



Te Kaunihera-ā-Rohe o Ngāmotu

**New Plymouth
District Council**

FINANCE, AUDIT AND RISK COMMITTEE MEETING AGENDA

**Tuesday 24 October 2023
at 2pm**

**Council Chamber
Liardet Street, New Plymouth**

Chairperson:	Cr Amanda	Clinton-Gohdes
Members:	Ms Adrienne	Young-Cooper (Deputy)
	Cr Tony	Bedford
	Cr Max	Brough
	Cr David	Bublitz
	Cr Bali	Haque
	Cr Marie	Pearce
	Mayor Neil	Holdom

COMMITTEE PURPOSE

Purpose of Local Government

The reports contained in this agenda address the requirements of the Local Government Act 2002 in relation to decision making. Unless otherwise stated, the recommended option outlined in each report meets the purpose of local government and:

- Promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of Council, or transfer the ownership or control of a strategic asset to or from Council.

END

OPENING KARAKIA

Kia uruuru mai	I draw in (to my being)
Ā hauora	The reviving essence
Ā haukaha	The strengthening essence
Ā haumāia	The essence of courage
Ki runga, ki raro	Above, below
Ki roto, ki waho	Within, without
Rirerire hau paimarire	Let there be peace



Te Kaunihera-ā-Rohe o Ngāmotu

**New Plymouth
District Council**

Health and Safety Message / Te Whaiora me te Marutau

In the event of an emergency, please follow the instructions of Council staff.

Please exit through the main entrance.

Once you reach the footpath please turn right and walk towards Pukekura Park, congregating outside the Spark building. Please do not block the footpath for other users.

Staff will guide you to an alternative route if necessary.

If there is an earthquake – drop, cover and hold where possible. Please be mindful of the glass overhead.

Please remain where you are until further instruction is given.

APOLOGIES / NGĀ MATANGARO

Cr Bali Haque

CONFLICTS OF INTEREST / NGĀ ARA KŌNATUNATU

People who fill positions of authority must undertake their duties free from real or perceived bias. Elected members must maintain a clear separation between their personal interests and their duties as an elected member. Failure to do so could invalidate a Council decision and leave the elected member open to prosecution and ouster from office.

An elected member is entitled to interact with the Council as a private citizen. However, they cannot use their position as an elected member to gain an advantage not available to the general public.

Elected and appointed members will:

- Declare any interest whether pecuniary or non-pecuniary at a meeting where the interest is relevant to an item on that agenda.
- Exclude themselves from any informal discussions with elected members relating to a matter they have an interest in.
- Seek guidance from the Chief Executive if they are unclear of the extent of any interest.
- Seek guidance or exemption from the Office of the Auditor General if necessary.

INDEPENDENCE

Committee members to confirm their independence and declare any conflicts of interest.

CODE OF CONDUCT / FRAUD FRAMEWORK

Committee members to confirm with Management if there have been any breaches of the Code of Conduct and/or the Fraud or Corruption Policy, and if any protected or other disclosures alleging such breaches have been received. This enquiry is to ensure that such incidents are investigated and reported appropriately.

INTERNAL CONTROL

Note that the committee members will satisfy themselves of the existence and effectiveness of the Council's internal control processes.

Management will ensure that all findings from reviews by internal and external auditors of the Council's processes are reported to the Committee with action plans to remedy identified deficiencies.

Management will confirm that, to the best of its knowledge and noting the exceptions reported in the quarterly legal compliance summary, Council is compliant with legislation relevant to its activities.

ADDRESSING THE MEETING

Requests for public forum and deputations need to be made at least one day prior to the meeting. The Chairperson has authority to approve or decline public comments and deputations in line with the standing order requirements.

PUBLIC FORUM / ĀTEA Ā-WĀNANGA

Public Forums enable members of the public to bring matters to the attention of the committee which are not contained on the meeting agenda. The matters must relate to the meeting's terms of reference. Speakers can speak for up to 5 minutes, with no more than two speakers on behalf of one organisation.

- None advised

DEPUTATIONS / MANUHIRI

Deputations enable a person, group or organisation to speak to the meeting on matters contained on the agenda. An individual speaker can speak for up to 10 minutes. Where there are multiple speakers for one organisation, a total time limit of 15 minutes, for the entire deputation, applies.

- None advised

**PREVIOUS COMMITTEE MINUTES / NGĀ MENETI O MUA
Recommendation**

That the minutes of the Finance, Audit and Risk Committee 5 September 2023 (ECM 9062520), and the proceedings of the said meeting, as previously circulated, be taken as read and confirmed as a true and correct record.

END

REPORTS

ITEMS FOR DECISION BY COMMITTEE

1. Internal Audit Charter 2023
2. Internal Audit Update
3. Fraud or Corruption Policy Review

ITEMS FOR RECOMMENDATION BY COMMITTEE

4. Risk Management Framework
5. Budget Carry-Forwards

ITEM FOR DECISION BY COMMITTEE

6. Exclusion of the Public
-

INTERNAL AUDIT CHARTER 2023

PURPOSE / TE WHĀINGA

1. This report seeks approval of the revised Internal Audit Charter (attached as Appendix 1). The Charter outlines the role and responsibilities of internal audit and how the Executive Leadership Team can support its activities.

RECOMMENDATION / NGĀ WHAIKUPU

That, having considered all matters raised in the report, the revised Internal Audit Charter be approved.

SIGNIFICANCE AND ENGAGEMENT / TOHUTOHU KAI WHAKAHAERE

2. This report is assessed as being of some importance.

BACKGROUND / WHAKAPAPA

3. Council is responsible for delivering a wide range of critical services. The delivery of many of these services is dictated by regulations, for example, drinking water standards. These services are the subject of internal and external scrutiny, through the activities of Council's quality/compliance roles, and the annual external audit respectively.
4. For the last six years these efforts have been supplemented by Council's internal audit function, provided in partnership with Deloitte, as mandated by the Internal Audit Charter.
5. The Charter was first approved by the then Audit and Risk Committee in June 2017, and is reviewable every two years. Officers believe that the current Charter remains fit for purpose, subject to very minor tracked amendments as per Appendix 1. We also recommend that the Charter move to a three-yearly review cycle to align with the electoral term.

CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

6. This is an administrative matter of no significance to Council's climate change initiatives.

REFORM IMPLICATIONS

7. There is nothing in the matter under consideration that has any significant implications for Council's involvement in the Local Government reform agenda.
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NEXT STEPS / HĪKOI I MURI MAI

8. Once adopted by the Council, the revised Internal Audit Charter will be used to structure Council's internal audit activities, including future plans and reporting back to the Finance, Audit and Risk Committee.

FINANCIAL AND RESOURCING IMPLICATIONS / NGĀ HĪRAUNGA Ā-PŪTEA, Ā-RAUEMI

9. Any financial and resourcing implications resulting from the internal audit function that are outside staff delegations will be reported and require approval from the Council before being incurred. No such implications have been identified to date.

IMPLICATIONS ASSESSMENT / HĪRANGA AROMATAWAI

10. This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:
 - Council staff have delegated authority for any decisions made;
 - Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
 - Any decisions made are consistent with the Council's plans and policies; and
 - No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDIX

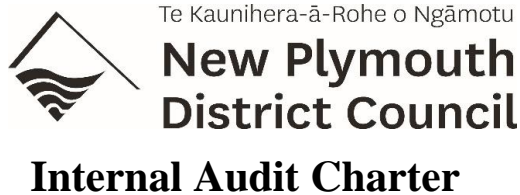
Appendix 1 Revised Internal Audit Charter 2023 (ECM 9082897)

REPORT DETAILS

Prepared By:	Rowan Betts (Risk and Assurance Manager)
Team:	Risk and Assurance
Approved By:	Joy Buckingham (Group Manager Corporate Services)
Ward/Community:	District Wide
Date:	28 September 2023
File Reference:	ECM 9082915

-----End of Report -----

Appendix 1: Revised Internal Audit Charter 2023



Objective

1. This Charter outlines the role and responsibilities of New Plymouth District Council's internal audit function (IA), and how the Council's Executive Leadership Team can support its activities. Implementing the Charter will also help the Finance, Audit and Risk Committee to meet its responsibilities (relating to IA) in its terms of reference.

The role of internal audit

2. IA's role is to provide independent assurance and advisory services (through an external partnership arrangement) to support and monitor the risk management and internal control activities implemented by management to run the organisation. In providing those services, IA aims to improve Council's operations and therefore assist management to achieve the organisation's objectives. The effectiveness of IA will be based on the extent to which it fulfils the following responsibilities:

Planning

3. IA will prepare an annual internal audit plan based on an assessment of the Council's risks¹ and previous audit results, and in consultation with:
 - the current external provider;
 - the Executive Leadership Team and other Council staff (including those with 'compliance' and 'quality' functions, to avoid duplication of their work);
 - the Council's Finance, Audit and Risk Committee;
 - the Council's external auditors²; and
 - other Councils' internal auditors.
4. The annual plan will be flexible so IA can respond to any urgent requests to complete special tasks from the Executive Leadership Team and/or Finance, Audit and Risk Committee Chair. Any deviations from the annual plan will be agreed between IA, the Chief Executive, and Finance, Audit and Risk Committee Chair.
5. Terms of Reference will be prepared for each audit to outline its objective, scope, approach, and estimated completion date. Management of the area to be audited will have the opportunity to provide feedback on the terms before the audit starts. This will help to ensure that audits focus on the issues of significance to the organisation.

¹ The annual plan will encompass risks identified across all Council activities, and may include those carried out by Council-Controlled Organisations and our contractors.

² A relationship with the external auditors will help to ensure that the external and internal audit work programmes do not overlap, and the coverage and benefits of the audits are maximised.

Service delivery

6. In delivering the annual plan IA will:

- Provide services in accordance with the International Professional Practices Framework, which requires conformance with the Definition of Internal Audit, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing³.
- Complete planned audits that may include:
 - reviewing the risk management framework and associated procedures for ensuring that the significant risks to the achievement of Council's objectives are identified and being controlled appropriately;
 - reviewing whether Council employees act in accordance with relevant legislation and Council's policies and procedures;
 - reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
 - reviewing the means of safeguarding assets and, as appropriate, verifying the existence and condition of those assets; and
 - reviewing operations or programmes to assess whether the results are consistent with established objectives and goals, and are achieved as effectively and efficiently as possible.
- Provide timely, constructive, and quality reports to the Executive Leadership Team and the Finance, Audit and Risk Committee, which clearly identify the significant issues found during the audits, and practical recommendations and timeframes (based on risk management principles) for addressing them. During each audit IA will maintain open communication with the manager and staff of the area(s) being audited.
- Undertake unplanned work from time to time relating to operational matters as initiated by IA, or requested and subsequently approved by the Chief Executive and Finance, Audit and Risk Committee Chair. This work can include involvement in the investigation of suspected fraud.

³ The Institute of Internal Auditors defines Internal Auditing as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.'
The *Code of Ethics* contains the principles and rules of conduct that define ethical behaviour for a professional internal auditor. The principles are integrity, objectivity, confidentiality, and competency.
The *International Standards for the Professional Practice of Internal Auditing* are principles based and provide a framework for performing and promoting internal auditing. The *Standards* are mandatory requirements, and conformance with them is to be assessed at least every five years.

- Periodically report to the Finance, Audit and Risk Committee on terms of reference for upcoming audits, and progress against the internal audit plan, as well as management's progress in addressing issues and implementing recommendations from previous audits.
7. In meeting the responsibilities above, IA has full authority to access all files, correspondence and other documentation (subject to the provisions of the Privacy Act 2020 and other relevant legislation) and to seek the reasons for any non-compliance with formal policy, procedure, process or recognised practice.
 8. IA's independence precludes it from participating in operations/activities that may be subsequently audited or reviewed by it. Nevertheless, IA will be able to advise on the development of internal controls and risk management approaches, and the development or revision of systems, policies and procedures through reference to good practices used elsewhere. IA will also be available to assist other Council staff to appropriately respond to the findings and any recommendations of independent reviews, including those by the Office of the Auditor-General and the central agencies (e.g. the State Services Commission).
 9. To provide and maintain IA's independence, it will report directly (for administrative purposes) to the General Manager Chief Financial Officer Corporate Innovation and (functionally) to the Finance, Audit and Risk Committee Chair.
 10. With an emphasis on continuous improvement, key stakeholders have the opportunity to provide feedback about IA's performance on an ongoing basis, with a more formal review of the function to be completed every five years in accordance with the International Professional Practices Framework. While IA is outsourced Council will confirm with the provider how it demonstrates alignment with good practice and report this to the Finance, Audit and Risk Committee accordingly. Unless there are exceptional circumstances, Council will also rotate the provider in line with good practice.
 11. IA will review this Charter in conjunction with the Executive Leadership Team every threetwo years or otherwise in response to any significant legislative or other environmental changes.

Responsibilities of the Executive Leadership Team

12. The Executive Leadership Team will assist IA to effectively fulfil its role and responsibilities by:
 - establishing and maintaining effective and efficient risk management and internal control processes, including standard accounting records and other management information;
 - establishing and maintaining policies and procedures that are aligned with current local government and other good practice;
 - identifying potential audit areas and providing timely feedback on the draft internal audit plan, and subsequently on draft terms of reference that are relevant to their areas of responsibility;

- following a formal process for requesting changes to the internal audit plan, as agreed between the Chief Executive and the Finance, Audit and Risk Committee Chair;
- providing IA with relevant strategic and operational documents and other information on request, and otherwise when managers consider it useful to bring to IA's attention (for example reporting any event or issue that is detrimental to Council such as suspected or actual cases of fraud);
- ensuring free access to documents and staff during the conduct of audits and other tasks requested of IA;
- providing timely comment on draft audit or other reports for consideration by IA in finalising its reports;
- implementing recommendations in audit reports or providing reasons for not doing so that will be included in each report's 'management comments' section; and
- attending Finance, Audit and Risk Committee meetings at which the reports from reviews involving their area(s) are discussed.

Charter approval

This Charter has been approved by the following:

Gareth Green
Chief Executive

Amanda Clinton-Gohdes
Finance, Audit and Risk Committee Chair

Date:

Date:

INTERNAL AUDIT UPDATE OCTOBER 2023

PURPOSE / TE WHĀINGA

1. This report provides an update of progress with implementing outstanding internal audit recommendations since the last report to the Finance, Audit and Risk Committee in July 2023.

RECOMMENDATION / NGĀ WHAIKUPU

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT / TOHUTOHU KAI WHAKAHAERE

2. This report is provided for information purposes only and has been assessed as being of some importance.

BACKGROUND / WHAKAPAPA

3. Council approved the Internal Audit Plan 2023/24 on 1 August 2023.
4. Progress with implementing recommendations made in previous reports is outlined in Appendix 1. Except for the cyber review, where work continues to define specific actions and their timing, the table below summarises the number of recommendations made, and how many have been resolved or remain open. The change in the total number of open recommendations since the last review is shown by the arrow below.

Review	Number of recommendations		
	Made	Closed	Open (Deloitte risk rating)
Health and Safety	12	11	1 (moderate)
Project Greenfields	7	5	2 (2 moderate)
Accounts Payable and Payroll Controls	7	6	1 (1 low)
Portfolio and Project Management	7	4	3 (1 moderate, 1 low, 1 process improvement)
Risk Maturity Assessment	6	4	2 (1 high, 1 medium)
Integrity Maturity Assessment	8	1	7
Total	47	31	16 (↑4)

Health and Safety

5. The remaining recommendation for implementation involves the deployment of role-specific profiles and tools. There has been further progress since the last review, with resource secured to enable work on the Health, Safety and Wellbeing (HSW) Learning and Development training matrix to resume.
6. That work includes finalising a list of critical Health and Safety risks. The list will guide focus areas and help identify initial external training requirements for staff. Following this, an assessment of internal HSW training needs will be done based on risks each unit faces.
7. From a systems perspective, the HSW Officer and the Organisational Development Administrator are configuring Oku Wahi (Council's Human Resources system) to cater to the needs of the HSW training framework before data is input. The aim is to have this recommendation implemented by Quarter 3 2023/24.

Project Greenfields (Pakiaka) and Accounts Payable and Payroll Controls

8. The remaining recommendations from this review are tied to progress with that and the TechOne Upgrade projects. Progress with the final recommendation from the Accounts Payable and Payroll controls review also depends on systems changes.

Portfolio and Project Management

9. Steady progress has been made with addressing the recommendations from this review. However, progress with the remaining recommendations is contingent upon certain business decisions and prioritisation, and will be delayed by a recent staff resignation.

Risk Maturity Assessment

10. With the recruitment of the Risk and Assurance Advisor we are making good progress in implementing the recommendations from this review. This includes development of risk appetite and escalation guidance in the proposed revised Risk Management Framework that is found in another part of this meeting's agenda. Continuous training, including at induction, is part of our commitment to this ongoing process.

Accounts Payable and Related Parties Data Analytics

11. The data analytics work has been completed. Potential focus areas were identified and exceptions from expected relationships followed up. In summary, no issues of significance were identified, although work on identified process weaknesses will be progressed. The findings from the analysis are found in Appendix 2.
-

Integrity Maturity Assessment

12. Recognising that Council will not introduce the recommended integrity advisor role, a small working group has been established instead to focus on how each of the other recommendations from the assessment can be progressed without the additional resourcing. This includes developing a RACI matrix for presentation to the Finance, Audit and Risk Committee by the end of the year.
13. Additional actions include updating policies such as the Fraud or Corruption Policy (a revised version is found in another part of this meeting's agenda), incorporating a risk and assurance module into Council's induction programme, creating an integrity dashboard, reviewing the Protected Disclosures Policy, and introducing a schedule of reviews for key policies that would benefit from a formal feedback loop. These actions underscore our commitment to enhancing our integrity framework and aligning it with industry-leading practices, within existing resourcing.

CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

14. This is an administrative matter of no significance to Council's climate change initiatives.

REFORM IMPLICATIONS

15. There is nothing in the matter under consideration that has any implications for Council's involvement in the Local Government reform agenda.

NEXT STEPS / HĪKOI I MURI MAI

16. Progress with implementing outstanding recommendations from internal audit reports will be provided to the Finance, Audit and Risk Committee in line with the work programme approved annually.

FINANCIAL AND RESOURCING IMPLICATIONS / NGĀ HĪRAUNGA Ā-PŪTEA, Ā-RAUEMI

17. Any financial and resourcing implications resulting from internal audit activities that are outside staff delegations will be reported. These require approval from the Council before being incurred. No such implications have been identified to date.

IMPLICATIONS ASSESSMENT / HĪRANGA AROMATAWAI

18. This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDICES / NGĀ ĀPITI HANGA

Appendix 1: Update of progress with implementing recommendations from completed reviews (ECM 9082921)

Appendix 2: Accounts Payable and Related Parties data analytics findings (ECM 9083887)

Report Details

Prepared By:	Rowan Betts (Risk and Assurance Manager)
Team:	Risk and Assurance
Approved By:	Joy Buckingham (Group Manager Corporate Services)
Ward/Community:	District Wide
Date:	3 October 2023
File Reference:	ECM 9082905

-----*End of Report*-----

APPENDIX 1 – UPDATE OF PROGRESS WITH IMPLEMENTING RECOMMENDATIONS FROM COMPLETED REVIEWS

Action description (and Deloitte risk rating)	Assigned to	Status	Original management response	Original due date (forecast date)	Actions taken since the review or pending
Health and Safety					
<p>3.2 (Moderate risk) A robust organisation wide training needs analysis should be completed to determine what type of H&S training is required for each role. A tiered approach could be used based on staff role and exposure by team.</p> <p>Once the analysis has been completed, resource must be dedicated to develop, document and implement (including communicate) the training approach and delivery to NPDC staff.</p> <p>Once implemented, training should be reviewed regularly for relevance and effectiveness. Measures include change in knowledge, reporting behaviours and a continued positive change in H&S perception from the workforce.</p>	Health and Safety Manager/ Functional Managers	Open	The need for role-specific H&S training will be explored along with clarity about how this is to be resourced.	Quarter 4 2019/20 (Quarter 3 2023/24)	Resource has now been secured and work has resumed in finalising the Health, Safety and Wellbeing Learning and Development training matrix and integrating it into the learning management system. Completion expected by the end of Quarter 3 2023/24.

Action description (and Deloitte risk rating)	Assigned to	Status	Original management response	Original due date (forecast date)	Actions taken since the review or pending
Project Greenfields					
<p>2.3 (Moderate risk)</p> <ul style="list-style-type: none"> • Include a risk management focus in the project steering group which is independent from the IT risk management function, to oversee compliance with the Council’s risk management framework and effective implementation of risk management practices throughout the project. • Provide management with clarification of the extent to which each project outcome will address targeted risk areas, and whether further treatment will be required outside the project scope to manage the targeted risks to an acceptable level to enable informed decision-making. • Risk management should develop a risk management plan to mitigate interim risks inherent in the current infrastructure, and plan for mitigating project-related risks, e.g. contract management, risk to reliant third parties, insufficient consideration of IT policy and business process, or inadequate consideration of information and asset disposal requirements and related costs. • Confirm the suitability and effectiveness of the planned risk management measures at relevant stage gates, e.g. include provision for 	Chief Information Officer	Open	Noted. The project is still very much in business case mode and high level risks have been identified as drivers for the project. When an approved business case is obtained, the expectation is that risk management will become more involved in the project with risks identified and rated in accordance with Council’s Risk Management Framework and in agreement with Council’s Risk Management Lead.	Quarter 3 2019/20 (Quarter 3 2023/24)	<p>The project is well advanced, with completion forecast to be by the end of Quarter 3 2023/24, at which point the recommendation will be closed.</p> <p>By way of a project update, to date we have rolled out 554 user devices that are on the new computing environment with another 161 in progress right now. We have had to wait for the remaining 71 devices due to the current Tech1 system not being fully compatible with the new computing environment. We have almost completed the mitigation around the issues and hope to have the remaining devices out as soon as possible.</p> <p>We have also moved all our servers to the new computing environment with the exception of the Tech1 system and the key servers that control authentication within the council computing environment thereby reducing our risk. The authentication servers are scheduled to move to the new computing environment in early November.</p> <p>We have also introduced new security measures along with a new cyber security program which includes more complex passwords, multi-factor authentication, proactive monitoring and alerting, processes, procedures and incident</p>

Action description (and Deloitte risk rating)	Assigned to	Status	Original management response	Original due date (forecast date)	Actions taken since the review or pending
<p>User Acceptance Testing, validation of security controls before deliverables go live in the production environment, and security monitoring once in production. Such efforts will support the Security, Confidentiality and Privacy by Design principle of the Information Services Strategic Plan (ISSP).</p>					<p>management plans. The security perimeter used to extend only as far as our on premise infrastructure. Our new environment has increased this perimeter to our full operating environment in the cloud.</p>

Action description (and Deloitte risk rating)	Assigned to	Status	Original management response	Original due date (forecast date)	Actions taken since the review or pending
<p>2.5 (Moderate risk)</p> <ul style="list-style-type: none"> Formalise and implement a stakeholder management plan which includes communication and people/organisational change management plan for the project and include provision for internal and third parties that may be affected. Actively market the project to the end-user community and make users aware of the planned improvements. This will promote the buy-in of end-users and organisational change readiness. Formalise User Acceptance Testing prior to commissioning of changes that impact the user. Provide users with documented guidance and training where necessary to enable them to perform their tasks where tooling and processes change. Stakeholder management should be a standing agenda item for the project steering group. 	<p>Chief Information Officer</p>	<p>Open</p>	<p>Normal change practices via a dedicated change management resource will be used once the business case is approved by the Executive Leadership Team. This will include acceptance testing and training (if required).</p> <p>As current desktop applications are not changing with this project, end users should notice little change but any will be well communicated.</p>	<p>Quarter 4 2019/20 (pending business case approval)</p> <p>(Quarter 3 2023/24)</p>	<p>During the rollout phase, all key stakeholders were closely worked with to ensure continuity of systems and applications before the new devices and computing environment were rolled out.</p> <p>Some areas faced issues that were worked through, and the implementation of mitigations and/or solutions is currently underway.</p> <p>A fully documented computing environment from the back end right through to end user applications and systems is also now available.</p> <p>An out of region data centre that can take over from the local one in a matter of hours has been implemented, ensuring business continuity in the event the local data centre becomes unavailable.</p>

Action description (and Deloitte risk rating)	Assigned to	Status	Original management response	Original due date (forecast date)	Actions taken since the review or pending
Accounts Payable and Payroll Controls					
<p>3.3 (Low risk) We recommend that management:</p> <ul style="list-style-type: none"> i. Documents the processes highlighted in our observation [relating to invoice creators and approvers in TechOne, additions or changes in the Supplier Masterfile, review steps (e.g. checklist) and approval of payments made to suppliers, and monthly review of changes occurring in the Supplier Masterfile]; and ii. Reviews the existing Accounts Payable guidelines to determine if further detail is required in the breakdown of the processes. 	Group Manager Corporate Services	Open	We recognise the need for more detailed guidelines, and this work has been done at a high level. More detailed work is planned as part of an organisation-wide project. This work is likely to be undertaken as part of preparation for a new financial system, so will run as per the implementation schedule for the ERP Replacement Project in due course.	To be determined as part of the implementation of the TechOne Upgrade Project.	The Systems Accountants are currently documenting all workflows and processes in preparation for the TechOne Upgrade project and are on track to complete the work by the end of October 2023. The current system does not facilitate audit recommendations to separate duties through system controls, however staff responsibilities are separated to minimise risk.

Action description (and Deloitte risk rating)	Assigned to	Status	Management response	Original due date (forecast date)	Actions taken since the review or pending
Portfolio and Project Management					
<p>3.1 (Moderate) In the short-term NPDC should consider:</p> <ol style="list-style-type: none"> 1. Including a cost estimator in the initial project budget creation process. 2. Referencing the lessons learnt from prior projects and budget creation when setting up a new project. 3. Following up to see how widespread the use of a separate Excel spreadsheet is for budget management and understand the reason for this. Provide additional training and support to ensure project budgets are managed within the P3M Tool. <p>As a long-term solution, we support Council's initiative to engage a cost estimator for the development of a more rigorous and standardised method of cost estimation for development of its project budgets.</p>	<p>Manager Infrastructure Projects</p>	<p>Closed</p>	<p>Work is underway to address the recommendation. We will implement a centralised cost database and use P3M as the source of truth for budgeting purposes, supported by other tools as appropriate.</p>	<p>1/06/2023 (30/09/2023)</p>	<ol style="list-style-type: none"> 1. A Cost Estimating Framework has been completed and endorsed by the Portfolio Governance Board. The framework highlights where when Council's Estimator needs to be involved in budget creation. 2. An Excel template for cost estimates has been created. The template will ensure that estimating errors, such as not allowing for internal Project Manager time, are not missed. The template also includes the estimated cost associated with cultural narratives (where required), and de-carbonisation elements. 3. Training on the framework and templates has been undertaken. Project forecasting is being undertaken within the P3M tool.

Action description (and Deloitte risk rating)	Assigned to	Status	Management response	Original due date (forecast date)	Actions taken since the review or pending
<p>3.2 (Moderate) NPDC should consider:</p> <ol style="list-style-type: none"> 1. Prioritising the establishment of portfolio-level metrics to supplement existing reporting. 2. Developing a detailed implementation plan for the rollout of standard risk management processes for all projects including key milestones. 3. Formalising the process of benefits identification to ensure that this is consistent across the portfolio and able to be measured against the Benefits Realisation Framework is implemented. 4. Enhancing the P3M Implementation Plan as new phases are being started with more detail and an accompanying schedule to support the rollout of subsequent phases of the Framework. 5. Undertaking a review once the end-to-end process has been fully implemented to ensure that the Framework is fit for purpose and operating effectively, making enhancements where required. Periodic reviews should also be performed over these processes, particularly as the size and complexity of the portfolio increases. 	<p>Portfolio and Programme Lead</p>	<p>Open</p>	<p>Agreed. Work is underway although the timing will vary depending on the action recommended. For example:</p> <ol style="list-style-type: none"> 1. Portfolio-level metrics will be established by the end of August 2022. 2. A review of the implementation of project risk management requirements in P3M is planned for July 2022. Following the review, corrective actions will be taken if needed to ensure all project risks are in P3M by September 2022. 3. Implementation of a benefits realisation framework is planned for 2023. This will include a formalised process for identifying the benefits a project should deliver. 4. Implementing P3M is an ongoing process and subsequent phases are updated and approved by the Portfolio Governance Group before implementation starts. 5. A review of the end-to-end process is planned in 2024. 	<p>All completed by 2024 (All completed by 2025)</p>	<p>This work is currently on hold and will be delayed pending the outcome of the reorganisation and obtaining resourcing to support reporting and develop a benefits realisation framework.</p> <ol style="list-style-type: none"> 1. Portfolio-level metrics have been agreed by the Portfolio Governance Board. KPIs have been established, approved and implemented. Some reporting has been automated from P3M. Others KPIs are manual and require additional resource to enable reporting. 2. The risk management guideline has been updated to address gaps. The ability to bulk upload risks into P3M from Excel spreadsheets is now possible. Several risk identification workshops have been completed and regular risk review meetings are being held to ensure project, programme and portfolio risks are recorded and monitored. 3. Benefits realisation – on hold as noted above. 4. This is ongoing. 5. The review is still planned for 2024. A survey was completed, and training, software and the framework confirmed by users to be fit for purpose. Areas for improvements have been identified and relevant changes will be implemented as part of our continuous improvement process.

Action description (and Deloitte risk rating)	Assigned to	Status	Management response	Original due date (forecast date)	Actions taken since the review or pending
<p>3.4 (Low) NPDC should consider: 1. Implementing a health check process to independently assess the health of a project and ensure that the P3M process is being used as designed. The health check process would provide the opportunity for someone who is not close to the project to take a more in depth look to determine that:</p> <ul style="list-style-type: none"> • The status that is being reported is accurate; • Any potential problems are identified; • P3M process, tools and templates are being used as designed; • Wider NPDC policies and processes are being adhered to (e.g., HR, Health and Safety, document management, etc.); and • An action plan is needed should any problems be identified. <p>This could be undertaken by a member of the Portfolio Management Office or a representative from either the Infrastructure or Business Technology Group Project Management Offices and may include conducting interviews with key project team members. If carried out by the Portfolio Management Office, the size of the team may need to be considered due to the additional workload, noting that the team normally consists of only two staff.</p> <p>We acknowledge that NPDC is still implementing its Framework and processes with plans to implement an Assurance Framework by the end of 2023. NPDC may consider incorporating this as a requirement in its Assurance Framework.</p> 2. Implementing random spot checks to ensure core Project Management fundamentals and processes are in place and being adhered to. 3. Creating clear stage gate exit criteria that align with the checklists in the P3M Tool.	<p>Portfolio and Programme Lead</p>	<p>Open</p>	<p>Agreed. Each component of the recommendation aligns with Council’s plan for its Assurance Framework, which will be implemented by the end of 2023.</p>	<p>1/12/2023 (1/6/2024)</p>	<p>While the Project Assurance Framework has been approved work on this recommendation is otherwise on hold pending the outcome of the reorganisation and obtaining resourcing.</p>

Action description (and Deloitte risk rating)	Assigned to	Status	Management response	Original due date (forecast date)	Actions taken since the review or pending
<p>3.7 (Process Improvement) NPDC should continue to work with the P3M software provider to prioritise locking functionality down to the individual user. This would provide the ability for only certain users to modify the date fields when required.</p> <p>If for some reason there is a delay implementing this functionality, NPDC could investigate generating an audit report out of the P3M tool which provides an indication of what fields have been modified, when and by who.</p>	Portfolio and Programme Lead	Open	Agreed. This action is in the work plan to be delivered by the P3M software provider once budget becomes available in July 2022.	1/09/2022 (31/12/2023)	This change is now in UAT and will be rolled out into production once tested and functionality confirmed.

Action description (and Deloitte risk rating)	Assigned to	Status	Management response	Original due date (forecast date)	Actions taken since the review or pending
Risk Maturity Assessment					
<p>1 (High) 1.1 Develop qualitative risk appetite statements to guide decision-making across all levels. 1.2 Extend the risk appetite statements to incorporate quantitative guidance.</p>	Risk, Legal and Assurance Lead	Open	Agreed, although this task will need to be prioritised alongside other tasks for the Risk, Legal and Assurance Lead and the rest of the organisation.	30/06/2023 (31/03/2024)	This recommendation has been partially implemented by including qualitative risk appetite guidance in the refreshed Risk Management Framework, which is included as another report in the October 2023 Finance, Audit and Risk Committee agenda.
<p>4 (Medium) 4.1 Develop and implement processes to increase the extent of performance monitoring over key contracts. Agree upon contractor KPIs and monitor performance against these targets on a regular basis.</p>	Chief Executive	Open	Agreed. We will establish processes in the next six months to ensure that key contracts are identified and KPIs implemented and monitored accordingly.	31/12/2023 (31/03/2024)	Work on this recommendation is yet to commence.
<p>5 (Medium) 5.1 Increase resourcing in the second line risk function.</p>	Group Manager Corporate Services	Closed	<p>A Risk Advisor role can be created to support the Risk, Legal and Assurance Lead. This will require increasing the current budget and FTEs in the Risk, Legal and Assurance team and so included in the next Annual Plan and Long-Term Plan.</p> <p>A Risk Advisor would regularly review the register, provide training and support to the wider organisation and remove administrative tasks, analysis and some reporting from the Lead role. This would also reduce Council's key person risk and provide better continuity of the risk management function across NPDC.</p>	30/06/2023 (30/09/2023)	The Risk and Assurance Advisor position has been filled.

Action description (and Deloitte risk rating)	Assigned to	Status	Management response	Original due date (forecast date)	Actions taken since the review or pending
<p>6 (Medium) 6.1 Develop risk escalation guidance documentation to create consistency in the risk escalation process.</p> <p>6.2 Provide training to staff and the ELT on risk escalation.</p>	Risk, Legal and Assurance Lead	Closed	Agreed, and the process will be built into the next revision of the Risk Management Framework and be supplemented by guidance.	30/06/2023 (30/09/2023)	This recommendation has been implemented by including guidance on expectations regarding the escalation process, depending on the residual risk rating, in the refreshed Risk Management Framework that is included as another report in the October 2023 Finance, Audit and Risk Committee agenda. Training will be ongoing, including through induction.
Integrity Maturity Assessment					
<p>1A (Lower priority) Establish a dedicated integrity advisor to manage integrity matters. This role should champion integrity and be responsible for integrity monitoring, reporting, messaging and training to ensure a consistent and ongoing commitment to integrity at an organisational level.</p>	Risk and Assurance Manager	Closed	While recognising that having a dedicated role would enable the organisation to make more progress sooner, resourcing of this function relative to other priorities needs to be considered. It may be that rather than creating an advisor position there is an alternative structure (e.g. a regular meeting of key people to discuss integrity matters and processes) that can be used to make progress on the recommendations in this report, albeit more incrementally.	31/03/2024	Council will not establish a dedicated integrity advisor at this time, and will instead, through a small working group, identify how each of the other recommendations from the assessment can be progressed without additional resourcing.

Action description (and Deloitte risk rating)	Assigned to	Status	Management response	Original due date (forecast date)	Actions taken since the review or pending
<p>1B (Higher priority) Agree the specific responsibilities of the integrity role with the Finance, Audit and Risk Committee. Create and maintain a RACI Matrix which considers any integration of preestablished governance levels alongside the dedicated integrity leaders.</p>	Risk and Assurance Manager	Open	Agreed, subject to resolving the approach in relation to recommendation 1A.	31/12/2023	Regardless of having a dedicated integrity role, a RACI Matrix will be created and discussed with the Finance, Audit and Risk Committee by the end of 2023.
<p>1C (Intermediate priority) Reconcile and update all policies and procedures to include the purpose of the integrity function. This should include details of appropriate action to take if employees or members of the public have any questions in relation to integrity and how to contact the relevant team.</p>	Risk and Assurance Manager	Open	Agreed, subject to resolving the approach in relation to recommendation 1A.	30/06/2024	When updating the Fraud or Corruption Policy it will be confirmed that it includes clear information for employees about actions they can take if they have any questions relating to integrity, including who to contact within Council. The risk and assurance part of Council's induction programme is being reviewed, and it will be used to provide information relating to the channels available for staff to raise any issues of integrity.

Action description (and Deloitte risk rating)	Assigned to	Status	Management response	Original due date (forecast date)	Actions taken since the review or pending
<p>2A (Intermediate priority) Create an integrity data dashboard to monitor for potential weaknesses in the integrity framework at NPDC. Consult on potential metrics of integrity which are specific to NPDC. This may coincide with data NPDC has available such as the employee pulse survey. This dashboard should be shared in periodic updates with leadership to provide insights into key (integrity-related) performance indicators (KPIs).</p>	Risk and Assurance Manager	Open	Agreed, and this is a task that can be implemented independently of resourcing of an integrity function.	31/03/2024	A dashboard will be created and used for periodic updates with the Executive Leadership Team.
<p>2B (Lower priority) Create specific integrity training for all staff. This training should be a yearly requirement for all staff. The training should be refreshed as required to account for organisational change, integrity guidance and best practice. Training can be self-served. For best practice, the training should include a testing element and results of testing should be included as a KPI in Integrity Dashboard.</p>	Risk and Assurance Manager	Open	Agreed, and this is a task that can be implemented independently of resourcing of an integrity function.	31/12/2024	This recommendation will initially be incorporated into the risk and assurance induction review and consideration given to including an annual review.

Action description (and Deloitte risk rating)	Assigned to	Status	Management response	Original due date (forecast date)	Actions taken since the review or pending
<p>2C (Lower priority) Establish integrity measurement and reporting as ongoing BAU.</p>	Risk and Assurance Manager	Open	Agreed, and this will be implemented as part of the data dashboard in recommendation 2A.	30/06/2024	This recommendation will be addressed as part of the creation of the dashboard and component Key Performance Indicators.
<p>3A (Intermediate priority) Implement a policy for feedback to disclosers. While complying with confidentiality obligations, this should include criteria outlining what level of feedback staff can expect to receive when they speak up or raise concerns or complaints. Consider consulting with wider leaders and employees to ensure an inclusive design for the policy.</p>	Risk and Assurance Manager	Open	Agreed, and this is a task that can be implemented independently of resourcing of an integrity function.	30/06/2024	The Protected Disclosures Policy will be reviewed to ensure it addresses what level of feedback staff can expect when raising concerns or complaints.
<p>3B (Lower priority) Formalise feedback on policies and procedures. This could be in the form of an online form allowing staff to provide feedback or comment on policies at any time. A specific push for feedback should occur when policies are under review. To ensure transparency, consider moving policies and procedures online with employee comments enabled or a dedicated FAQ to ensure consistent advice and tone of voice.</p>	Risk and Assurance Manager	Open	Council will consider what a fit for purpose approach is to obtaining staff feedback when it is appropriate to do so. Given the range of policies and procedures, some of which are of a specialist nature, it would not be appropriate to enable staff to provide feedback on every policy and procedure as they come up for review.	31/12/2024	Key policies that would benefit from a formal feedback loop will be identified and a schedule of reviews implemented based on next review date.

Appendix 2: Accounts Payable and Related Parties data analytics findings

1. The previous round of data analytics in February 2021 examined Accounts Payable information for vendor validity and unusual transactions. Those tests focused on invoices with consecutive reference numbers, potential duplicate payments, round dollar transactions, unusual transaction values, and documents entered outside normal business hours. No matters of concern were identified.
2. As per the Internal Audit Plan 2022/23, this round of analytics focused on Accounts Payable and Related Parties data between 1 July 2021 and 30 June 2023. The tests this time aimed to identify high risk suppliers and undisclosed relationships between vendors and employees using vendor master file attributes, transaction anomalies, and Companies Office data.
3. The tests this round provided insights about the transaction entry, users, vendor stratification and days to pay. These views are helpful for identifying outliers or exceptions that needed further follow-up or investigation.
4. Deloitte provided results from the data analytics to Council through an interactive electronic dashboard (Tableau) for Council to use to follow-up outliers or exceptions. Having completed that follow-up, satisfactory explanations for the sample of outliers and anomalies were obtained as noted below, and the review has been closed accordingly.
5. This round of data analytics specifically focused on:
 - Efficiency
 - Vendor validity
 - Vendor level
 - Group tests
 - Sampling
 - Related Parties
 - Companies Office results

Efficiency

6. This test was to identify any vendors with daily invoices, entry efficiency and users' roles. The analysis found 11 vendors with a high invoice volume, explained by different orders for various Council areas. Also identified were many one-off supplier invoices, rate refunds/rebates and staff reimbursements. This review revealed a risk of double paying one-off supplier invoices under the title of 'Sundry Creditor'. Entering these invoices against the creditor in the system would help with analysis and avoid skewed incremental analysis.

Vendor validity

7. This test was to identify any vendors with data entry errors. The data showed that of the invalid account numbers reviewed, all were from non-NZ based companies. The sample also covered sundry creditor and overseas payments, which process various types of refunds, overseas art suppliers, professional development, and events. Nothing unexpected was identified in the sample reviewed (risk-based due to volume of transactions). Satisfactory explanations were obtained for all vendors selected.

Vendor level

8. This test was to identify any vendors with fraudulent activity indicators, such as consecutive reference number on invoices, potential duplicate payments, round dollar transactions, unusual transaction values, and documents entered outside normal business hours. The analysis found that many invoices were consolidated and paid in one payment with consistent total amounts if invoices were ongoing/recurring. Some entries were also found with a staff name recorded against a company. However, satisfactory explanations were obtained.

Group tests

9. This test was to identify any vendors with 'NPDC' as their main customer and possible duplicate payments. The analysis found that contract invoices skewed the results, as Council entered their contract number instead of the supplier invoice number in TechOne. This prevented the system from flagging duplicate payments for some vendors. Most potential duplicates were for rates rebates/refunds or application invoices under 'Sundry Creditor'. Only two vendors had unusual invoices, but they were not duplicates. One was technically not a one-off supplier but had multiple invoices relating to a land purchase. Risks identified through this test included overpayments to suppliers and the one-off supplier process not being followed.

Sampling

10. This test was to identify any vendors with multiple attributes flagged. The analysis found that consecutive invoice or reference numbers identified were due to multiple locations or staff services, and that invoice amounts were similar, and payments were frequent. Satisfactory explanations were obtained for all vendors selected.

Related Parties

11. This test was to identify duplicate vendors. The analysis identified six vendors, which were confirmed as not being duplicates because they had different legal entities, GST numbers, bank accounts, schemes, or tax IDs.

Companies Office results

12. This test was to identify any employees/next of kin against the Companies Offices register for vendors used by Council. No connections identified were of concern.

Summary and Recommendations

13. The results from the sample testing identified no issues of concern once exceptions were followed up. However, some risks were identified, such as the potential for double paying one-off supplier invoices, overpaying contract invoices, or entering contract invoices incorrectly.
14. Based on the results, the following recommendations were identified, and progress with implementing them will be monitored as part of future internal audit update reports:
 - Contract invoices should be entered into TechOne with the supplier invoice number in the reference number field. This would prevent the system from missing duplicate payments for some vendors and improve the accuracy of the data.
 - The one-off supplier process should be reviewed to ensure good practice is followed. One-off suppliers should be entered into TechOne as individual supplier accounts, rather than as a 'Sundry Creditor'. This would result in an accurate history of supplier spend and reduce the risk of overpayment.
15. For both recommendations, further work is needed to identify the best approach to implementing them. Finance will identify the preferred approach by April 2024, with timeframes for implementation defined subsequently.

FRAUD OR CORRUPTION POLICY REVIEW 2023

PURPOSE / TE WHĀINGA

1. This report relates to a revision of Council's Fraud or Corruption Policy. The policy is one part of a broader fraud control framework in place at Council.

RECOMMENDATION / NGĀ WHAIKUPU

That having considered all matters raised in the report the revised Fraud or Corruption Policy be noted.

SIGNIFICANCE AND ENGAGEMENT / TOHUTOHU KAI WHAKAHAERE

2. This report has been assessed as being of some importance.

BACKGROUND / WHAKAPAPA

3. Attached for members' information as Appendix 1 is the revised Fraud or Corruption Policy (including track changes) with Appendix 2 being a version with all changes accepted, for ease of reference.
 4. Largely the policy remains unchanged with some amendments reflecting changes in job titles, expansion of examples of fraud and corruption, and how disclosures are communicated, and lessons learned. The existing 'one-up' approach to reporting suspected fraud or corruption is retained, supported by access to an external 'whistleblowing' phone line. This provides staff with an independent external option for raising concerns if they are uncomfortable using existing internal Council mechanisms. All of this complements the existing policy relating to Protected Disclosures.
 5. Fraud is the crime of obtaining financial or another benefit by deception. Corruption is the lack of integrity or honesty, or use of a position of trust for personal gain or the advantage of others. Examples of fraud and corruption include:
 - a) Unauthorised possession or use, or misappropriation of funds or other assets, including Council-owned software.
 - b) Impropriety in the handling or reporting of money or financial transactions.
 - c) Forgery or unauthorised alteration of any document belonging to NPDC.
 - d) Seeking, accepting, or offering bribes or inducements.
-

- e) Knowingly approving for payment false or deliberately misleading invoices.
 - f) Using an official position to secure unwarranted benefits, privileges, or profit.
6. These actions are deliberate breaches of Council policy that erode public trust, rather than errors e.g. an unintentional misstatement of information including the omission of an amount or a disclosure.
7. As a public entity we are responsible for the effective protection of the property and assets we manage on behalf of our community. The impact of a major fraud on Council could be significant. It could impact on business continuity, reduce the quality and effectiveness of critical services, and damage Council's financial stability and reputation.
8. Accordingly, to minimise the risk of fraud or corruption Council must ensure that it has effective controls. Currently these controls include:
- a) a Code of Conduct agreed to by all new employees;
 - b) the Fraud or Corruption Policy;
 - c) a sound internal 'control environment' (i.e. the organisation's culture, beliefs, and values), as tested through internal (for example Deloitte reviews) and external audits; and
 - d) provision of occasional fraud awareness training (last completed in April 2023) and refresher messages about what fraud and corruption look like and the mechanisms Council has in place for addressing suspected cases.
9. A whole-of-organisation Fraud Risk Assessment was last completed in 2020. The intention is to repeat this again once the reorganisation has been completed. The outcome of the assessment will be reported to the Finance, Audit and Risk Committee in due course.

CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

10. This is an administrative matter of no significance to Council's climate change initiatives.

REFORM IMPLICATIONS

11. There is nothing in the matter under consideration that has any significant implications for Council's involvement in the Local Government reform agenda.
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NEXT STEPS / HĪKOI I MURI MAI

12. Once adopted by the Council, the updated Fraud or Corruption Policy will be circulated as part of a message to all staff that reminds them of their roles in preventing and detecting fraud or corruption, and the measures in place to assist them in that role.

FINANCIAL AND RESOURCING IMPLICATIONS / NGĀ HĪRAUNGA Ā-PŪTEA, Ā-RAUEMI

13. Any financial and resourcing implications resulting from fraud and corruption mitigation measures that are outside staff delegations will be reported and require approval from the Council before being incurred. No such implications have been identified to date.

IMPLICATIONS ASSESSMENT / HĪRANGA AROMATAWAI

14. This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:
 - Council staff have delegated authority for any decisions made;
 - Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
 - Any decisions made are consistent with the Council's plans and policies; and
 - No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDICES

Appendix 1: Revised Fraud or Corruption Policy – Tracked Changes (ECM 9082847)

Appendix 2: Revised Fraud or Corruption Policy – Clean Copy (ECM 9094410)

REPORT DETAILS

Prepared By:	Rowan Betts (Risk and Assurance Manager)
Team:	Risk and Assurance
Approved By:	Joy Buckingham (Group Manager Corporate Services)
Ward/Community:	District Wide
Date:	3 October 2023
File Reference:	ECM 9082856

-----End of Report -----

NEW PLYMOUTH DISTRICT COUNCIL

ALL STAFF

POLICY MANUAL

SUBJECT: Fraud or Corruption
(Unauthorised possession (theft),
fraud and corruption response)

Date Effective: August 2012
Date Revised : October 2023
Approved By : Chief Executive

POLICY PURPOSE

1. The purpose of this policy is to ensure that any cases of suspected fraud or corruption are dealt with appropriately in order to protect the assets, reputation and staff of New Plymouth District Council (Council NPDC).

DEFINITIONS

2. The External Reporting Board auditing standard ISA (NZ) 240 defines fraud as “an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.” Examples of fraud may include (but are not limited to):
 - Forgery of any type;
 - Any misappropriation or irregularities of funds, securities, supplies or any other assets;
 - Accepting or seeking anything of material value from Council’s suppliers, consultants or contractors without prior consent from the Chief Executive or Manager, in accordance with the Sensitive Expenditure Policy; and
 - Unauthorised use of Council property, equipment, materials or records for personal advantage or gain;
3. The Office of the Auditor-General defines corruption as “the abuse of entrusted power for private gain (such as soliciting or receiving gifts or other gratuities to perform an official duty or omit to perform an official duty). Corruption is a type of fraud, and it includes bribery.”~~Corruption is the lack of integrity or honesty, or use of a position of trust for personal gain or the advantage of others.~~ Examples of fraud or of corruption may include (but are not limited to) the following:
 - Improper use, or attempted improper use, of the knowledge, power, or resources of their position for personal gain by any person who has a business involvement with Council;
 - Advantaging others, for example, through fabrication of business travel requirements to satisfy personal situations;

- Knowingly providing, assisting or validating by providing false, misleading, incomplete or fictitious information to circumvent Council's procurement processes and procedures to avoid further scrutiny or reporting;
 - Disclosing private, confidential or proprietary information to outside parties without implied or expressed consent; and
 - Accepting or seeking anything of material value from contractors, vendors, or persons providing services or materials to council.
- ~~Unauthorised possession or use, or misappropriation of funds or other assets including Council-owned software.~~
 - ~~Impropriety in the handling or reporting of money or financial transactions.~~
 - ~~The destruction, removal or inappropriate use/disclosure of records, data, materials, intellectual property or assets.~~
 - ~~Forgery or unauthorised alteration of any document belonging to NPDC.~~
 - ~~Seeking, accepting or offering bribes or inducements from suppliers/vendors, consultants, contractors that result in the inappropriate exercise of regulatory or other statutory powers.~~
 - ~~Granting or influencing the granting of a contract to a particular third party.~~
 - ~~Knowingly approving for payment false or deliberately misleading invoices.~~
 - ~~Deliberately claiming payment for amounts outside the terms and conditions set out in a contract or purchase order, or for services claimed to be delivered when they have not been.~~
 - ~~Disclosing confidential information to third parties.~~
 - ~~Using an official position to secure unwarranted benefits, privileges or profit.~~
 - ~~Knowingly issuing false or deliberately misleading purchase orders.~~
 - ~~Presenting false credentials or qualifications.~~
 - ~~Knowingly submitting a false timesheet, leave form or reimbursement claim.~~
4. These actions are deliberate breaches of NPDC-Council policy ~~and breaches of that erode~~ public trust, rather than errors e.g. an unintentional misstatement of information including the omission of an amount or a disclosure.

POLICY STATEMENTS

- Unauthorised possession (theft), unauthorised use, misappropriation, fraud, corruption, impropriety and dishonesty are unacceptable at NPDC-Council.
- NPDC-Council treats this behaviour seriously and will investigate all suspected instances whether these involve NPDC-employees or representatives, or external parties.
- Council will make every reasonable effort to recover its losses from the offender(s) or other appropriate sources.

POLICY SCOPE

5. This policy applies to any actual, alleged or suspected fraud or corruption involving employees, representatives, vendors, outside agencies doing business with

NPDC Council, and/or any other parties with a business relationship with NPDC Council.

6. For the purposes of this policy, a 'representative' of NPDC Council includes:
 - Any contractor or consultant who agrees to be covered by this policy under the terms of their engagement agreement.
 - Temporary staff supplied through an agency.
 - Seconded personnel.
 - Volunteers.
7. All agreements for/with all agency staff, seconded personnel, contractors or consultants should contain an express obligation on them to comply with this policy.
8. This policy does not apply to:
 - Minor fraud perpetrated by the public against NPDC Council. For example, providing wrong information on a licence application.
 - Councillors, who are subject to provisions with the Local Authorities (Members' Interests) Act 1968, the Local Government Act 2002 and NPDC Council's Code of Conduct for Elected Representatives Members.

POLICY PRINCIPLES

9. Employees and representatives of NPDC Council must have, and be seen to have, the highest standards of honesty, propriety, and integrity in discharging their obligations to the community.
10. NPDC Council will treat all suspected instances of fraud or corruption by NPDC employees, representatives, or external parties very seriously, and will take action including:
 - Investigating all suspected instances of fraud or corruption ~~by NPDC employees, representatives, or external parties~~. Any proven allegations of fraud or corruption will be treated as serious misconduct and/or a serious breach (as applicable), and may result in summary dismissal of an employee, or the immediate termination of a representative's or external agency's party's contract with Council NPDC.
 - Seeking the recovery of funds/assets lost through this behaviour wherever possible and practicable.
 - Where the behaviour could amount to an illegal activity, referring that behaviour to the Police during the investigation process and/or any subsequent disciplinary process, unless there are exceptional circumstances.
 - Developing and maintaining processes and procedures to prevent and detect fraud and corruption. This includes internal audit and review, access to an independent

‘whistleblowing’ service, and periodic training to increase staff awareness of what fraud and corruption looks like and Council’s processes for dealing with it.

11. The procedure for staff who suspect fraud or corruption has occurred is detailed ~~below~~ at the end of this Policy.

POLICY CONTACT

The policy holder is the Legal, Risk and Assurance team ~~Financial Services Team within the Corporate Services Group~~. Staff should approach that team for advice if they are unsure about how the policy applies to a given scenario.

POLICY REVIEW

This policy shall be reviewed three-yearly from the date the policy is adopted or as needed in response to any significant legislative or other environmental changes.

Other related documents:

[Protected Disclosures Policy](#)

[Local Government Act 2002](#)

[Local Authorities \(Members’ Interests\) Act 1968](#)

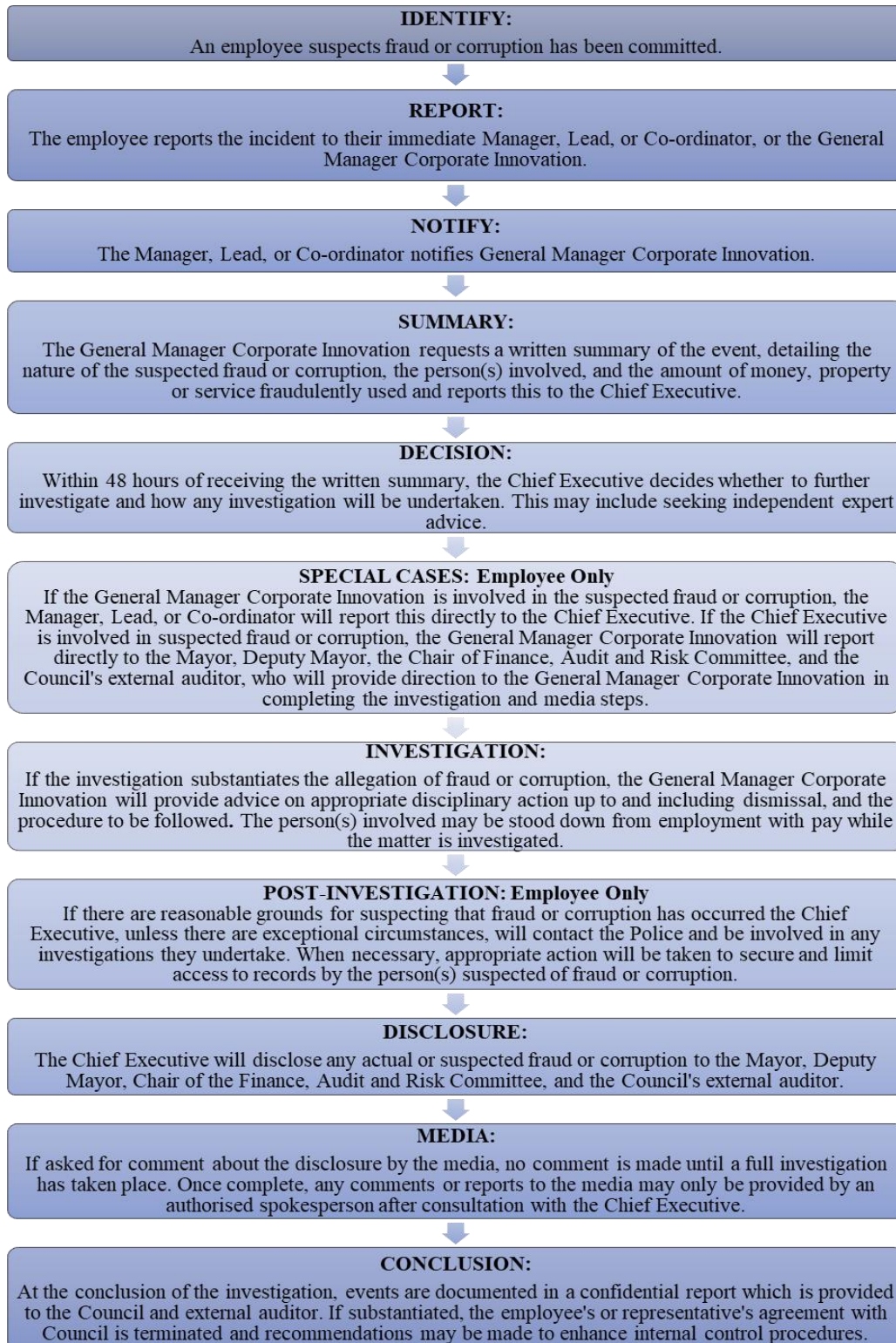
[Delegations Register](#)

[Sensitive Expenditure Policy](#)

[Code of Conduct for Employees](#)

[Problem Resolution Process Guidelines](#)

PROCEDURE FOR DEALING WITH FRAUD OR CORRUPTION BY AN EMPLOYEE AND/OR REPRESENTATIVES:



NEW PLYMOUTH DISTRICT COUNCIL

ALL STAFF

POLICY MANUAL

SUBJECT: Fraud or Corruption (Unauthorised possession (theft), fraud and corruption response)	Date Effective: August 2012 Date Revised : October 2023 Approved By : Chief Executive
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POLICY PURPOSE

1. The purpose of this policy is to ensure that any cases of suspected fraud or corruption are dealt with appropriately in order to protect the assets, reputation and staff of New Plymouth District Council (Council).

DEFINITIONS

2. The External Reporting Board auditing standard ISA (NZ) 240 defines fraud as “an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.” Examples of fraud may include (but are not limited to):
 - Forgery of any type;
 - Any misappropriation or irregularities of funds, securities, supplies or any other assets;
 - Accepting or seeking anything of material value from Council’s suppliers, consultants or contractors without prior consent from the Chief Executive or Manager, in accordance with the Sensitive Expenditure Policy; and
 - Unauthorised use of Council property, equipment, materials or records for personal advantage or gain.
3. The Office of the Auditor-General defines corruption as “the abuse of entrusted power for private gain (such as soliciting or receiving gifts or other gratuities to perform an official duty or omit to perform an official duty). Corruption is a type of fraud, and it includes bribery.” Examples of corruption may include (but are not limited to):
 - Improper use, or attempted improper use, of the knowledge, power, or resources of their position for personal gain by any person who has a business involvement with Council;
 - Advantaging others, for example, through fabrication of business travel requirements to satisfy personal situations;
 - Knowingly providing, assisting or validating by providing false, misleading, incomplete or fictitious information to circumvent Council’s procurement processes and procedures to avoid further scrutiny or reporting;

- Disclosing private, confidential or proprietary information to outside parties without implied or expressed consent; and
 - Accepting or seeking anything of material value from contractors, vendors, or persons providing services or materials to council.
 -
4. These actions are deliberate breaches of Council policy that erode public trust, rather than errors e.g. an unintentional misstatement of information including the omission of an amount or a disclosure.

POLICY STATEMENTS

- Unauthorised possession (theft), unauthorised use, misappropriation, fraud, corruption, impropriety and dishonesty are unacceptable at Council.
- Council treats this behaviour seriously and will investigate all suspected instances whether these involve employees or representatives, or external parties.
- Council will make every reasonable effort to recover its losses from the offender(s) or other appropriate sources.

POLICY SCOPE

5. This policy applies to any actual, alleged or suspected fraud or corruption involving employees, representatives, vendors, outside agencies doing business with Council, and/or any other parties with a business relationship with Council.
6. For the purposes of this policy, a ‘representative’ of Council includes:
- Any contractor or consultant who agrees to be covered by this policy under the terms of their engagement agreement.
 - Temporary staff supplied through an agency.
 - Seconded personnel.
 - Volunteers.
7. All agreements for/with all agency staff, seconded personnel, contractors or consultants should contain an express obligation on them to comply with this policy.
8. This policy does not apply to:
- Minor fraud perpetrated by the public against Council. For example, providing wrong information on a licence application.
 - Councillors, who are subject to provisions with the Local Authorities (Members’ Interests) Act 1968, the Local Government Act 2002 and Council’s Code of Conduct for Elected Members.

POLICY PRINCIPLES

9. Employees and representatives of Council must have, and be seen to have, the highest standards of honesty, propriety, and integrity in discharging their obligations to the community.
10. Council will treat all suspected instances of fraud or corruption by employees, representatives, or external parties very seriously, and will take action including:
 - Investigating all suspected instances of fraud or corruption. Any proven allegations of fraud or corruption will be treated as serious misconduct and/or a serious breach (as applicable), and may result in summary dismissal of an employee, or the immediate termination of a representative's or external party's contract with Council.
 - Seeking the recovery of funds/assets lost through this behaviour wherever possible and practicable.
 - Where the behaviour could amount to an illegal activity, referring that behaviour to the Police during the investigation process and/or any subsequent disciplinary process, unless there are exceptional circumstances.
 - Developing and maintaining processes and procedures to prevent and detect fraud and corruption. This includes internal audit and review, access to an independent 'whistleblowing' service, and periodic training to increase staff awareness of what fraud and corruption looks like and Council's processes for dealing with it.
11. The procedure for staff who suspect fraud or corruption has occurred is detailed at the end of this Policy.

POLICY CONTACT

The policy holder is the Legal, Risk and Assurance team. Staff should approach that team for advice if they are unsure about how the policy applies to a given scenario.

POLICY REVIEW

This policy shall be reviewed three-yearly from the date the policy is adopted or as needed in response to any significant legislative or other environmental changes.

Other related documents:

[Protected Disclosures Policy](#)

[Local Government Act 2002](#)

[Local Authorities \(Members' Interests\) Act 1968](#)

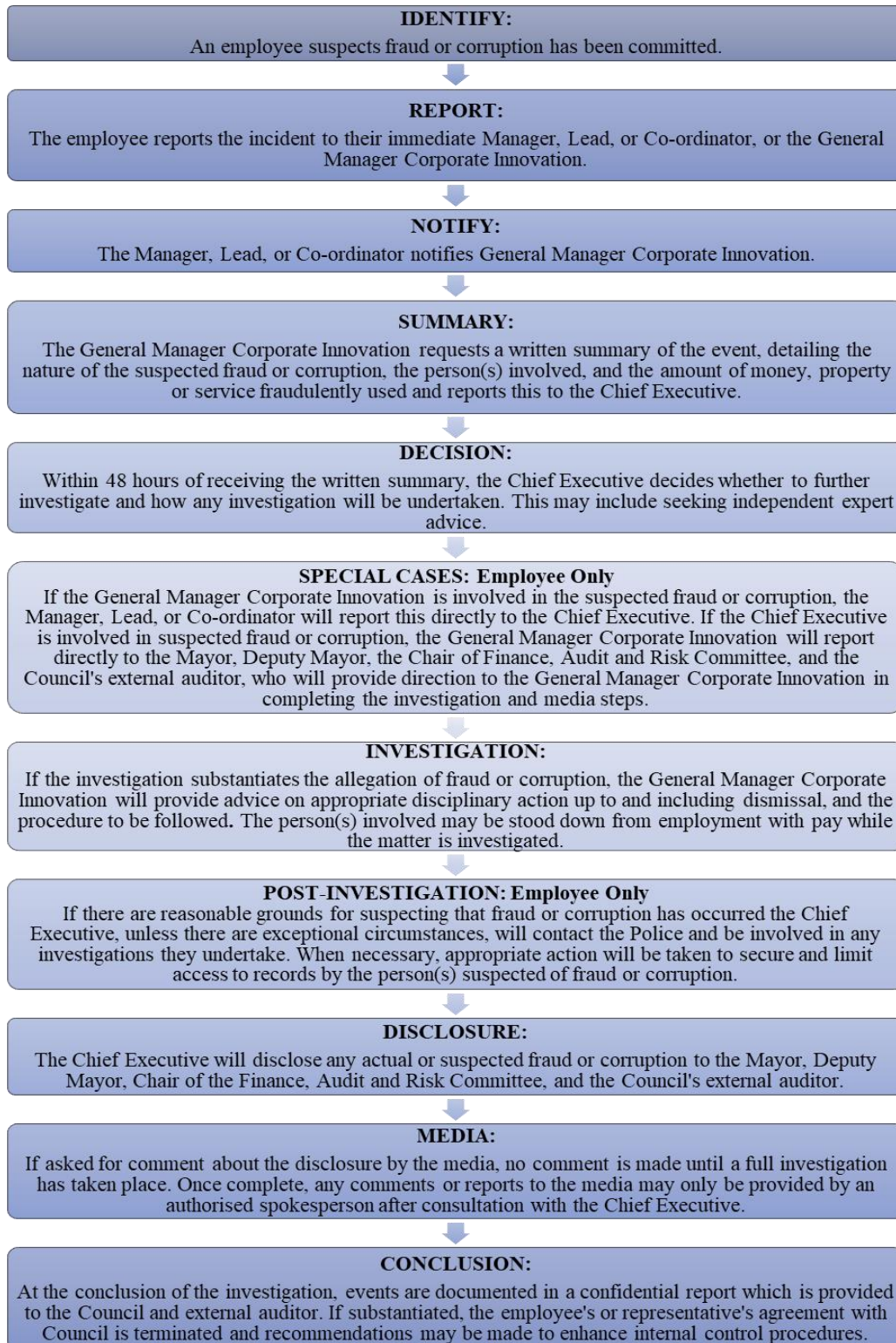
[Delegations Register](#)

[Sensitive Expenditure Policy](#)

[Code of Conduct for Employees](#)

[Problem Resolution Process Guidelines](#)

PROCEDURE FOR DEALING WITH FRAUD OR CORRUPTION BY AN EMPLOYEE AND/OR REPRESENTATIVES:



RISK MANAGEMENT FRAMEWORK REVIEW 2023

PURPOSE / TE WHĀINGA

1. This report provides a draft revision of the Risk Management Framework for adoption.

RECOMMENDATION / NGĀ WHAIKUPU

That, having considered all matters raised in the report, the revised Risk Management Framework be adopted.

SIGNIFICANCE AND ENGAGEMENT / TOHUTOHU KAI WHAKAHAERE

2. This report has been assessed as being of some importance.

BACKGROUND / WHAKAPAPA

3. The Council formally adopted the current Risk Management Framework for ongoing monitoring, review, and action on 26 July 2022. Since then, the continuous focus has been on implementing the framework through the maintenance of risk registers, regular reviews, and reporting. Continuous improvement and refinement are important, so the framework is reviewed annually. The revised framework is in the Appendix, with changes tracked.
 4. The proposed framework is substantively the same as the current although there are several important changes to be aware of and adopt. In response to the Deloitte Risk Management Maturity assessment, which was reported to the Finance, Audit and Risk Committee in March 2023, qualitative risk appetite statements have been included along with more guidance on escalation paths for new risks, depending on their rating. Associated training to staff and Executive Leadership Team members will be an ongoing task, including as part of induction.
 5. Another key change is that the likelihood rating scale and risk assessment matrix have been adjusted to better accommodate risks that are modelled to have very low likelihoods but potentially catastrophic consequences, as well as those risks with very high likelihood but low consequence. This change is intended to result in more credible risk ratings for risks at either end of the spectrum, such as dam failure, which have a modelled likelihood of well below one per cent but under the current framework result in a 'high' risk rating. Under the revised framework such risks would be rated as 'medium'.
 6. Subject to Council adoption, changes in the revised framework will be incorporated into Pinnacle – Council's Health, Safety, and Risk system. Minor changes to titles in the framework will also be made to align with the reorganisation's outcome in due course.
-

CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

7. This is an administrative matter of no significance to Council's climate change initiatives. Climate risks are reported to the Finance, Audit and Risk Committee on a regular basis e.g. as a strategic risk.

REFORM IMPLICATIONS

8. There is nothing in the matter under consideration that has any significant implications for Council's involvement in the Local Government reform agenda.

NEXT STEPS / HĪKOI I MURI MAI

9. Once adopted by the Council, the revised Risk Management Framework will be implemented and used to structure Council's risk management activities, including future risk management update reports to the Finance, Audit and Risk Committee.

FINANCIAL AND RESOURCING IMPLICATIONS / NGĀ HĪRANGA Ā-PŪTEA, Ā-RAUEMI

10. Any financial and resourcing implications resulting from risk mitigation measures that are outside staff delegations will be reported and require approval from the Council before being incurred. No such implications have been identified to date.

IMPLICATIONS ASSESSMENT / HĪRANGA AROMATAWAI

11. This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:
 - Council staff have delegated authority for any decisions made;
 - Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
 - Any decisions made are consistent with the Council's plans and policies; and
 - No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

APPENDICES / NGĀ ĀPITI HANGA

Appendix 1 Draft revised Risk Management Framework (Tracked Changes Copy of ECM 9072286)

Appendix 2 Draft revised Risk Management Framework (Clean Copy of ECM 9072286)

Report Details

Prepared By:	Rowan Betts (Manager Risk and Assurance)
Team:	Risk and Assurance
Approved By:	Joy Buckingham (Group Manager Corporate Services)
Ward/Community:	District Wide
Date:	3 October 2023
File Reference:	ECM 9072197

-----*End of Report*-----



Te Kaunihera-ā-Rohe o Ngāmotu

New Plymouth District Council

Corporate Risk Management Framework - Policy and Process

Version ~~89~~.0

Location of Controlled Copies:	
Document Reviewer:	Executive Leadership Team
Approved By:	Version 1.0: Council resolution at Council meeting 4 November 2014 Six-month review and amendments approved by Council resolution on 24 February 2015
	Version 2.0: Executive Leadership Team 9 February 2016 Council resolution at Council meeting 12 April 2016
	Version 3.0: Executive Leadership Team 27 April 2017 Council resolution at Council meeting 16 May 2017
	Version 4.0: Executive Leadership Team 22 May 2018 Council resolution at Council meeting 24 July 2018
	Version 5.0: Executive Leadership Team 28 May 2019 Council resolution at Council meeting 2 July 2019
	Version 6.0: Executive Leadership Team 30 June 2020 Council resolution at Council meeting 21 July 2020
	Version 7.0: Executive Leadership Team 15 June 2021 Council resolution at Council meeting 6 July 2021
	Version 8.0: Executive Leadership Team 7 July 2022 Council resolution at Council meeting 26 July 2022
	<u>Version 9.0: Executive Leadership Team 9 October 2023</u> <u>Council resolution at Council meeting x 2023</u>

REVISIONS

Rev	Date	Pages	Description	By
1.0	17 September 2014	Various	Changes to consequence ratings	Leon Wee
1.1	15 January 2015	Various	Content review	Leon Wee
2.0	4 February 2016	Various	Content review	Risk Management Lead
3.0	7 March 2017	Various	Content review	Risk Management Lead
4.0	8 May 2018	Various	Content review	Risk Management Lead
5.0	16 May 2019	Various	Content review	Risk Management Lead
6.0	19 June 2020	Various	Content review	Risk, Legal and Assurance Lead
7.0	10 June 2021	Various	Content review	Risk, Legal and Assurance Lead
8.0	10 June 2022	Various	Content review	Risk, Legal and Assurance Lead
<u>9.0</u>	<u>15 September 2023</u>	<u>Various</u>	<u>Content review</u>	<u>Manager Legal, Risk and Assurance</u>

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Risk management policy

Introduction

1. New Plymouth District Council operates across a wide range of activities delivering services typical of local government. It is required to operate within a legal environment specific to local government.
2. The Council is committed to managing risks that may impact on the delivery of its activities and services, and/or the ability to meet its legal obligations.
3. The Council is exposed to many risks on a daily and ongoing basis. Risk is inherent across all of the Council's operations including, but not limited to, procurement, contract management, employment, health and safety, regulatory and enforcement, management, financial, service delivery, emergency management, and business continuity.
4. The Council is committed to keeping its risk management framework relevant and applicable to all areas of operation by using the AS/NZS ISO 31000:2009 Risk Management Standard (and the 2018 ISO update) as its basis. The framework will be updated periodically to reflect expected practice and can incorporate other frameworks, tools, and practices.
5. For risk management to be effective within the Council, managers need to foster and maintain ownership of risk oversight at all levels. To that end, risk management is an integral part of day-to-day operations and not a separate compliance function.

Definitions

(Source AS/NZS ISO 31000:2009 and ISO 31000:2018)

- **Risk** – the effect of uncertainty on the achievement of objectives. Inherent risk is the level of risk apparent in activities without implementing controls. Residual risk is the amount of risk that remains after controls have been implemented.
- **Risk appetite** – the amount and type of risk that the Council is prepared to accept in the pursuit of its objectives. Awareness of what this looks like is important in moving Council from being generally risk averse to taking calculated risks when opportunities arise to improve service delivery, but only when it is appropriate to do so.
- **Risk assessment** – the overall process of risk identification, risk analysis and risk evaluation.
- **Risk management** – encompasses co-ordinated activities to direct and control an organisation with regard to risk.
- **Risk management process** – is the systematic application of management policies, processes and practices to activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring, and reviewing risks.
- **Risk register** – is the record of information about identified risks and how they are being managed. Corporate risks are kept in Pinnacle and project risks in P3M.
- **Strategic risks** - are those that apply across the organisation or have organisational-level (and community) impact if realised.

Objectives

6. The Council's risk management policy aims to allow the Council to exploit the opportunities and minimise the threats presented by the risks inherent in the Council's activities.
7. The main objectives of the policy are to:
 - increase the likelihood of the Council achieving its strategic and business objectives;
 - safeguard assets, people, finances, the environment, and reputation;
 - improve performance and service delivery to maximise resource utilisation;
 - integrate risk management into the Council's operations and processes, including through the use of a common language, to promote a risk aware culture across the organisation;
 - ensure the visibility of the Council's risk management process;
 - provide [guidance on when risks need to be escalated to the next tier of management or to governance to ensure](#) a timely response to escalated risks and actual events when they occur;
 - aid decision-making and encourage innovation; and
 - maintain a flexible risk management framework which is aligned with AS/NZS ISO 31000:2009, ISO 31000:2018, and good practice generally.

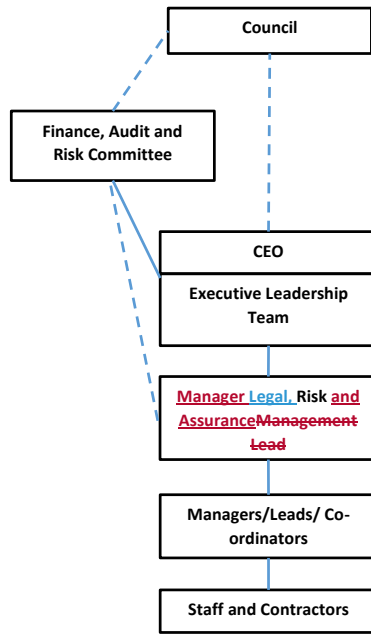
Methods of implementation

8. The Council's ability to conduct effective risk management depends on having an appropriate risk governance structure and well-defined roles and responsibilities.
9. The Council's risk management policy applies to all staff, and effective risk management relies on individuals knowing their own role and responsibilities in the organisation's broader risk management approach.
10. To create a risk aware culture within the Council, the Council is committed to actively managing its risk management practices and processes by using the following risk management tools:
 - **Education** – as part of the Council's risk management programme, all staff at different levels will receive appropriate risk and compliance training, and support so they can take ownership and adequately deal with risks as they are identified.
 - **Risk registers** – the risk registers record information about the Council's identified risks and how they are being managed at two levels – corporate and project. The registers are living documents that are to be updated continually and are part of the Council's overall assurance processes.
 - **Identification tools** – additional risk analysis, advice and opinions may be sought from experts outside the Council in specialised fields.

Risk management governance structure

11. Managing risk is a crucial part of governance and leadership, and is fundamental to how well the Council is managed at all levels.
12. The Council's risk management governance structure illustrates the different levels of responsibility within the risk management framework.
13. It also highlights that risk management is not the sole responsibility of an individual but rather a process that is supported by all levels throughout the organisation, as per Figure 1.

Figure 1: Risk management governance structure



Responsibilities for managing risk

Council

- Ensures that an appropriate risk governance structure is in place.
- Ensures that risks are adequately considered when setting the Council’s objectives, and understand the risks facing the Council when pursuing those objectives.
- Approves risk appetite settings.

Finance, Audit and Risk Committee

- Ensures that management has appropriate risk management and internal controls in place.
- Approves and reviews risk management programmes and risk treatment options for strategic, high and extreme residual risks.
- Is responsible for setting the risk appetite in conjunction with management.

Chief Executive

- Is the risk management sponsor.
- Provides oversight of the risk management process.

Executive Leadership Team

- Provides overall responsibility for ~~the~~ monitoring and management of risks relating to Council activities.
- Assists the Council to set its risk appetite, and ensures risks are managed in accordance with that appetite.
- Objectively analyses and monitors reported risks.

- Ensures the risk management framework is in place and reviewed periodically to facilitate continuous improvement.
- Ensures legislative and governance obligations are met.
- Integrates risk management with Council policies, processes, and practices.

Manager Legal, Risk, Legal and Assurance Lead

- Manages the risk management process.
- Maintains the Council's risk registers.
- Reports on strategic, high, and extreme residual risks and how they are being managed to the Executive Leadership Team and Finance, Audit and Risk Committee.
- Periodically reviews the risk registers and the effectiveness of the management of strategic, high, and extreme residual risks.
- Reviews the effectiveness of the risk management framework and reports to the Executive Leadership Team on findings and options for continual improvement.
- Receives information on emerging risks and considers the adequacy of how they are being managed.
- Facilitates the management of cross-organisational risks.

Group General Managers

- Promote a risk management culture within their groups.
- Communicate and raise awareness of risk management to Council staff and managers, including attendance at risk management training.
- Regularly identify, manage, and monitor risks in their groups, and ensure that those risks are appropriate in the pursuit of the Council's objectives.

Managers/Leads/Co-ordinators

- Manage activity / project / asset risks, including individual project risk registers and monitor individual risk action plans.
- Continually identify and assess risks, and respond appropriately in light of the Council's risk appetite.

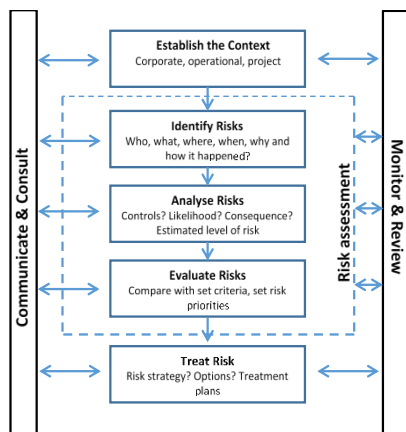
All Staff

- Be aware of the risk management framework and their role and responsibilities within it.
- Identify, monitor, and report potential risks and actual events as soon as possible.
- Understand that everyone in the Council is responsible for managing risk.

Risk management procedure

14. Risk management is a continual process and is conducted across the Council's operations. Staff should continually apply this process when making business decisions and in day-to-day management.
15. Figure 2 shows the key steps of the Council's risk management process, with each step then detailed below that:

Figure 2: Risk management process (AS/NZ ISO 31000:2009)



Communicate and consult

- 16. The communication process is for both the external and internal stakeholders of the risk management process.
- 17. For external stakeholders this means:
 - Informing them of the Council’s approach to risk management and the effectiveness of that approach.
 - Gathering their feedback where necessary to improve the Council’s risk management process.
- 18. For internal stakeholders this means:
 - Communicating to them the Council’s risk management process and their role and responsibilities in it.
 - Ensuring accountability for fulfilling those roles and responsibilities in relation to the process.
 - Seeking feedback about the effectiveness of the process.
- 19. Communication and consultation are also not one way, so there should be forums and/or mechanisms for stakeholders and subject matter experts to provide their input, exchange information and share ideas. The person managing the risk assessment process should ensure there is a strategy in place during each step to ensure information is communicated and that there has been adequate consultation.

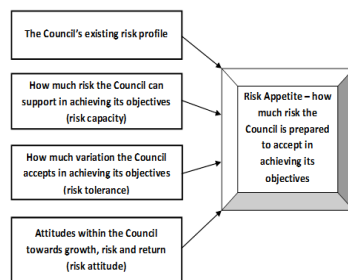
Step 1: Establish the context

- 20. Establishing the context for the Council’s risk management process is a key step because it builds an understanding of the Council’s internal and external stakeholders. The external context is the extent to which the Council’s external environment will impact on the Council’s ability to achieve its corporate objectives. That context includes, but is not limited to, social, cultural, political, legal, regulatory, financial, technological, economic, and environmental factors, globally, nationally, regionally, and locally. The

internal context is about understanding the internal operating environment and the way its components interact – people, culture, vision, values, goals and objectives.

21. Establishing the risk management context takes into account the Council’s goals, objectives, strategies, and scope, and sets the parameters of the risk management process in line with the risk appetite set by the Finance, Audit and Risk Committee in conjunction with management. The inputs to the Council’s risk appetite are shown in Figure 3.

Figure 3: Considerations that inform the Council’s risk appetite



22. The Council is generally has a low risk ~~averse~~ appetite. This reflects our community’s reluctance to accept a loss or significant reduction of existing levels of service. That said, there is a balance between the cost of managing risks and the costs to the organisation and ratepayers if a risk is realised, and that balance the appetite will vary across functions and is broadly defined for each source of risk (as defined below and in Appendix A).
23. The risk management process is intended to address the uncertainty inherent in the Council’s activities. The treatment of risks can include the purchase of insurance. Nevertheless, there is ongoing assessment of whether the costs of such treatments outweigh the potential exposure should a risk be realised, in which case the risk is accepted.

Step 2: Identify risks

24. Comprehensive risk identification is crucial to the overall effectiveness of risk management.
25. The identified risks will determine the ‘what’, ‘why’, and ‘how’ things can happen as a basis for further analysis. These risks are derived from different sources.

Sources of risk

26. There are numerous sources of risk, and for this Council they fall under the categories shown below:
 - Environment
 - Financial
 - Governance
 - Health, safety and wellbeing
 - Information management
 - Legislative compliance and control
 - Operations and service delivery
 - People and knowledge

- Planning and strategy
- Project/quality management
- Property and assets

The risk appetite for each source is also included in the table below.

Table 1: Sources of risk

Source of risk	Risk appetite*		
	Averse	Balanced	Tolerant
Environment	●		
Financial	●		
Governance	●		
Health, safety, and wellbeing	●		
Information management		●	
Legislative compliance and control	●		
Operations and service delivery		●	
People and knowledge	●		
Planning and strategy		●	
Project/quality management		●	
Property and assets		●	

* Averse means being unwilling to take on anything other than small risks. Balanced means having an appetite between averse and tolerant (i.e. a flexible approach). Tolerant means being willing to take on significant risks to exploit opportunities despite potentially major consequences if the risk is realised.

93-27. The Examples of types of risk included in each category for each source of risk are outlined in Appendix A.

94-28. After risks are identified it is important to adequately describe them. The key to properly describing the risks includes addressing:

- What the risk is e.g. negative media publicity.
- What the cause(s) of the risk is/are e.g. a breakdown in communication.
- What the impact of the event would be e.g. reputational damage leading to ratepayer dissatisfaction.

95-29. Each risk identified will be entered into Pinnacle’s risk register module by the manager of the area to which the risk relates or in P3M by the Project Manager for each project.

Step 3: Analyse risk

~~96-30~~ The purpose of the risk analysis step is to define the significance of a risk by assessing its consequence and likelihood and taking into account the processes and controls to mitigate it.

~~97-31~~ Inherent risk is that which would exist if there were no controls while residual risk is that left over after the risk has been treated e.g. through the use of controls.

~~98-32~~ Therefore, there is a need to analyse risk before and after the application of controls, which are intended to reduce risk to an acceptable level (i.e. within the Council’s risk appetite). This approach to analysing the risks allows the assessment of whether existing controls are enough to manage the risks or whether additional controls are needed.

~~99-33~~ When evaluating the effectiveness of controls, factors to consider are the consistency of application, understanding of control content and documentation of the control. Furthermore, the evaluation of the control process can include:

- ~~A~~ control self-assessment.
- ~~An~~ internal and/or external audit reviewing the effectiveness of controls.

~~100-34~~ As an example, the consequence descriptors in Table ~~2-1~~ indicate the level of possible consequences for a financial risk at the organisation level. The consequences defined for ~~the other~~ sources of risk are included in Appendix B.

Table ~~12~~: Consequence rating

Consequence rating	Factor: Financial
Catastrophic	Loss of over \$10m
Major	Loss of between \$5m and \$10m
Moderate	Loss of between \$1m and \$5m
Minor	Loss of between \$100k and \$1m
Low	Loss of less than \$100k

~~101-35~~ The likelihood ratings identify how likely, or often, a particular event is expected to occur, and these are shown in Table ~~23~~.

Table ~~23~~: Likelihood of occurrence

Likelihood rating	Probability of the risk occurring
Almost certain	Expected to occur more than once in the next year. Likely to occur multiple times during a project. Over 90% probability.
Likely	Expected to occur once in the next year. Has occurred in similar projects. Between 75-90% probability.
Possible Moderate	Could occur at least once in the next two-five years. Has occurred in a small number of similar projects. Between 25-75% probability.

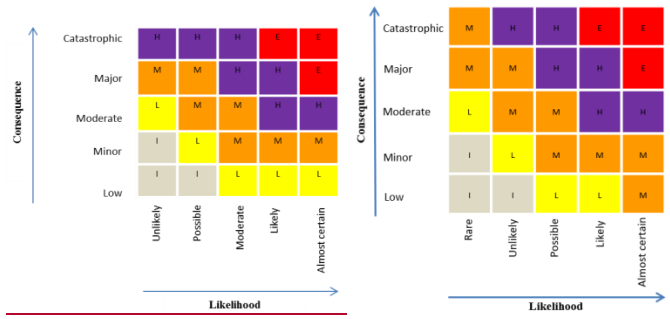
Likelihood rating	Probability of the risk occurring
Unlikely Possible	Could occur at least once in the next three to five 10 years. Could occur but has not in similar projects. Between 1-25% probability.
Rare Unlikely	Unlikely -Not expected to occur in the next five to 10 years and beyond , or during the project. Less than 1% probability.

402-36. Knowledge of the frequency with which risks occurred in the past should inform, but not determine, the likelihood rating given. This is because the past is not always an accurate predictor of the future.

Step 4: Evaluate risk

403-37. After consequence and likelihood have been determined, the level of risk is evaluated by referring to the matrix as shown in Figure 4 below.

Figure 4: Risk assessment matrix



404-38. The risk rating distinguishes significant risks from those that are less so, and therefore assists with determining an appropriate response. This includes doing nothing further, considering how to treat the risk, undertaking more analysis of the risk to better understand it, maintaining current controls, or reconsidering what objectives are being pursued. Table 34 explains what action a risk owner needs to take in response to the residual rating.

Table 43: Residual risk rating and action needed

Residual risk rating	Action needed
Extreme	A risk at this level is above Council's tolerance because if it was realised it would have a catastrophic consequence for Council's reputation and ability to deliver core services. The risk owner immediately escalates the risk new extreme risks to the Executive Leadership Team, and considers escalating it to the Chair of the Finance, Audit and Risk Committee. These risk is are to be monitored weekly.
High	The consequences of a risk with this rating would be severe but not catastrophic. The risk owner immediately escalates new high risks to the Group General Manager, and to the Executive Leadership Team as applicable, especially if the risk is escalating. The se-risks is are to be monitored monthly. Risks at this level may need to be accepted because Council is unable to reduce their likelihood and/or consequences.

Residual risk rating	Action needed
Medium	A risk realised with this rating would have a moderate consequence on service delivery. Bi-monthly the risk owner monitors and reviews the effectiveness of treatments and whether the risk rating has changed. Most risks have this rating and are accepted without needing additional treatment over those already in place. However, depending on the source of risk and its trajectory, some may need additional treatment.
Low	A risk realised with this rating would have a minor impact on service delivery. Six-monthly the risk owner monitors and reviews the effectiveness of treatments and whether the risk rating has changed. No further action is needed otherwise.
Insignificant	A risk realised with this rating would have negligible impact on service delivery. Annually the risk owner reviews if the controls are necessary or could be reduced but otherwise no further action is needed. Annually the risk owner reviews if the controls are necessary or could be reduced.

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105-39. Once the impact has been assessed according to the relative risk level it poses, it is then possible to target the treatment of the risk exposure, by beginning with the highest level risks (high and extreme risks, and then those with a catastrophic consequence) and identifying the potential mitigation measures.

Step 5: Treat risks

106-40. Risk treatment involves determining the appropriate options for managing the risks identified. Treatment options are required where the current controls are not mitigating the risk within defined tolerance levels as determined by the first step (establishing the context). This is called the treatment plan.

107-41. Once the risk rating is determined it is possible to investigate current systems and processes starting with the highest rated risks. An action plan is then formulated to reduce the consequence and/or likelihood of the risk.

Treatment options

108-42. Treatment options include applying existing controls and implementing new ones. Treatment options include one or more of the following:

- **Avoid or eliminate** the risk by not proceeding with the activity likely to trigger the risk. Risk avoidance must be balanced with the potential risk of missed opportunities.
- **Accept** the risk.
- **Reduce** the risk by reducing the consequence and/or likelihood of it occurring.
- **Transfer/share** the risk in part or entirely to others (e.g. through insurance or a third party).
- **Increase** the risk to pursue an opportunity.

109-43. When determining the preferred treatment option consideration should be given to factors such as cost or reputation (e.g. a cost/benefit analysis).

Treatment actions

110-44. Once the treatment option is identified each risk should be assigned a treatment action. The risk is to be assigned to an 'owner', and they are to consider the following when determining which treatment action is needed:

- The cost of the treatment compared with the consequence/likelihood of the risk.
- When the treatment action is needed by.
- What monitoring and reporting is needed on how implementation of the action is progressing.

[411-45](#). The risk registers in Pinnacle or P3M are to be used to record the risks identified, their rating, treatment action, and progress towards implementing the action. Risks that remain outside the Council’s risk appetite after this point will be escalated for Executive Leadership Team action.

Monitoring, reviewing, and reporting

[412-46](#). Risks are constantly changing due to the Council’s operating landscape. Therefore, risks must be monitored, reviewed and reported on a regular basis to ensure that they are current. The minimum requirements for this are shown in Table [45](#).

Table 45: Monitoring, reviewing and reporting requirements

Who	What	When
Managers/ Leads/ Co-ordinators/ risk owners	Review of risks (existing and new)	Risks are reviewed as prompted by Pinnacle, with frequency defined in line with Table 34
Manager Legal , Risk, Legal —and Assurance- Lead	Review of changes to the risk registers, ensuring escalations have happened when needed.	Ongoing Quarterly
Executive Leadership Team	Review of strategic, high, and extreme residual risks	Quarterly, or as new strategic, high, or extreme residual risks are identified
Finance, Audit and Risk Committee	Review of strategic, high, and extreme residual risks	Quarterly

[413-47](#). The effectiveness of the Council’s risk management framework also needs to be monitored, reviewed, and reported on annually. Such a review helps the Council to refine its risk management framework to facilitate continuous improvement and increase its overall risk maturity.

Appendix A: Examples of Sources and types of risks and risk appetite

When identifying risks, all sources of potential risk should be considered. Some sources are generic to all organisations while others are specific to local government. The sources and types of risk that are typically found in the local government context are summarised below, and form the basis of those used here. There may be other sources of risk that will be included as the Council’s risk management framework continues to evolve. Any modifications to the sources of risk will be considered during the annual review of the framework.

Also noted in the table are Council’s current risk appetite settings for each source of risk. These settings are to be used by risk owners to assess when residual risks are acceptable without the need to implement further controls to bring a risk back within appetite.

Council has three categories of appetite:

- Averse – means being generally avoiding or eliminating a risk because of its potential impact on Council’s service delivery (e.g. disruption to drinking water supply) and/or the health and safety of our staff or the public. Alternatively, significant resource is to be used to implement controls, as well as regular monitoring for effectiveness. Risks with ‘medium’ or lower residual ratings can be accepted without additional treatment.
- Balanced – means having a flexible approach depending on the nature of the risk, weighing the consequence of not achieving an objective if the risk is avoided or eliminated with the cost of implementing controls. Risks with ‘high’ residual ratings can be accepted without additional treatment. ‘High’ residual risks are routinely reported to the Finance, Audit and Risk Committee in risk management update reports.
- Tolerant – means being willing to take on significant risks to exploit opportunities associated with activities that support the achievement of Council’s strategic goals, despite potentially major consequences if a risk is realised. Risks with ‘extreme’ ratings can be accepted but only with effective controls in place (to reduce the risk to as low as practicable). Such risks are to be reported to the Executive Leadership Team immediately, and escalation to the Chair of the Finance, Audit and Risk Committee considered. Regardless, the risk would be reported to the Committee in the next risk management update report. No sources of risk currently have a tolerant risk appetite.

Commented [RB1]: For ease of reading, the previous list of sources and types of risk, while deleted, are not tracked because they are in the new table below.

<u>Source of risk</u>	<u>Examples</u>	<u>Appetite</u>	<u>Residual risk tolerated above which additional treatment is needed</u>
<u>Environment</u>	<ul style="list-style-type: none"> • <u>Impact of natural hazards</u> • <u>Discharge of hazardous substances to air, land, or water</u> • <u>Climate change</u> • <u>Public health outbreak</u> • <u>Ineffective emergency/disaster management</u> • <u>Inappropriate disposal of waste and refuse</u> 	<u>Averse</u>	<u>Medium</u>
<u>Financial</u>	<ul style="list-style-type: none"> • <u>Fraud (misappropriation of Council funds)</u> • <u>Inability or difficulty securing funding or credit</u> • <u>Inappropriate or inadequate procurement practices</u> • <u>Lack of internal control</u> • <u>Inadequate forecasting and budgeting</u> • <u>Poor setting of project budget</u> • <u>Poor project/quality management</u> • <u>Potential liability</u> 	<u>Averse</u>	<u>Medium</u>

<u>Source of risk</u>	<u>Examples</u>	<u>Appetite</u>	<u>Residual risk tolerated above which additional treatment is needed</u>
<u>Governance</u>	<ul style="list-style-type: none"> • <u>Ineffective relationship with our community (with reputational risk being a contributor)</u> • <u>Ineffective relationship with and between elected members</u> • <u>Implications of the election cycle e.g. the learning curve for new members as they become familiar with the functions and requirements of local government</u> • <u>Lack of internal control</u> 	<u>Averse</u>	<u>Medium</u>
<u>Health, safety and wellbeing</u>	<ul style="list-style-type: none"> • <u>Failure to provide a safe work environment</u> • <u>Non-reporting of incidents/accidents, and/or not identifying trends from those reported</u> • <u>Inadequate focus on staff health, safety and wellbeing, especially at high risk workplaces</u> • <u>Inappropriate access to high risk Council assets e.g. reservoirs, settling ponds, river intakes</u> • <u>Outbreak of epidemic or pandemic</u> 	<u>Averse</u>	<u>Medium</u>
<u>Information management</u>	<ul style="list-style-type: none"> • <u>Inadequate use or management of technology and systems</u> • <u>Poor staff knowledge of systems</u> • <u>Viruses, hacking, unauthorised access, inappropriate use of IT systems</u> • <u>Use of information recorded by Council, for personal purposes</u> 	<u>Averse</u>	<u>Medium</u>
<u>Legislative compliance and control</u>	<ul style="list-style-type: none"> • <u>Failure to comply with legislative requirements</u> • <u>Failure to maintain regulatory standards</u> 	<u>Averse</u>	<u>Medium</u>
<u>Operations and service delivery</u>	<ul style="list-style-type: none"> • <u>Poor operations or customer service (including poor contractor management and performance)</u> • <u>Disruption due to natural disaster or other event</u> • <u>Delivery failures in water supply, wastewater treatment, resource recovery, stormwater and flooding network, and transportation network</u> 	<u>Averse</u>	<u>Medium</u>
<u>People and knowledge</u>	<ul style="list-style-type: none"> • <u>Inability to attract and retain skilled staff</u> • <u>Ineffective employment relations</u> • <u>Poor staff knowledge, skills, engagement</u> • <u>Inadequate human resource planning</u> 	<u>Averse</u>	<u>Medium</u>
<u>Planning and strategy</u>	<ul style="list-style-type: none"> • <u>Inadequate business improvement planning</u> • <u>Inadequate planning to meet future requirements (growth, renewals, changing levels of service, climate change) as documented in the Long-Term Plan, Annual Plan, and Annual Report</u> • <u>Inadequate emergency response/business continuity planning</u> • <u>Inadequate infrastructure planning</u> • <u>Disconnected Council teams</u> 	<u>Balanced</u>	<u>High</u>

<u>Source of risk</u>	<u>Examples</u>	<u>Appetite</u>	<u>Residual risk tolerated above which additional treatment is needed</u>
<u>Project/quality management</u>	<ul style="list-style-type: none"> • <u>Poor setting of project budget</u> • <u>Project budget is overspent</u> • <u>Project deliverables do not meet quality objectives</u> • <u>Products do not meet quality specifications</u> • <u>Quality objectives can only be achieved by increasing project cost, time or scope</u> • <u>Delays in delivery of a project, resulting in service disruption or failure to realise a business objective</u> 	<u>Balanced</u>	<u>High</u>
<u>Property and assets</u>	<ul style="list-style-type: none"> • <u>Facilities do not meet requirements</u> • <u>Failure to deliver on key projects</u> • <u>Inadequate asset information and management</u> • <u>Inadequate insurance cover</u> • <u>Poor safety and security at public facilities: accidents, criminal activity, unacceptable behaviours, abuse</u> 	<u>Balanced</u>	<u>High</u>

Appendix B: Sources of risk and their consequences

Source of risk	Consequence rating				
	Low	Minor	Moderate	Major	Catastrophic
Environment	Little or no impact on the environment.	Short-term or minor <u>reversible</u> impact on the environment <u>resulting in some complaints</u> .	Serious <u>but reversible</u> damage of local importance with possible regulatory intervention.	Serious <u>Long-term</u> damage of regional <u>district</u> importance with regulatory intervention.	Permanent damage requiring ongoing remediation and monitoring with regulatory involvement.
Financial	<u>Impact can be managed within existing resources.</u> Loss/ <u>additional cost</u> of less than \$100k.	<u>Impacts can be managed within existing resources with some reallocation.</u> Loss/ <u>additional cost</u> of between \$100k and \$1m.	<u>Impact can be managed with some additional financial or human resources, and reallocation.</u> Loss/ <u>additional cost</u> of between \$1m and \$5m.	<u>Impact cannot be managed without re-prioritising work programmes.</u> Loss/ <u>additional cost</u> of between \$5m and \$10m.	<u>Impact cannot be managed without seeking additional funding approval from Council, and significant re-prioritisation of work programmes.</u> Loss/ <u>additional cost</u> of over \$10m.
Governance	No impact on public confidence or media attention.	Minor impact on public confidence and <u>short-lived</u> media attention. May be some local coverage - not front page.	Some impact on public confidence, reflected by <u>sustained</u> local media and community interest in the Council's performance.	Major impact on public confidence resulting in some national media coverage. Prosecution action taken against Council <u>due to compliance breaches</u> .	Critical impact on public confidence, resulting in significant national media and Central Government attention e.g. through an inquiry and/or appointment of a Commissioner.
Health, safety and wellbeing	Near miss, or minor medical treatment required (including first aid). No days off work.	Medical treatment or restricted work injury. Less than seven days off work. Minor public health impact i.e. some cases of water-borne illness.	Serious or permanent injury/illness requiring hospitalisation or extensive medical treatment (e.g. surgery). <u>Moderate public health impact i.e. tens of cases of water-borne illness.</u> Event notifiable to WorkSafe.	Single fatality or <u>An individual suffers permanent total disability.</u> Major public health impact i.e. hundreds of cases of water-borne illness. <u>WorkSafe investigation of Council practices.</u>	Fatality or fatalities <u>Multiple fatalities, or multiple cases of permanent total disability.</u> Widespread public health impact involving thousands of cases of water-borne illness. <u>WorkSafe and/or another external agency investigation of Council practices.</u>

Source of risk	Consequence rating				
	Low	Minor	Moderate	Major	Catastrophic
			Moderate public health impact i.e. tens of cases of water-borne illness.		
Information management	Isolated equipment failure. Non-core system(s) disrupted for less than two hours.	Compromise of user password impacting the confidentiality and integrity of data. Non-core system(s) disrupted for less than a day.	Exploitation of application security flaws compromising the confidentiality and integrity of data. Core system(s) disrupted for less than a day.	Loss or theft of USB/laptop/other device compromising confidentiality. Loss of a core system(s) for an extended period <u>(less than two weeks)</u> .	Loss of infrastructure for an extended period <u>(more than two weeks)</u> .
Legislative compliance and control	Isolated, non-systemic issues or non-compliance, or negligible incidents, with little to no impact on public confidence, security or levels of service. Breach resolved without penalty or liability. No notification required.	Minor one-off issues or non-compliance that can be managed as part of business as usual, with short-term (<1 day) or minor impact on levels of service and public perception. Breach resolved without penalty and minor liability exposure.	Moderate, repeated issues or non-compliance that result in service delivery delays that may impact on levels of service and compliance, and reduce public confidence due to negative local media attention. May generate complaints to the Offices of the Ombudsman and Privacy Commissioner. Breaches resolved with a penalty and moderate liability exposure (up to \$100k).	Major, repeated issues or non-compliance that result in non-delivery of core activities that impact on levels of service and compliance, and heavily reduce public confidence due to ongoing negative local media coverage and some national coverage. May generate investigations from the Offices of the Ombudsman and Privacy Commissioner. Judicial review and/or P prosecution action taken against Council. Professional sanctions for Officers such as loss of memberships. Breaches resolved with a substantial penalty and liability exposure (up to \$500k).	Critical systemic issues or non-compliance that result in ongoing non-delivery of core activities that impact on levels of services across a range of categories, and drastically reduce public confidence due to significant national media and Central Government attention and/or intervention. Successful judicial reviews and P prosecution actions taken against Council and potential revocation of accreditation(s). Imprisonment of Officers. Breaches resolved with a severe penalty and liability exposure (up to or exceeding \$1m).

Source of risk	Consequence rating				
	Low	Minor	Moderate	Major	Catastrophic
Operations and service delivery	A failure of infrastructure/assets and service delivery affects a small number of customers for a short time. <u>Temporary disruption in servicing</u>	A failure of infrastructure/assets and service delivery Disruption affecting some areas for less than a day.	A failure of infrastructure/assets and service delivery affects <u>Disruption to</u> a community for more than two hours or some areas for more than a day.	A failure of infrastructure/assets and service delivery Disruption to <u>affects a</u> community for more than a day or some areas for more than two weeks.	A failure of infrastructure/assets and service delivery affects <u>Disruption to</u> a community for more than a week.
People and knowledge	Individual significance or concern that can be managed as part of business as usual.	Minor disruption to the organisation that can be managed as part of business as usual.	Moderate disruption to the organisation resulting in reduced performance.	Major disruption to the organisation resulting in the failure of core activities.	Critical disruption to the organisation resulting in the ongoing failure to deliver core activities.
Planning and strategy	Negligible impact on outcomes and handled within normal operations.	Temporary impact on long-term levels of service, with limited community interest and media attention.	Noticeable impact on long-term levels of service, being consistently below expectations in one or more outcome categories. Some community interest and media attention.	Levels of service significantly below expectations in one or more outcome categories, bringing significant negative community and media attention.	Levels of service in significant decline across all outcome categories. Widespread negative commentary attracts Central Government attention e.g. through an inquiry and/or appointment of a Commissioner.
Project/quality management	Impact manageable within approved budget <u>Project overspend of less than 5%.</u> Quality is lower than planned but still meets the project's requirements or product specification. Delay of 1-2 weeks <u>Schedule slip of up to 10% of plan.</u>	Impact manageable within contingency <u>Project overspend of between 5-10%.</u> Quality is lower than planned but still meets the project's mandatory requirements or product specification. Delay of 2-4 weeks <u>Schedule slip of 10-20% of plan.</u>	Moderate impact requires additional budget <u>(Project overspend of between 10-50% over approved budget).</u> Quality and mandatory requirements compromised. Requirements can still be met by relaxing them or modifying scope. Delay of 4-8 weeks <u>Schedule slip of 20-50% of plan.</u>	Major impact requires additional budget <u>(Project overspend of between 50-100% over approved budget).</u> Quality is compromised but requirements can be met with increases in cost, time, or scope. Quarantined product could be reworked. Delay of 8-16 weeks <u>Schedule slip of 50-75% of plan.</u>	Critical impact requires additional budget <u>(Project overspend of more than 100% over approved budget).</u> Quality is compromised and unrecoverable. Requirements cannot be met within increased cost, time or scope, or product must be disposed of. Delay of 16+ weeks <u>Schedule slip of more than 75% of plan.</u>

Source of risk	Consequence rating				
	Low	Minor	Moderate	Major	Catastrophic
Property and assets	Insignificant incident that causes <u>some damage requiring repair but</u> no disruption to services.	Isolated damage not requiring relocation of services to an alternative site.	Damage to property that requires the relocation of some services to an alternative site.	Damage to property that requires the relocation of all services for a short period (<u>less than a month</u>).	Damage to property that requires the relocation of all services for an extended period (<u>more than a month</u>).



Te Kaunihera-ā-Rohe o Ngāmotu

New Plymouth District Council

Corporate Risk Management Framework - Policy and Process

Version 9.0

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Risk management policy

Introduction

1. New Plymouth District Council operates across a wide range of activities delivering services typical of local government. It is required to operate within a legal environment specific to local government.
2. The Council is committed to managing risks that may impact on the delivery of its activities and services, and/or the ability to meet its legal obligations.
3. The Council is exposed to many risks on a daily and ongoing basis. Risk is inherent across all of the Council's operations including, but not limited to, procurement, contract management, employment, health and safety, regulatory and enforcement, management, financial, service delivery, emergency management, and business continuity.
4. The Council is committed to keeping its risk management framework relevant and applicable to all areas of operation by using the AS/NZS ISO 31000:2009 Risk Management Standard (and the 2018 ISO update) as its basis. The framework will be updated periodically to reflect expected practice and can incorporate other frameworks, tools, and practices.
5. For risk management to be effective within the Council, managers need to foster and maintain ownership of risk oversight at all levels. To that end, risk management is an integral part of day-to-day operations and not a separate compliance function.

Definitions

(Source AS/NZS ISO 31000:2009 and ISO 31000:2018)

- **Risk** – the effect of uncertainty on the achievement of objectives. Inherent risk is the level of risk apparent in activities without implementing controls. Residual risk is the amount of risk that remains after controls have been implemented.
- **Risk appetite** – the amount and type of risk that the Council is prepared to accept in the pursuit of its objectives. Awareness of what this looks like is important in moving Council from being generally risk averse to taking calculated risks when opportunities arise to improve service delivery, but only when it is appropriate to do so.
- **Risk assessment** – the overall process of risk identification, risk analysis and risk evaluation.
- **Risk management** – encompasses co-ordinated activities to direct and control an organisation with regard to risk.
- **Risk management process** – is the systematic application of management policies, process, and practices to activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring, and reviewing risks.
- **Risk register** – is the record of information about identified risks and how they are being managed. Corporate risks are kept in Pinnacle and project risks in P3M.
- **Strategic risks** - are those that apply across the organisation or have organisational-level (and community) impact if realised.

Objectives

6. The Council's risk management policy aims to allow the Council to exploit the opportunities and minimise the threats presented by the risks inherent in the Council's activities.
7. The main objectives of the policy are to:
 - increase the likelihood of the Council achieving its strategic and business objectives;
 - safeguard assets, people, finances, the environment, and reputation;
 - improve performance and service delivery to maximise resource utilisation;
 - integrate risk management into the Council's operations and processes, including through the use of a common language, to promote a risk aware culture across the organisation;
 - ensure the visibility of the Council's risk management process;
 - provide guidance on when risks need to be escalated to the next tier of management or to governance to ensure a timely response to escalated risks and actual events when they occur;
 - aid decision-making and encourage innovation; and
 - maintain a flexible risk management framework which is aligned with AS/NZS ISO 31000:2009, ISO 31000:2018, and good practice generally.

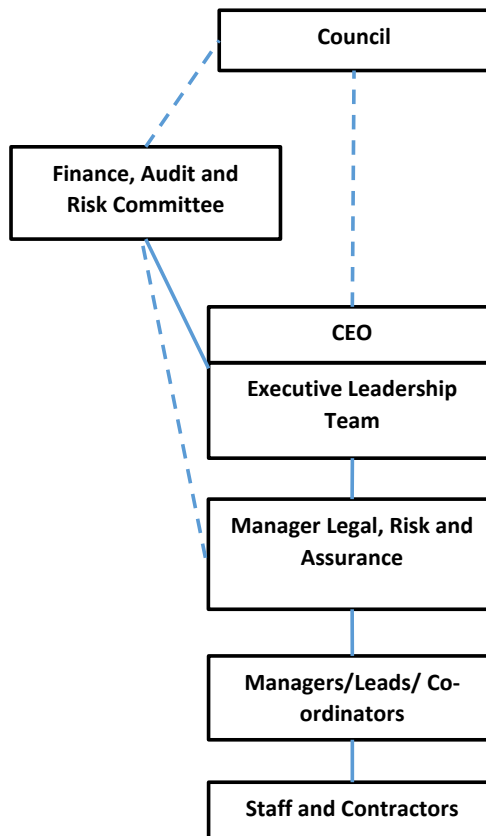
Methods of implementation

8. The Council's ability to conduct effective risk management depends on having an appropriate risk governance structure and well-defined roles and responsibilities.
9. The Council's risk management policy applies to all staff, and effective risk management relies on individuals knowing their own role and responsibilities in the organisation's broader risk management approach.
10. To create a risk aware culture within the Council, the Council is committed to actively managing its risk management practices and processes by using the following risk management tools:
 - **Education** – as part of the Council's risk management programme, all staff at different levels will receive appropriate risk and compliance training, and support so they can take ownership and adequately deal with risks as they are identified.
 - **Risk registers** – the risk registers record information about the Council's identified risks and how they are being managed at two levels – corporate and project. The registers are living documents that are to be updated continually and are part of the Council's overall assurance processes.
 - **Identification tools** – additional risk analysis, advice and opinions may be sought from experts outside the Council in specialised fields.

Risk management governance structure

11. Managing risk is a crucial part of governance and leadership, and is fundamental to how well the Council is managed at all levels.
12. The Council's risk management governance structure illustrates the different levels of responsibility within the risk management framework.
13. It also highlights that risk management is not the sole responsibility of an individual but rather a process that is supported by all levels throughout the organisation, as per Figure 1.

Figure 1: Risk management governance structure



Responsibilities for managing risk

Council

- Ensures that an appropriate risk governance structure is in place.
- Ensures that risks are adequately considered when setting the Council’s objectives, and understand the risks facing the Council when pursuing those objectives.
- Approves risk appetite settings.

Finance, Audit and Risk Committee

- Ensures that management has appropriate risk management and internal controls in place.
- Approves and reviews risk management programmes and risk treatment options for strategic, high and extreme residual risks.
- Is responsible for setting the risk appetite in conjunction with management.

Chief Executive

- Is the risk management sponsor.
- Provides oversight of the risk management process.

Executive Leadership Team

- Provides overall responsibility for monitoring and managing risks relating to Council activities.
- Assists the Council to set its risk appetite, and ensures risks are managed in accordance with that appetite.
- Objectively analyses and monitors reported risks.

- Ensures the risk management framework is in place and reviewed periodically to facilitate continuous improvement.
- Ensures legislative and governance obligations are met.
- Integrates risk management with Council policies, processes, and practices.

Manager Legal, Risk and Assurance

- Manages the risk management process.
- Maintains the Council's risk registers.
- Reports on strategic, high, and extreme residual risks and how they are being managed to the Executive Leadership Team and Finance, Audit and Risk Committee.
- Periodically reviews the risk registers and the effectiveness of the management of strategic, high, and extreme residual risks.
- Reviews the effectiveness of the risk management framework and reports to the Executive Leadership Team on findings and options for continual improvement.
- Receives information on emerging risks and considers the adequacy of how they are being managed.
- Facilitates the management of cross-organisational risks.

General Managers

- Promote a risk management culture within their groups.
- Communicate and raise awareness of risk management to Council staff and managers, including attendance at risk management training.
- Regularly identify, manage, and monitor risks in their groups, and ensure that those risks are appropriate in the pursuit of the Council's objectives.

Managers/Leads/Co-ordinators

- Manage activity / project / asset risks, including individual project risk registers and monitor individual risk action plans.
- Continually identify and assess risks and respond appropriately in light of the Council's risk appetite.

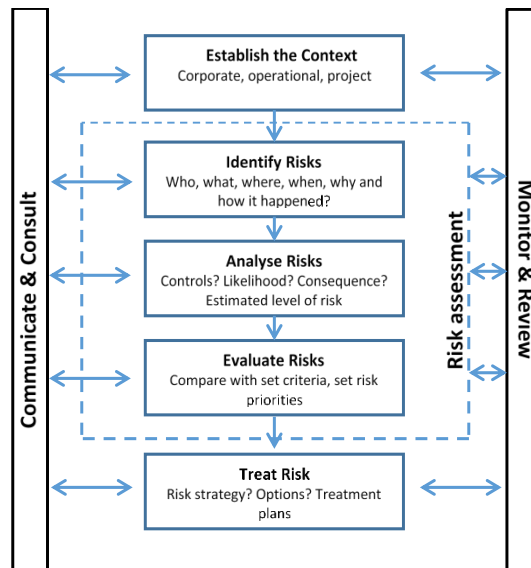
All Staff

- Be aware of the risk management framework and their role and responsibilities within it.
- Identify, monitor, and report potential risks and actual events as soon as possible.
- Understand that everyone in the Council is responsible for managing risk.

Risk management procedure

14. Risk management is a continual process and is conducted across the Council's operations. Staff should continually apply this process when making business decisions and in day-to-day management.
15. Figure 2 shows the key steps of the Council's risk management process, with each step then detailed below that:

Figure 2: Risk management process (AS/NZ ISO 31000:2009)



Communicate and consult

- 16. The communication process is for both the external and internal stakeholders of the risk management process.
- 17. For external stakeholders this means:
 - Informing them of the Council’s approach to risk management and the effectiveness of that approach.
 - Gathering their feedback where necessary to improve the Council’s risk management process.
- 18. For internal stakeholders this means:
 - Communicating to them the Council’s risk management process and their role and responsibilities in it.
 - Ensuring accountability for fulfilling those roles and responsibilities in relation to the process.
 - Seeking feedback about the effectiveness of the process.
- 19. Communication and consultation are also not one way, so there should be forums and/or mechanisms for stakeholders and subject matter experts to provide their input, exchange information and share ideas. The person managing the risk assessment process should ensure there is a strategy in place during each step to ensure information is communicated and that there has been adequate consultation.

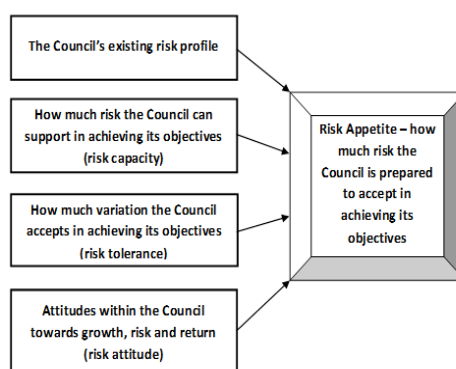
Step 1: Establish the context

- 20. Establishing the context for the Council’s risk management process is a key step because it builds an understanding of the Council’s internal and external stakeholders. The external context is the extent to which the Council’s external environment will impact on the Council’s ability to achieve its corporate objectives. That context includes, but is not limited to, social, cultural, political, legal, regulatory, financial, technological, economic, and environmental factors, globally, nationally, regionally, and locally. The

internal context is about understanding the internal operating environment and the way its components interact – people, culture, vision, values, goals and objectives.

21. Establishing the risk management context takes into account the Council's goals, objectives, strategies, and scope, and sets the parameters of the risk management process in line with the risk appetite set by the Finance, Audit and Risk Committee in conjunction with management. The inputs to the Council's risk appetite are shown in Figure 3.

Figure 3: Considerations that inform the Council's risk appetite



22. The Council is generally risk averse. This reflects our community's reluctance to accept a loss or significant reduction of existing levels of service. That said, there is a balance between the cost of managing risks and the costs to the organisation and ratepayers if a risk is realised, and that balance will vary across functions and is broadly defined for each source of risk (as defined below and in Appendix A).
23. The risk management process is intended to address the uncertainty inherent in the Council's activities. The treatment of risks can include the purchase of insurance. Nevertheless, there is ongoing assessment of whether the costs of such treatments outweigh the potential exposure should a risk be realised, in which case the risk is accepted.

Step 2: Identify risks

24. Comprehensive risk identification is crucial to the overall effectiveness of risk management.
25. The identified risks will determine the 'what', 'why', and 'how' things can happen as a basis for further analysis. These risks are derived from different sources.

Sources of risk

26. There are numerous sources of risk, and for this Council they fall under the categories shown below:
- Environment
 - Financial
 - Governance
 - Health, safety and wellbeing
 - Information management
 - Legislative compliance and control
 - Operations and service delivery
 - People and knowledge
 - Planning and strategy

- Project/quality management
 - Property and assets
27. Examples of types of risk for each source of risk are outlined in Appendix A.
28. After risks are identified it is important to adequately describe them. The key to properly describing the risks includes addressing:
- What the risk is e.g. negative media publicity.
 - What the cause(s) of the risk is/are e.g. a breakdown in communication.
 - What the impact of the event would be e.g. reputational damage leading to ratepayer dissatisfaction.
29. Each risk identified will be entered into Pinnacle’s risk register module by the manager of the area to which the risk relates or in P3M by the Project Manager for each project.

Step 3: Analyse risk

30. The purpose of the risk analysis step is to define the significance of a risk by assessing its consequence and likelihood and taking into account the processes and controls to mitigate it.
31. Inherent risk is that which would exist if there were no controls while residual risk is that left over after the risk has been treated e.g. through the use of controls.
32. Therefore, there is a need to analyse risk before and after the application of controls, which are intended to reduce risk to an acceptable level (i.e. within the Council’s risk appetite). This approach to analysing the risks allows the assessment of whether existing controls are enough to manage the risks or whether additional controls are needed.
33. When evaluating the effectiveness of controls, factors to consider are the consistency of application, understanding of control content and documentation of the control. Furthermore, the evaluation of the control process can include:
- A control self-assessment.
 - An internal and/or external audit reviewing the effectiveness of controls.
34. As an example, the consequence descriptors in Table 1 indicate the level of possible consequences for a financial risk at the organisation level. The consequences defined for all sources of risk are included in Appendix B.

Table 1: Consequence rating

Consequence rating	Factor: Financial
Catastrophic	Loss of over \$10m
Major	Loss of between \$5m and \$10m
Moderate	Loss of between \$1m and \$5m
Minor	Loss of between \$100k and \$1m
Low	Loss of less than \$100k

35. The likelihood ratings identify how likely, or often, a particular event is expected to occur, and these are shown in Table 2.

Table 2: Likelihood of occurrence

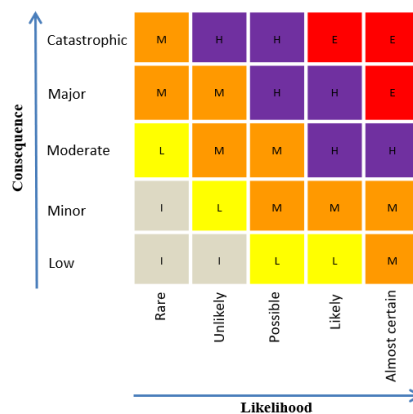
Likelihood rating	Probability of the risk occurring
Almost certain	Expected to occur more than once in the next year. Likely to occur multiple times during a project. Over 90% probability.
Likely	Expected to occur once in the next year. Has occurred in similar projects. Between 75-90% probability.
Possible	Could occur at least once in the next five years. Has occurred in a small number of similar projects. Between 25-75% probability.
Unlikely	Could occur at least once in the next 10 years. Could occur but has not in similar projects. Between 1-25% probability.
Rare	Not expected to occur in the next 10 years and beyond, or during the project. Less than 1% probability.

36. Knowledge of the frequency with which risks occurred in the past should inform, but not determine, the likelihood rating given. This is because the past is not always an accurate predictor of the future.

Step 4: Evaluate risk

37. After consequence and likelihood have been determined, the level of risk is evaluated by referring to the matrix as shown in Figure 4 below.

Figure 4: Risk assessment matrix



38. The risk rating distinguishes significant risks from those that are less so, and therefore assists with determining an appropriate response. This includes doing nothing further, considering how to treat the risk, undertaking more analysis of the risk to better understand it, maintaining current controls, or reconsidering what objectives are being pursued. Table 3 explains what action a risk owner needs to take in response to the residual rating.

Table 3: Residual risk rating and action needed

Residual risk rating	Action needed
Extreme	A risk at this level is above Council's tolerance because if it was realised it would have a catastrophic consequence for Council's reputation and ability to deliver core services. The risk owner immediately escalates the risk to the Executive Leadership Team, and considers escalating it to the Chair of the Finance, Audit and Risk Committee. The risk is to be monitored weekly.
High	The consequences of a risk with this rating would be severe but not catastrophic. The risk owner immediately escalates new high risks to the General Manager, and to the Executive Leadership Team as applicable, especially if the risk is escalating. The risk is to be monitored monthly. Risks at this level may need to be accepted because Council is unable to reduce their likelihood and/or consequences.
Medium	A risk realised with this rating would have a moderate consequence on service delivery. Bi-monthly the risk owner monitors and reviews the effectiveness of treatments and whether the risk rating has changed. Most risks have this rating and are accepted without needing additional treatment over those already in place. However, depending on the source of risk and its trajectory, some may need additional treatment.
Low	A risk realised with this rating would have a minor impact on service delivery. Six-monthly the risk owner monitors and reviews the effectiveness of treatments and whether the risk rating has changed. No further action is needed otherwise.
Insignificant	A risk realised with this rating would have negligible impact on service delivery. Annually the risk owner reviews if the controls are necessary or could be reduced but otherwise no further action is needed.

39. Once the impact has been assessed according to the relative risk level it poses, it is then possible to target the treatment of the risk exposure, by beginning with the highest level risks (high and extreme risks, and then those with a catastrophic consequence) and identifying the potential mitigation measures.

Step 5: Treat risks

40. Risk treatment involves determining the appropriate options for managing the risks identified. Treatment options are required where the current controls are not mitigating the risk within defined tolerance levels as determined by the first step (establishing the context). This is called the treatment plan.
41. Once the risk rating is determined it is possible to investigate current systems and processes starting with the highest rated risks. An action plan is then formulated to reduce the consequence and/or likelihood of the risk.

Treatment options

42. Treatment options include applying existing controls and implementing new ones. Treatment options include one or more of the following:
- **Avoid or eliminate** the risk by not proceeding with the activity likely to trigger the risk. Risk avoidance must be balanced with the potential risk of missed opportunities.
 - **Accept** the risk.
 - **Reduce** the risk by reducing the consequence and/or likelihood of it occurring.
 - **Transfer/share** the risk in part or entirely to others (e.g. through insurance or a third party).
 - **Increase** the risk to pursue an opportunity.
43. When determining the preferred treatment option consideration should be given to factors such as cost or reputation (e.g. a cost/benefit analysis).

Treatment actions

44. Once the treatment option is identified each risk should be assigned a treatment action. The risk is to be assigned to an 'owner', and they are to consider the following when determining which treatment action is needed:
- The cost of the treatment compared with the consequence/likelihood of the risk.
 - When the treatment action is needed by.
 - What monitoring and reporting is needed on how implementation of the action is progressing.
45. The risk registers in Pinnacle or P3M are to be used to record the risks identified, their rating, treatment action, and progress towards implementing the action. Risks that remain outside the Council's risk appetite after this point will be escalated for Executive Leadership Team action.

Monitoring, reviewing, and reporting

46. Risks are constantly changing due to the Council's operating landscape. Therefore, risks must be monitored, reviewed and reported on a regular basis to ensure that they are current. The minimum requirements for this are shown in Table 4.

Table 4: Monitoring, reviewing and reporting requirements

Who	What	When
Managers/ Leads/ Co-ordinators/ risk owners	Review of risks (existing and new)	Risks are reviewed as prompted by Pinnacle, with frequency defined in line with Table 3
Manager Legal, Risk, and Assurance	Review of changes to the risk registers, ensuring escalations have happened when needed. Reporting to the Finance, Audit and Risk Committee	Ongoing Quarterly
Executive Leadership Team	Review of strategic, high, and extreme residual risks	Quarterly, or as new strategic, high, or extreme residual risks are identified
Finance, Audit and Risk Committee	Review of strategic, high, and extreme residual risks	Quarterly

47. The effectiveness of the Council's risk management framework also needs to be monitored, reviewed, and reported on annually. Such a review helps the Council to refine its risk management framework to facilitate continuous improvement and increase its overall risk maturity.

Appendix A: Examples of sources of risks and risk appetite

When identifying risks, all sources of potential risk should be considered. Some sources are generic to all organisations while others are specific to local government. The sources and types of risk that are typically found in the local government context are summarised below. There may be other sources of risk that will be included as the Council's risk management framework continues to evolve. Any modifications to the sources of risk will be considered during the annual review of the framework.

Also noted in the table are Council's current risk appetite settings for each source of risk. These settings are to be used by risk owners to assess when residual risks are acceptable without the need to implement further controls to bring a risk back within appetite.

Council has three categories of appetite:

- **Averse** – means being generally avoiding or eliminating a risk because of its potential impact on Council's service delivery (e.g. disruption to drinking water supply) and/or the health and safety of our staff or the public. Alternatively, significant resource is to be used to implement controls, as well as regular monitoring for effectiveness. Risks with 'medium' or lower residual ratings can be accepted without additional treatment.
- **Balanced** – means having a flexible approach depending on the nature of the risk, weighing the consequence of not achieving an objective if the risk is avoided or eliminated with the cost of implementing controls. Risks with 'high' residual ratings can be accepted without additional treatment. 'High' residual risks are routinely reported to the Finance, Audit and Risk Committee in risk management update reports.
- **Tolerant** – means being willing to take on significant risks to exploit opportunities associated with activities that support the achievement of Council's strategic goals, despite potentially major consequences if a risk is realised. Risks with 'extreme' ratings can be accepted but only with effective controls in place (to reduce the risk to as low as practicable). Such risks are to be reported to the Executive Leadership Team immediately, and escalation to the Chair of the Finance, Audit and Risk Committee considered. Regardless, the risk would be reported to the Committee in the next risk management update report. No sources of risk currently have a tolerant risk appetite.

Source of risk	Examples	Appetite	Residual risk tolerated above which additional treatment is needed
Environment	<ul style="list-style-type: none"> • Impact of natural hazards • Discharge of hazardous substances to air, land, or water • Climate change • Public health outbreak • Ineffective emergency/disaster management • Inappropriate disposal of waste and refuse 	Averse	Medium
Financial	<ul style="list-style-type: none"> • Fraud (misappropriation of Council funds) • Inability or difficulty securing funding or credit • Inappropriate or inadequate procurement practices • Lack of internal control • Inadequate forecasting and budgeting • Poor setting of project budget • Poor project/quality management • Potential liability 	Averse	Medium

Source of risk	Examples	Appetite	Residual risk tolerated above which additional treatment is needed
Governance	<ul style="list-style-type: none"> Ineffective relationship with our community (with reputational risk being a contributor) Ineffective relationship with and between elected members Implications of the election cycle e.g. the learning curve for new members as they become familiar with the functions and requirements of local government Lack of internal control 	Averse	Medium
Health, safety and wellbeing	<ul style="list-style-type: none"> Failure to provide a safe work environment Non-reporting of incidents/accidents, and/or not identifying trends from those reported Inadequate focus on staff health, safety and wellbeing, especially at high risk workplaces Inappropriate access to high risk Council assets e.g. reservoirs, settling ponds, river intakes Outbreak of epidemic or pandemic 	Averse	Medium
Information management	<ul style="list-style-type: none"> Inadequate use or management of technology and systems Poor staff knowledge of systems Viruses, hacking, unauthorised access, inappropriate use of IT systems Use of information recorded by Council, for personal purposes 	Averse	Medium
Legislative compliance and control	<ul style="list-style-type: none"> Failure to comply with legislative requirements Failure to maintain regulatory standards 	Averse	Medium
Operations and service delivery	<ul style="list-style-type: none"> Poor operations or customer service (including poor contractor management and performance) Disruption due to natural disaster or other event Delivery failures in water supply, wastewater treatment, resource recovery, stormwater and flooding network, and transportation network 	Averse	Medium
People and knowledge	<ul style="list-style-type: none"> Inability to attract and retain skilled staff Ineffective employment relations Poor staff knowledge, skills, engagement Inadequate human resource planning 	Averse	Medium
Planning and strategy	<ul style="list-style-type: none"> Inadequate business improvement planning Inadequate planning to meet future requirements (growth, renewals, changing levels of service, climate change) as documented in the Long-Term Plan, Annual Plan, and Annual Report Inadequate emergency response/business continuity planning Inadequate infrastructure planning Disconnected Council teams 	Balanced	High

Source of risk	Examples	Appetite	Residual risk tolerated above which additional treatment is needed
Project/quality management	<ul style="list-style-type: none"> • Poor setting of project budget • Project budget is overspent • Project deliverables do not meet quality objectives • Products do not meet quality specifications • Quality objectives can only be achieved by increasing project cost, time or scope • Delays in delivery of a project, resulting in service disruption or failure to realise a business objective 	Balanced	High
Property and assets	<ul style="list-style-type: none"> • Facilities do not meet requirements • Failure to deliver on key projects • Inadequate asset information and management • Inadequate insurance cover • Poor safety and security at public facilities: accidents, criminal activity, unacceptable behaviours, abuse 	Balanced	High

Appendix B: Sources of risk and their consequences

Source of risk	Consequence rating				
	Low	Minor	Moderate	Major	Catastrophic
Environment	Little or no impact on the environment.	Short-term or minor reversible impact on the environment resulting in some complaints.	Serious but reversible damage of local importance with possible regulatory intervention.	Long-term damage of district importance with regulatory intervention.	Permanent damage requiring ongoing remediation and monitoring with regulatory involvement.
Financial	Impact can be managed within existing resources. Loss/additional cost of less than \$100k.	Impacts can be managed within existing resources with some reallocation. Loss/additional cost of between \$100k and \$1m.	Impact can be managed with some additional financial or human resources, and reallocation. Loss/additional cost of between \$1m and \$5m.	Impact cannot be managed without re-prioritising work programmes. Loss/additional cost of between \$5m and \$10m.	Impact cannot be managed without seeking additional funding approval from Council, and significant re-prioritisation of work programmes. Loss/additional cost of over \$10m.
Governance	No impact on public confidence or media attention.	Minor impact on public confidence and short-lived media attention. May be some local coverage - not front page.	Some impact on public confidence, reflected by sustained local media and community interest in the Council's performance.	Major impact on public confidence resulting in some national media coverage. Prosecution action taken against Council due to compliance breaches.	Critical impact on public confidence, resulting in significant national media and Central Government attention e.g. through an inquiry and/or appointment of a Commissioner.
Health, safety and wellbeing	Near miss, or minor medical treatment required (including first aid). No days off work.	Medical treatment or restricted work injury. Less than seven days off work. Minor public health impact i.e. some cases of water-borne illness.	Serious or permanent injury/illness requiring hospitalisation or extensive medical treatment (e.g. surgery). Moderate public health impact i.e. tens of cases of water-borne illness. Event notifiable to WorkSafe.	An individual suffers permanent total disability. Major public health impact i.e. hundreds of cases of water-borne illness. WorkSafe investigation of Council practices.	Fatality or fatalities, or multiple cases of permanent total disability. Widespread public health impact involving thousands of cases of water-borne illness. WorkSafe and/or another external agency investigation of Council practices.

Source of risk	Consequence rating				
	Low	Minor	Moderate	Major	Catastrophic
Information management	<p>Isolated equipment failure.</p> <p>Non-core system(s) disrupted for less than two hours.</p>	<p>Compromise of user password impacting the confidentiality and integrity of data.</p> <p>Non-core system(s) disrupted for less than a day.</p>	<p>Exploitation of application security flaws compromising the confidentiality and integrity of data.</p> <p>Core system(s) disrupted for less than a day.</p>	<p>Loss or theft of USB/laptop/other device compromising confidentiality.</p> <p>Loss of core system(s) for an extended period (less than two weeks).</p>	<p>Loss of infrastructure for an extended period (more than two weeks).</p>
Legislative compliance and control	<p>Isolated, non-systemic issues or non-compliance, or negligible incidents, with little to no impact on public confidence, security or levels of service.</p> <p>Breach resolved without penalty or liability. No notification required.</p>	<p>Minor one-off issues or non-compliance that can be managed as part of business as usual, with short-term (<1 day) or minor impact on levels of service and public perception.</p> <p>Breach resolved without penalty and minor liability exposure.</p>	<p>Moderate, repeated, issues or non-compliance that result in service delivery delays that may impact on levels of service and compliance, and reduce public confidence due to negative local media attention. May generate complaints to the Offices of the Ombudsman and Privacy Commissioner.</p> <p>Breaches resolved with a penalty and moderate liability exposure (up to \$100k).</p>	<p>Major, repeated, issues or non-compliance that result in non-delivery of core activities that impact on levels of service and compliance, and heavily reduce public confidence due to ongoing negative local media coverage and some national coverage. May generate investigations from the Offices of the Ombudsman and Privacy Commissioner. Judicial review and/or prosecution action taken against Council. Professional sanctions for Officers such as loss of memberships.</p> <p>Breaches resolved with a substantial penalty and liability exposure (up to \$500k).</p>	<p>Critical systemic issues or non-compliance that result in ongoing non-delivery of core activities that impact on levels of services across a range of categories, and drastically reduce public confidence due to significant national media and Central Government attention and/or intervention. Successful judicial reviews and prosecution of Council and potential revocation of accreditation(s). Imprisonment of Officers.</p> <p>Breaches resolved with a severe penalty and liability exposure (up to or exceeding \$1m).</p>
Operations and service delivery	<p>A failure of infrastructure/assets and service delivery affects a small number of customers for a short time.</p>	<p>A failure of infrastructure/assets and service delivery affects some areas for less than a day.</p>	<p>A failure of infrastructure/assets and service delivery affects a community for more than two hours or some areas for more than a day.</p>	<p>A failure of infrastructure/assets and service delivery affects a community for more than a day or some areas for more than two weeks.</p>	<p>A failure of infrastructure/assets and service delivery affects a community for more than a week.</p>

Source of risk	Consequence rating				
	Low	Minor	Moderate	Major	Catastrophic
People and knowledge	Individual significance or concern that can be managed as part of business as usual.	Minor disruption to the organisation that can be managed as part of business as usual.	Moderate disruption to the organisation resulting in reduced performance.	Major disruption to the organisation resulting in the failure of core activities.	Critical disruption to the organisation resulting in the ongoing failure to deliver core activities.
Planning and strategy	Negligible impact on outcomes and handled within normal operations.	Temporary impact on long-term levels of service, with limited community interest and media attention.	Noticeable impact on long-term levels of service, being consistently below expectations in one or more outcome categories. Some community interest and media attention.	Levels of service significantly below expectations in one or more outcome categories, bringing significant negative community and media attention.	Levels of service in significant decline across all outcome categories. Widespread negative commentary attracts Central Government attention e.g. through an inquiry and/or appointment of a Commissioner.
Project/quality management	Impact manageable within approved budget Quality is lower than planned but still meets the project's requirements or product specification. Schedule slip of up to 10% of plan.	Impact manageable within contingency. Quality is lower than planned but still meets the project's mandatory requirements or product specification. Schedule slip of 10-20% of plan.	Moderate impact requires additional budget (50% over approved budget). Quality and mandatory requirements compromised. Requirements can still be met by relaxing them or modifying scope. Schedule slip of 20-50% of plan.	Major impact requires additional budget (between 50-100% over approved budget). Quality is compromised but requirements can be met with increases in cost, time, or scope. Quarantined product could be reworked. Schedule slip of 50-75% of plan.	Critical impact requires additional budget (more than 100% over approved budget). Quality is compromised and unrecoverable. Requirements cannot be met within increased cost, time or scope, or product must be disposed of. Schedule slip of more than 75% of plan.
Property and assets	Insignificant incident that causes some damage requiring repair but no disruption to services.	Isolated damage not requiring relocation of services to an alternative site.	Damage to property that requires the relocation of some services to an alternative site.	Damage to property that requires the relocation of all services for a short period (less than a month).	Damage to property that requires the relocation of all services for an extended period (more than a month).

BUDGET CARRY-FORWARDS FROM 2022/23

MATTER / TE WHĀINGA

1. The matter for consideration by the Council is to consider for inclusion in the revised budgets for 2023/24 various budget items (and their proposed funding) not completed during the 2022/23 financial year.

RECOMMENDATION / NGĀ WHAIKUPU

That, having considered all matters raised in the report Council:

- a) **Approves capital expenditure carry-forwards of \$10.7 million and the associated funding identified in the attached schedule from the 2022/23 budget into the 2023/24 revised budget.**
- b) **Approves capital expenditure carry-forwards of \$6.8 million and the associated funding identified in the attached schedule from the 2022/23 budget into the proposed Long Term Plan budget.**
- c) **Approves operating expenditure carry-forwards of \$4.6 million and the associated funding identified in the attached schedule from the 2022/23 budget into the 2023/24 revised budget.**
- d) **Approves capital expenditure deferral of \$6.9 million and the associated funding identified in the attached schedule from the 2023/24 budget into the proposed Long Term Plan budget.**

COMPLIANCE/ TŪTOHU	
Significance	This matter is assessed as being of some importance.
Options	<p>This report identifies and assesses the following reasonably practicable options for addressing the matter:</p> <ol style="list-style-type: none"> 1. Approve the attached schedule of carry-forwards of budgeted items from 2022/23 and 2023/24 and their proposed funding for inclusion as revised budgets for 2023/24 and the proposed Long-Term Plan. 2. Reject any or all of the individual carry-forwards requested while recognising that many are in progress or contractually committed.
Affected persons	The persons who are affected by or interested in this matter are the general public as many of the projects impact on the community.
Recommendation	This report recommends Option 1 for addressing the matter.

COMPLIANCE/ TŪTOHU	
Long-Term Plan / Annual Plan Implications	Yes
Significant Policy and Plan Inconsistencies	Yes

EXECUTIVE SUMMARY / WHAKARĀPOPOTOTANGA MATUA

2. The nature of projects within the Council is that not all projects are able to be completed within the allocated financial year. The standard procedure to enable project funds to reflect the actual pattern of expenditure outside of the allocated financial year is for the Council to approve budget carry-forwards to the following financial year.
3. As the expenditure proposed to be carried forward was provided for in the 2022/23 Annual Plan (or approved in a prior financial year), there are no additional financial implications, beyond those that have already been provided for. Under and over-spend in budget that is not carried forward is returned to reserve and where there is no specific use for it, is then offset against future rating requirements. The risk of project delivery overspends is heightened.
4. Officers recommend that Council approves the following proposed items for budget carry-forwards from the 2022/23 Annual Plan to be incorporated as revised budgets:
 - a) Capital expenditure carry forwards of \$10.7 million to 2023/24 (Appendix 1).
 - b) Capital expenditure carry forwards of \$6.8 million to the Long-Term Plan (LTP) (Appendix 1).
 - c) Operating expenditure carry forwards of \$4.6 million to 2023/24 (Appendix 2).
5. Officers also recommend that Council approves the proposed items for budget carry-forwards of \$6.9 million from the 2023/24 Annual Plan to be incorporated as revised budgets in the proposed LTP (as per Appendix 3).
6. Approving the carry-forward enables the projects to be initiated or continued in the current financial year and for Council to maintain its levels of service which contribute to a Sustainable Lifestyle Capital.

BACKGROUND / WHAKAPAPA

7. For various reasons many planned activities are not able to be completed during the budget year, or monies are received for projects planned for the next budget year. In particular, the economic climate, supply chain disruptions, and inflation cost escalations have all impacted capex delivery in the 2022/23 financial year.
8. Council has resourced up across its project delivery teams to increase the amount of capex delivered through the LTP 2021-31 project delivery for 2022/23 totalled \$95 million (including \$10 million reclassified as operating expenditure), this is an increase of \$35 million over the previous year.
9. A strong project management framework exists across the organisation, with a project governance board to monitor delivery. The procurement process includes preferred supplier panel agreements, panel contracts and the bundling of projects as well as improving relationships with strategic contractors. All of these being levers to positively impact on the delivery of Council's capital programme.
10. Building the capacity of the organisation to deliver an increased work programme was anticipated to be a three-to-five-year journey. Officers believe the foundations that have been implemented over the past two years will result in increased delivery during the 2023/24 financial year.
11. Appendix 1 and 2 summarises those projects which were not completed by 30 June 2023 and the reason for the delay. Approval is sought from the Council for inclusion of the carry-forwards as budget additions for 2023/24 financial year and the first year of the proposed LTP.
12. The 2023/24 capital expenditure programme has also been reviewed through this process and the carry-forward requests capture the reprioritisation of the current 2023/24 financial year. Approval is sought from the Council for to move the budget of \$6.9 million from the 2023/24 financial year to the first year of the proposed LTP. This is shown in Appendix 3.

Capital Expenditure (Capex) carry-forwards

13. The total capital carry-forward from 2022/23 proposed is \$17.5 million, and is spread over renewal, growth and service level projects. The carry-forward amount represents \$10.7 million proposed carry-forward of budgets from the 2022/23 financial year into the 2023/24 financial year and \$6.8 million to the first year of the proposed LTP as detailed in Appendix 1.

14. In June 2023 Council adopted the 2023/24 Annual Plan with a capital expenditure delivery plan of \$95.6 million plus \$15.7 million for Transport Choices and \$23.8 million for Thermal Dryer projects. The plan includes five projects over \$5 million, totalling \$58 million i.e. almost half the plan. These projects include the Thermal Dryer Facility (\$24m), Transport Choices (\$16m), Waitara walkway (\$7m), Universal Water Metering (\$6m) and Sealed Pavements rehabilitations (\$5m). The risk of non-delivery of these projects will not be affected by the proposed Capital expenditure carry-forward.
15. The carry-forward totals \$17.5 million and will be funded as follows: \$4.1 million from reserves, \$8.5 million from debt, offset by a reduction in external funding of \$4.9 million. The two largest areas externally funded is the Crown Infrastructure funding for the Thermal Dryer of \$3 million and \$0.9 million from Waka Kotahi for Transportation.
16. A review of project timing has indicated \$6.8 million where the project has either not yet started or can be delayed from 2022/23 to the first year of the LTP. These projects will be prioritised as part of the LTP process.

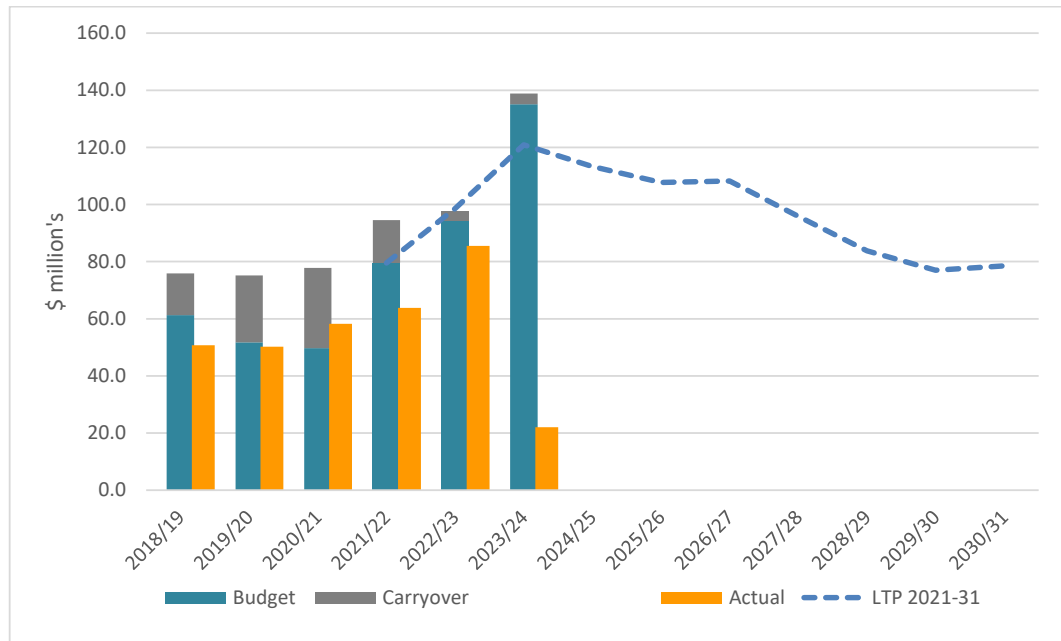
Operating Expenditure (Opex) carry-forwards

17. The opex carry-forward requested from the 2022/23 financial year into the 2023/24 revised budget is \$4.6 million. The main contributors to the proposed carry-forward being ICT projects of \$1.7 million, Mangamahoe Low head dam removal of \$1.4 million, and the timing related to the planned work required for various community projects as shown in Appendix 1.
18. The opex carry-forward totals will be funded as follows: \$2.1 million from reserves, \$2.0 million from debt, external funding of \$0.2 million, leaving a balance of \$0.4 million that is proposed that be funded from within the approved 2023/24 budget.

Deferals of 2023/24 Capital Expenditure

19. The 2023/24 capital expenditure programme has also been reviewed through this process and the carry-forward requests capture the reprioritisation of \$6.9 million the 2023/24 financial year. These projects are summarised in Appendix 3.
 20. In June 2023 Council adopted an Annual Plan 2023/24 capital expenditure delivery plan of \$95.6 million plus \$15.7 million for Transport Choices and \$23.8 million for Thermal Dryer projects. This totals \$135.1 million prior to adding these proposed carry overs from 2022/23 of \$10.7 million and removing \$6.9 million to year one of the proposed LTP. Therefore, if approved the total capital expenditure delivery plan of 2023/24 would be \$138.9 million.
-

21. The graph below shows how this plan compares to prior years and the LTP 2021-31 including the proposed carry forwards and the actuals for the first quarter of 2022/23.



CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

22. This report has no climate change implications.

REFORM IMPLICATIONS

23. This report has no reform implications.

NEXT STEPS / HĪKOI I MURI MAI

24. Once the carry-forwards are approved, staff will be able to action the individual projects. Timing on project initiation (or continuation) will vary between projects.
25. The proposed LTP 2024-34 will include a reset of the capex programme through the planning process. The Council has already been involved in workshops to guide the prioritisation process.

SIGNIFICANCE AND ENGAGEMENT / KAUPAPA WHAKAHIRAHIRA

26. In accordance with the Council's Significance and Engagement Policy, this matter has been assessed as being of some importance. Funding for the projects has been budgeted and rated for. The projects listed in the proposed carry-forward schedule are still required to be undertaken. Consultation was undertaken through the LTP. No further public engagement is required.

OPTIONS / KŌWHIRINGA

27. There are two reasonably practicable options for each project:

Option 1: Approve the attached schedule of carry-forwards of budgeted items from 2022/23 and 2023/24 and their proposed funding for inclusion as revised budgets for 2023/24 and the proposed Long-Term Plan.

Option 2: Reject any or all of the individual carry-forwards requested while recognising that many are in progress or contractually committed.

28. The two options have been assessed together below.

Financial and Resourcing Implications / Ngā Hiraunga ā-pūtea, ā-rauemi

29. Funding for each project has been provided for in the previous year's budget. This report recommends utilising that funding in the current (2023/24) financial year for the capex carry-forwards and accommodating the opex carry-forwards from within the 2023/24 Annual Plan funding provision.
30. Where funding is provided from subsidies, it is assumed that the subsidy funding is carried forward against the corresponding capital expenditure. Therefore, there is no rating impact against the carry-forward.
31. Capital expenditure that is funded through loans, will also carry-forward the corresponding loan funding. Whilst there will be a deferral in the drawdown of the loan funding required for carry-forward projects, there is minimal impact on rate funding. For expenditure that is loan funded, the LTP/Annual Plan only provides for principal repayments against that loan in the year following drawdown. Officers also take a conservative approach when preparing budgets for principal repayments, largely basing them on forecasts and prior year capex delivery. Interest expense against loan funded capex is only budgeted for a six-month period in the anticipated year of drawdown.
-

32. The proposed carry forwards will not impact on general rates funding. Capital expenditure funded through renewal reserves will carry-forward the renewal funding from the respective renewal reserves. Where the project will still be delivered, the renewal reserve funding is still required, albeit in a later financial year. Rate funding attributed to renewal expenditure is still allocated to those respective renewal reserves during the financial year and is retained in the renewal reserve at year end until the capital expenditure is spent and the funding allocation against the expenditure is required.
33. During the preparation of the LTP, it was noted that there was a need to increase the annual rate funded contribution to renewal funding as the delivery of capital expenditure renewals increased. The increase in annual contribution was smoothed through the use of debt across the ten-year plan. Therefore, even though the capex delivery programme is behind schedule, the need for rate funded renewal contributions still exists as renewal projects are completed over the life of the LTP and rate funding is still allocated to renewal reserves. Therefore, there is no immediate rating impact created from the carry-forward of renewal expenditure.

Risk Analysis / Tātaritanga o Ngā Mōrearea

34. If the Council were to not approve some or all of the carry-forwards requested, then Council would be at risk of not delivering projects already consulted on and agreed with the community through the LTP and Annual Plan process. If projects are not completed, levels of service could be negatively impacted.

Promotion or Achievement of Community Outcomes / Hāpaitia / Te Tutuki o Ngā Whāinga ā-hāpori

35. Consideration of community outcomes was undertaken when the projects were initially considered. Council staff consider that the proposed carry-forwards still meet the promotion and achievement of the community outcomes and building a Sustainable Lifestyle Capital.

Statutory Responsibilities / Ngā Haepapa ā-ture

36. Council has the authority to carry over funds to a subsequent financial year.

Consistency with Policies and Plans / Te Paria i ngā Kaupapa Here me ngā Mahere

37. Consistency with policies and plans for each of the projects was considered when the projects were initially approved by the Council.

Participation by Māori / Te Urunga o Ngāi Māori

38. Consideration of budget carry-forwards is an administrative matter. There has been no participation by Māori.
-

Community Views and Preferences / Ngā tirohanga me Ngā Mariu ā-hāpori

39. Community views and preferences on each of the projects were sought during consultation on the LTP. Council staff are unaware of any change to those views and preferences since the LTP adoption.

Advantages and Disadvantages / Ngā Huanga me Ngā Taumahatanga

40. Carrying funding forward enables the projects to proceed to continue to meet the levels of service agreed with the community.
41. Not carrying funding forward would result in the projects not proceeding and having to be reconsidered in the next LTP.

Recommended Option

This report recommends **Option 1** - to approve the attached schedule of carry-forwards of budgeted items from 2022/23 and 2023/24 and their proposed funding for inclusion as revised budgets for 2023/24 and the proposed Long-Term Plan.

APPENDICES / NGĀ ĀPITI HANGA

- Appendix 1 Schedule of 2022/23 capital expenditure carry-forward budgets (ECM 906117)
- Appendix 2 Schedule of 2022/23 operating expenditure carry-forward budgets (ECM 9086119)
- Appendix 3 Schedule of 2023/24 capital expenditure deferred budgets (ECM 9090608)

Report Details

Prepared By: Paul Lamb (Management Accounting Lead)
Reviewed By: Helen Barnes (Financial Services Manager)
Team: Corporate Services
Approved By: Joy Buckingham (Group Manager Corporate Services)
Ward/Community: District Wide
Date: 03 October 2023
File Reference: ECM 9084613

-----*End of Report*-----

Finance, Audit and Risk Committee Agenda (24 October 2023) - Recommendation - Budget Carry-Forwards

	Activity Description	Capital Carry Over to 2023-24	Capital Carry Over to 2024-25				Commentary			
Carry Forward from 2022/23										
Transportation										
RD3021	North Egmont Carpark	255,829		-	-	255,829	-	In Progress		
RD3034	WC215 Te Rewa Rewa Bridge Repaint	166,282		-	166,282	-	-	Project will complete in Oct/Nov 2023.		
RD3203	WC341 Ainslee Street walkway	94,832		-	-	94,832	-	In Progress		
RD3125	WC341 Belt Road Safety Improvements	40,000		-	-	40,000	-	In Progress with CERF		
RD3124	WC341 Brooklands Road Improvements	95,000		-	-	95,000	-	In Progress		
RD3119	WC341 Huatoki St Improvements	256,815		-	-	256,815	-	In Progress		
RD3110	WC341 Mangorei Rd NPGHS Improvements	929,065		-	-	929,065	-	In Progress		
RD3111	WC341 Parklands Ave/Mangati Rd Intersection Improvements	130,306		-	-	130,306	-	Completed Q1		
RD3005	WC341 R2Z Brois - Govett Intersection Roundabout	37,295		-	-	37,295	-	In Progress		
RD3219	WC341 W&C Weld Road Pathway	252,271	-	-	-	252,271	-	Remaining budget transferred from Parks PK3055		
RD2001	Airport Drive/ Parklands Avenue Roundabout - Parklands exten		1,175,199	-	235,040	-	940,159	-	Move to LTP	
RD3044	No NZTA - Walkway Extension to Waitara		875,220	-	-	-	875,220	-	Move to LTP	
RD3112	WC341 Belair Avenue (SH45 South Rd-Omata Rd) Safety Improvem		437,104	-	-	-	437,104	-	Move to LTP	
RD3071	WC341 Bridge Barrier Upgrade Programme		269,684	-	-	-	269,684	-	Move to LTP	
RD3123	WC341 Calvert Road Improvements		76,126	-	-	-	76,126	-	Move to LTP	
RD3050	WC341 LRI Delineation Upgrade to RTS-5 standard		117,028	-	-	-	57,344	-	59,684	Move to LTP
RD3048	WC341 LRI Otararoa Road Geometric Improvement		250,000	-	-	-	122,500	-	127,500	Move to LTP
RD3056	WC341 LRI Raleigh St & Tate Rd Intersection		35,000	-	-	-	35,000	-	-	Move to LTP
RD2004	WC341 LRI Waitaha Stream Underpass Area Q		100,000	-	-	-	100,000	-	-	Move to LTP
RD3051	WC341 LRI Wills Road Widening		45,000	-	-	-	22,050	-	22,950	Move to LTP
RD3130	WC341 Omata Rd/Barret Rd Intersection Improvements		14,445	-	-	-	14,445	-	-	Move to LTP
RD3001	WC341 R2Z Belair - Omata Intersection		100,000	-	-	-	49,000	-	51,000	Move to LTP
RD3013	WC341 R2Z Gover St - Liardet St Central Block Traffic Calm		417,963	-	-	-	204,802	-	213,161	Move construction to LTP, design only
RD3200	WC341 Speed Management Activity		429,010	-	-	-	429,010	-	-	Move to LTP
RD3221	WC341 W&C Urenui pedestrian bridge		20,004	-	17,603	-	2,400	-	-	Move to LTP
RD1033	WC341 W&C Waiwhakaiho Pedestrian Bridge to The Valley		87,481	-	-	-	87,481	-	-	Move to LTP
RD2006	WC341 W&C Windsor Walkway Safety Improvement		337,830	-	-	-	165,537	-	172,293	Move to LTP
RD2024	WC452 Walkway Extension to Waitara		452,601	-	-	-	221,774	-	230,826	Move to LTP
	Total Transportation	2,257,695	5,239,695	-	418,925	-	6,201,050	-	877,415	
Emergency Mgmt & Business Continuance										
CD3000	NPDC Civil Defence Resilience Project	37,085		-	-	-	37,085	-	-	Generator plugs
CD2100	TEMO ICT Equipment	-	39,358	-	-	-	39,358	-	-	Required by NPDC ICT
	Total Emergency Mgmt & Business Continuance	37,085	39,358	-	-	-	76,443	-	-	
Parks and Open spaces										

Finance, Audit and Risk Committee Agenda (24 October 2023) - Recommendation - Budget Carry-Forwards

	Activity Description	Capital Carry Over to 2023-24	Capital Carry Over to 2024-25				Commentary
Carry Forward from 2022/23							
PK2202	Parks Bridges Renewal	18,125		-	18,125	-	Completed Q1 - Poet bridge
PK1016	Structures renewals - parks and reserves	518,981		-	518,981	-	Mangapouri dewatering per TRC abatement notice
PK3101	2022 Build a Bridge Programme	58,370		-	58,370	-	In progress - Matekai Park Reserve
PB3009	Accessible Toilets - Accessibility Strategy	172,043		-	172,043	-	In progress - Kawarua Park
PK1003	Pukekura Park: New Festival of Lights Infrastruct	11,301		-	11,301	-	In progress - Electrical infrastructure
PK1021	Walkways & Paths Renewals	64,563		-	64,563	-	In progress - Ahu Ahu pathway
PK1017	Bridges renewals - parks and reserves	88,902		-	88,902	-	In progress - Boatshed lawn bridge
PK1011	Brooklands Zoo - Renewals	17,476		-	17,476	-	In progress - Rusted cages MPI compliance
PK3048	Burial and Cremations Software	45,204		-	45,204	-	In progress - Plot box
CB1056	Crematorium Buildings renewals	48,417		-	48,417	-	In progress - Cataflaque to lift up coffins
PK2005	Pukekura Park Management Plan Implementation	28,949		-	28,949	-	In progress
PK3103	Onaero Bridge		154,260	-	154,260	-	Move to LTP
PK3053	Onaero Recreation Reserve Improvements		73,948	-	73,948	-	Move to LTP
PK3016	Parks Culverts		20,247	-	20,247	-	Move to LTP
PK3021	Pukekura Park Water Quality		35,840	-	35,840	-	Move to LTP
PK3200	Ingelwood Signs Renewal	68,229		-	-	68,229	Grant funded
PK3303	Marine Park	196,880		-	-	196,880	Grant funded
PK3043	Te Rewa Rewa Co-Management Plan Implementation	290,190	250,000	-	480,190	60,000	Partially Grant funded
Total Parks and Open spaces		1,627,627	534,295	-	1,014,297	-	822,516
Puke Ariki and District Libraries							
CB3007	Puke Ariki Museum Lift 1	125,712		-	125,712		Installation to be completed in Oct 2023
PA3011	Puke Ariki Visitor Experience Workspace	10,000	14,243	-	24,243		To close out project
CB1009	Waitara Service Centre Renewals	28,817		-	28,817		Heaters to be renewed
CB3009	Puke Ariki Museum Roof Renewal	81,920		-	81,920		Planning
Total Puke Ariki and District Libraries		246,449	14,243	-	260,692	-	
Shared Services Respread Allocation							
CB3032	Civic Centre Renewals-North Fire Services	25,600		-	25,600	-	In progress
CB2300	Pipework Renewal Civic Centre HVAC	25,711		-	25,711	-	To close out project
MC3000	Project Clear Message Billboard	110,975		-	110,975	-	In progress
FL1024	Fleet - General Fleet	141,290		-	-	141,290	Managed delays, partial offset from vehicle sales
Total Shared Services Respread Allocation		303,576	-	-	51,311	-	110,975
Stormwater Drainage							
ST2001	Waitara Stormwater Upgrades		172,675	-	172,675	-	Move to LTP
ST3208	Tangaroa Restoration - Iwi/Hapu	105,000	95,005	-	-	200,005	Grant funded

Finance, Audit and Risk Committee Agenda (24 October 2023) - Recommendation - Budget Carry-Forwards

	Activity Description	Capital Carry Over to 2023-24	Capital Carry Over to 2024-25				Commentary
Carry Forward from 2022/23							
ST3201	Tangaroa Restoration - Section 1	20,000	66,180			- 86,180	Grant funded
ST3202	Tangaroa Restoration - Section 2	20,000	80,000			- 100,000	Grant funded
ST3203	Tangaroa Restoration - Section 3	30,000	189,124			- 219,124	Grant funded
	Total Stormwater Drainage	175,000	602,984	-	-	172,675	- 605,309
Venues and Events							
AQ3004	Aquatic Centre Hydro Slide Panels and Roof Replacement	96,913		-	96,913	-	Safety issues need to be addressed.
AQ3005	Aquatic Centre Indoor Air Ventilation Replacement	105,749		-	105,749	-	In progress
CB3038	TSB Showplace Level 1 Stalls Upgrade	13,616		-	4,085	- 9,531	Timing for construction in March - May 2024
CB3041	TSB Showplace Water Ingress Throught Concrete Floor	30,720		-	-	- 30,720	Timing for construction in March - May 2024
PE3202	TSB Stadium Hoop Replacement	47,500		-	-	- 47,500	In progress
CB2016	TSB Stadium New Toilets	378,560		-	-	- 378,560	Contract awarded and on site, completed by Nov 2023
	Total Venues and Events	673,058	-	-	206,747	- 466,311	-
Waste Minimisation and Management							
SW2002	Establish Commercial and Industrial MRF	41,601		-	-	- 41,601	To close out project
SW3002	Organic Waste Processing Facility	100,000	168,758	-	-	- 268,758	Planning in progress
	Total Waste Minimisation and Management	141,601	168,758	-	-	310,359	-
Wastewater Treatment							
WW3204	Consent for Discharge of Bioboost Fertiliser to Land	22,322		-	22,322	-	In progress
WW3015	Screens for Maintenance Bypass of NPWWTP Inlet Works	90,501		-	-	- 90,501	In progress
AA0026	West Quay Pump Station	150,000		-	150,000	-	In progress to TRC acceptance
WW3002	Wastewater Reticulation Renewals Full Budget (Medium)	740,000		-	740,000	-	Impact on Panel contract if delayed
WW3003	Wastewater Plant, Equipment, I&E Renewals (Medium)	935,000		-	935,000	-	Impact on Panel contract if delayed
WW2300	Inglewood Dump Station		55,962	-	-	- 55,962	Move to LTP
WW2301	TDF Crown Infrastructure funded Thermal	2,997,649		-	-	- 2,997,649	In progress
	Total Wastewater Treatment	4,935,472	55,962	-	1,847,322	- 146,462	- 2,997,649
Water Supply							
WA2004	NP WTP Intake Fish Screen	-	176,882	-	-	- 176,882	Move to LTP, leaves \$1m in FY24
WA2203	Water Customer Equipment Renewals	300,000		-	285,000	- 15,000	UWM galvanised pipe replacement
	Total Water Supply	300,000	176,882	-	285,000	- 191,882	-
	NPDC CAPEX Total	10,697,563	6,832,177	-	4,084,295	- 8,498,673	- 4,946,771

Finance, Audit and Risk Committee Agenda (24 October 2023) - Recommendation - Budget Carry-Forwards

Activity Description	Requested Operating Carry Over to 2023-24 \$000s	Reserve Funded	Debt Funded	External Funded	Unbudgeted Overspend	Commentary
Operating Expenditure Carry Forwards						
Business Technology Group						
Pakiaka - Refresh of IT Infrastructure	397,674	397,674				Project is inflight
Rapua - Information Management System	400,000		400,000			Project is inflight
Strategic Consultation & Engagement Software	9,051		9,051			Project is inflight
T1 Data & workflow	276,814	276,814				Project is inflight
T1 Asset Lease management	521,103	521,103				Project is inflight
Gallagher Security & Alarm Monitoring and Visitor Sign-In Management	19,720				19,720	Project is inflight
TEMO website	115,736		115,736			On hold until TEMO rename/rebrand completed
Community Partnerships						
North Taranaki sports	38,500				38,500	Late invoicing from prior year
Parks & open spaces						
CBD Strategy Implementation	496,639	496,639				Delivery of planned CBD projects not realised due timing.
CBD Strategy Implementation	235,332	235,332				Delivery of planned CBD projects not realised due timing.
Waitara Spatial Plan	90,855	90,855				Delays in project governance meant the project hasn't procured a spatial planner
Transportation						
Integrated Transport Plan	417,838			213,097	204,740	Contractual arrangements and Community Consultation costs
Stormwater Drainage						
Patterson Rd stormwater catchment	60,000				60,000	Due to contractor delays in getting resource.
Waste Minimisation and Management						
Waste reporting	70,108	70,108				Project was delayed due to resource constraints, now underway.
Water Supply						
Mangamahoe Low Head Dam Remediation	1,430,102		1,430,102			Physical Works and Decommissioning of Dam postponed till summer 23/24 due to emergency works occurring end of 2022 and pushing out the Stage 2 works until next Summer.
Mangorei Weir Removal	38,040				38,040	Physical Works and Decommissioning of Weir postponed till summer 23/24 due to emergency works occurring at the Mangamahoe Low Head Dam. Works planned for Feb-March 2024.
NPDC OPEX Total	4,617,512	2,088,525	1,954,889	213,097	361,000	

Activity Description	Reprioritise to LTP from Capital Carry Over 2023-24	FY 2023-24			Comments - reason for delay
		Reserve Funded	Debt Funded	External Funded	
Reprioritise Capex Budgets from 2023/24 to 2024/25					
Transportation					
CERF Transport Choices - Implementation Phase	2,311,608			2,311,608	Risk of securing funding if delayed
WC452 Walkway Extension to Waitara	1,935,000		948,150	986,850	Move to LTP
Airport Drive/ Parklands Avenue Roundabout - Parklands exten	290,000	58,000	232,000		Move to LTP
WC341 W&C Waiwhakaiho Pedestrian Bridge to The Valley	180,000		180,000		Move to LTP
WC341 W&C Pohutukawa Place Walking and Drainage Improvements	215,000		215,000		Move to LTP - Delay to line up whole route
WC323 Colson Road Extension (Smart Rd - Egmont Rd)	150,000		73,500	76,500	Move to LTP
WC341 Bridge Barrier Upgrade Programme	200,000		200,000		Move to LTP
Total Transportation	5,281,608	58,000	1,848,650	3,374,958	
Parks and Open spaces					
Brooklands Park Drive	148,400		148,400		Move to LTP
Park Development - Area Q Growth Area	50,000		50,000		Move to LTP
Pukekura Park Water Quality	50,000		50,000		Move to LTP
Onaero Recreation Reserve Improvements	349,800		349,800		Move to LTP
Onaero Bridge	296,850		296,850		Move to LTP
Dog Park	80,000		80,000		Move to LTP
Total Parks and Open spaces	975,050	-	975,050	-	
Puke Ariki and District Libraries					
Puke Ariki Store Refresh	10,000		10,000		Move to LTP
Water Supply					
NP WTP Intake Fish Screen	670,463		670,463		Move to LTP, leaves \$1m in FY24
NPDC CAPEX Total	6,937,121	58,000	3,504,163	3,374,958	

EXCLUSION OF THE PUBLIC FOR THE REMAINDER OF THE MEETING

PURPOSE/ TE WHĀINGA

1. This report details items that are recommended to be considered with the public excluded, and the reason for that recommendation.

RECOMMENDATION / NGĀ WHAIKUPU

That having considered all matters raised in the report, the Council hereby resolves that, pursuant to the Local Government Official Information and Meetings Act 1987, the public be excluded from the following parts of the proceedings of this meeting:

- a) **TechnologyOne Upgrade**
The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage. This particular interest being protected by section 7(2)(k) of the Act.

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987.

COMPLIANCE	
Significance	This matter has been assessed as being of some importance.
Options	This report identifies and assesses the following reasonably practicable options for addressing the matter: <ol style="list-style-type: none"> 1. Exclude the public. 2. Not exclude the public.
Recommendation	This report recommends Option 1 for addressing the matter.
Long-Term Plan / Annual Plan Implications	There are no budget considerations.
Significant Policy and Plan Inconsistencies	This report is consistent with Council's Policy and Plans.

BACKGROUND / WHAKAPAPA

2. The exclusion of the public is permitted, for specific purposes, under Section 48 of the Local Government Official Information and Meetings Act 1987.

SIGNIFICANCE AND ENGAGEMENT / TOHUTOHU KAI WHAKAHAERE

3. In accordance with the Council's Significance and Engagement Policy, this matter has been assessed as being of some importance because the exclusion of the public is a statutory procedure that will have a little or no impact on the Council's strategic issues.

OPTIONS / KŌWHIRINGA

Option 1 Pursuant to the Local Government Official Information and Meetings Act 1987, good reason exists to exclude the public for consideration of the items listed.

Option 2 The Council can choose to consider these matters in an open meeting.

Risk Analysis

4. Release of information which meets the statutory tests for withholding (under the Local Government Official Information and Meetings Act 1987) may expose the Council to legal, financial, or reputational repercussions.

Recommended Option

This report recommends **Option 1**: Exclusion of the public for addressing the matters.

Report Details

Prepared By:	Ashlee Carter (Governance Adviser)
Team:	Governance
Approved By:	Julie Straka (Governance Lead)
Ward/Community:	District Wide
Date:	5 October 2023
File Reference:	ECM 9085952

-----*End of Report*-----