023/1

Moved: Mayor Janet Holborow

Seconder: Cr Jocelyn Prvanov

That the apology received from Oriwia Raureti be accepted.

CARRIED

Nil

4 DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA

There were none.

5 PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA

There were no public speakers.

RISK AND ASSURANCE COMMITTEE MEETING MINUTES**16 MAY 2023****6 MEMBERS' BUSINESS**

- (a) No leaves of absence were requested.
- (b) No matters of an urgent nature were raised.

7 HE KŌRERO HOU | UPDATES

Nil

8 PŪRONGO | REPORTS**8.1 CHIEF EXECUTIVE REPORT**

Mr Shand introduced the Chief Executive's Report and Mr Edwards answered questions from members.

COMMITTEE RESOLUTION RAC2023/2

Moved: Lawrence Kirby
Seconder: Mayor Janet Holborow

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

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

Mr Shand introduced Sam Nicolle from Ernst & Young who explained his role as auditor and gave a brief summary of his report. Mr Nicolle and Mark de Haast, Group Manager Corporate Services, answered questions from members.

COMMITTEE RESOLUTION RAC2023/3

Moved: Lawrence Kirby
Seconder: Cr Jocelyn Prvanov

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.

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

The report was taken as read and Darren Edwards and Mark de Haast and answered questions from members.

COMMITTEE RESOLUTION RAC2023/4

Moved: Mr David Cochrane
Seconder: Lawrence Kirby

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.

CARRIED

RISK AND ASSURANCE COMMITTEE MEETING MINUTES**16 MAY 2023****8.4 QUARTERLY TREASURY COMPLIANCE**

The report was taken as read. Mark de Haast and Jing Zhou answered questions from members.

COMMITTEE RESOLUTION RAC2023/5

Moved: Mr David Shand

Seconder: Lawrence Kirby

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.

CARRIED**8.5 TOP 10 ORGANISATIONAL RISK REPORT**

Mr Shand introduced the report, and Andrew Gillespie asked to have the report mainly taken as read but briefly highlighted a few points from the report. Mr Gillespie answered questions from members. Mr Shand noted that the report was well prepared and an easy document to understand.

COMMITTEE RESOLUTION RAC2023/6

Moved: Mr David Shand

Seconder: Mayor Janet Holborow

That the Risk and Assurance Committee receives and notes this report, including Appendix 1 to this report.

CARRIED**8.6 PROGRESS UPDATE REGARDING AUDIT CONTROL FINDINGS 2021/22**

Sam Nicolle briefly introduced the report.

COMMITTEE RESOLUTION RAC2023/7

Moved: Mr David Cochrane

Seconder: Lawrence Kirby

That the Risk and Assurance Committee notes 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 that Ernst & Young will re-assess these as part of their audit for the year ended 30 June 2023.

CARRIED**8.7 INTERNAL AUDIT - PROGRESS UPDATE AND FORWARD WORK PROGRAMME**

Sharon Foss introduced the report, gave a brief explanation of some components, and answered questions from members.

COMMITTEE RESOLUTION RAC2023/8

Moved: Mr David Shand

RISK AND ASSURANCE COMMITTEE MEETING MINUTES**16 MAY 2023**

Seconder: Mayor Janet Holborow

That the Risk and Assurance Committee receives and notes the Internal Audit progress update and forward work programme for 2023.

CARRIED

8.8 FORWARD WORK PROGRAMME 2023 FOR RISK AND ASSURANCE COMMITTEE**COMMITTEE RESOLUTION RAC2023/9**

Moved: Lawrence Kirby

Seconder: Mayor Janet Holborow

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.

CARRIED

The meeting adjourned at 11:18 am and resumed at 11:28am.

9 PUBLIC EXCLUDED REPORTS**RESOLUTION TO EXCLUDE THE PUBLIC****PUBLIC EXCLUDED RESOLUTION RAC2023/10**

Moved: Mr David Shand

Seconder: Mayor Janet Holborow

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</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

RISK AND ASSURANCE COMMITTEE MEETING MINUTES

16 MAY 2023

	of the information Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	
CARRIED		

COMMITTEE RESOLUTION RAC2023/12

Moved: Mayor Janet Holborow

Seconder: Deputy Mayor Lawrence Kirby

That the Te Komiti Whakamauru Tūraru | Risk and Assurance Committee moves out of a public excluded meeting.

CARRIED

The Te Komiti Whakamauru Tūraru | Risk and Assurance Committee meeting went into public excluded session at 11:28am.

The Te Komiti Whakamauru Tūraru | Risk and Assurance Committee came out of public excluded session at 12:08pm.

The Te Komiti Whakamauru Tūraru | Risk and Assurance Committee meeting closed at 12:08pm.

.....
HEAMANA | CHAIRPERSON

10 TE WHAKAŪNGA O NGĀ ĀMIKI KĀORE E WĀTEA KI TE MAREA | CONFIRMATION OF PUBLIC EXCLUDED MINUTES

11 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 - Confirmation of 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>	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 - Legislative Compliance Report - 1 April 2023 to 30 June 2023	Section 7(2)(c)(i) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public	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>interest that such information should continue to be supplied</p> <p>Section 7(2)(f)(ii) - the withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of Council members, officers, employees, and persons from improper pressure or harassment</p>	
11.2 - Litigation and External Investigations Report	<p>Section 7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</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>