

A G E N D A **K A U P A P A**

AUDIT AND RISK COMMITTEE

Tuesday, 16 April 2024, 9.00am

Council Chamber
Hauraki House
1 William Street
PAEROA



Membership

Committee Members:

Independent Member - C Buchanan (Chairperson)
Cr Mayor D A Adams (Deputy Chair)
Cr S Crooymans
Cr C Daley
Cr P Milner
Cr B Ranchhod

Staff:

L D Cavers
D Peddie
A de Laborde
P Thom
S Baker
J Nicholls
M Radford

Chief Executive

L D Cavers

Hauraki District Council, P O Box 17, William Street Paeroa, New Zealand
P: 07 862 8609 or 0800 734 834 (within the District)
E: info@hauraki-dc.govt.nz www.hauraki-dc.govt.nz

Audit and Risk Committee Delegations:

Membership	Independent Member - Conall Buchanan (Chairperson) Cr Mayor Toby Adams (Deputy Chair) Cr Stephen Crooymans Cr Carole Daley Cr Paul Milner Cr Bhavesh Ranchhod
Meeting frequency	Bi-monthly – third to last Tuesday of the month, starting February 2023. Commences at 9:00AM.
Quorum	3 members present.
Purpose	<p>The purpose of the Audit and Risk Committee is to enhance the effectiveness of the Hauraki District Council’s audit and risk processes by:</p> <ul style="list-style-type: none"> • Seeking reasonable assurance that that Council has appropriate financial, health and safety, risk management and internal control systems in place. • Seeking reasonable assurance as to the integrity and reliability of the Council’s financial and non-financial reporting processes. • Providing a communications link between management, the Council and the external and internal auditors. • Promoting a culture of openness and continuous improvement.
Delegations	<p>The Council delegates to the Audit and Risk Committee the following responsibilities:</p> <ul style="list-style-type: none"> • To review the Council’s insurance policies on an annual basis. • To review, in depth, the Council’s annual report and if satisfied, recommend the adoption of the annual report to Council. • To work in conjunction with the Chief Executive and Group Manager Business Support in order to be satisfied with the existence and quality of cost-effective health and safety management systems and the proper application of health and safety management policy and processes. • To work in conjunction with the Chief Executive and Group Manager Business Support in order to be satisfied with the existence and quality of cost-effective risk management systems and the proper application of risk management policy and processes. • To provide a communications link between management, the Council and the external and internal auditors. • To engage with Council’s external auditors and approve the terms and arrangements for the external audit programme. • To engage with Council’s internal auditors and approve the terms and arrangements for the internal audit programme. • To monitor the organisation’s response to the external and internal audit reports and the extent to which recommendations are implemented. • To engage with the external and internal auditors on any one off assignments. • Receive regular cyber compliance reports. • Receive regular reports from staff regarding use of P-cards and departures from procurement policy. <p>Subject to any expenditure having been approved in the Operative Hauraki Long Term Plan and/or Operative Annual Plan the Audit Committee shall have delegated authority to approve:</p> <ul style="list-style-type: none"> • the appointment of the independent internal auditor

- risk management and internal audit programmes
- additional services provided by the external auditor.

In addition, the Council delegates to the Audit and Risk Committee the following powers and duties:

- The Audit and Risk Committee can conduct and monitor special investigations in accordance with Council policy, including engaging expert assistance, legal advisors or external auditors, and, where appropriate, recommend action(s) to Council.
- The Audit and Risk Committee is delegated to hear and decide upon appeals to rates remission decisions made by the Group Manager Business Support.
- The Audit and Risk Committee can recommend to Council:
 - Governance policies associated with Council's risk management, compliance and ethics programmes, and internal control functions.
 - Sensitive Expenditure Policy, Fraud Policy, and Risk Management Policy.

The Audit and Risk Committee may not delegate any of its responsibilities, duties or powers.

Ngà Karakia Timatanga (opening)

(1)

Kia tau te rangimarie
Kia whakapapa pounamu te moana
Hei huarahi ma tatou i te rangi nei
Aroha atu, aroha mai
Tatou i a tatou katoa
Hui e! Taiki e!

*May peace be widespread
May the sea be like greenstone
A pathway for us all this day
Let us show respect for each other
For one another
Bind us all together!*

(2)

Whakataka te hau ki te uru,
Whakataka te hau ki te tonga.
Kia mākinakina ki uta,
Kia mātaratara ki tai.
E hī ake ana te atākura he tio,
he huka, he hauhunga.
Haumi e! Hui e! Tāiki e!

*Get ready for the westerly
and be prepared for the southerly.
It will be icy cold inland,
and icy cold on the shore.
May the dawn rise red-tipped on ice,
on snow, on frost.
Join! Gather! Intertwine!*

Karakia Whakamutunga (closing)

Kia whakai-ria te tapu
Kia wātea ai te ara
Kia turuki whakataha ai
Haumi e. Hui e. Tāiki e!

*Restrictions are moved aside
So the pathways is clear
To return to everyday activities
Join Gather Intertwine!*



AUDIT AND RISK COMMITTEE | Komiti Kaute me te Morearea

AGENDA

Tuesday, 16 April 2024 – 9:00am

<u>Order of Business</u>	Pages
<u>Meeting opening Karakia timatanga:</u> Chair, C Buchanan	
<u>Procedural Ā-Tikanga</u>	
1. <u>Apologies Ngā Matangaro or Te hunga kāore i tae</u>	
2. <u>Declarations of Late Items Whāki pānga</u>	
<i>Items not on the agenda for the meeting require a resolution under section 46A of the Local Government Official Information and Meetings Act 1987 stating the reasons why the item was not on the agenda and why it cannot be dealt with at a subsequent meeting on the basis of a full agenda item.</i>	
3. <u>Declarations of Interests Whakapuakitanga Whaipānga</u>	
<i>Members are reminded to declare and stand aside from decision making when a conflict arises between their role as an elected member and any private or other external interest they may have.</i>	
4. <u>Confirmation of Minutes Te Whakaū i ngā Meneti</u>	
4.1 Audit and Risk Committee Minutes - 13-02-2024	9
5. <u>Reporting (for decision) Pūrongo me whakatau</u>	
5.1 Audit and Risk Committee - Action Schedule	18
5.2 August and Risk Committee - Proposed Work Programme	22
5.3 Risk Policy and Framework Review	28
Appendix A – Proposed HDC Risk Management Policy	35
Appendix B – Proposed Risk Management Framework	69
6. <u>Reporting (for information) Ngā Pūrongo Whakamārama</u>	
6.1 Risk Report including future Risk Deep Dive Topics and Risk Pool Update	82
Appendix A - Risk Register	88
6.2 Leave Balance Reporting	104
6.3 KPMG Internal Audit Reviews	113
Attachment A - KPMG Internal Audit Reviews - Progress Report	117
6.4 Progress Update Audit NZ Recommendations	119
Appendix A - Audit NZ Management Report Action Schedule	121

Morning Tea Break

7. **Committee Only Time | Komiti anake te taima**

8. **Reporting (for information) | Ngā Pūrongo Whakamārama**

8.1 Chief Executive Verbal Update of Reforms

8.2 Internal Debt Report 30 June 2023 and projected 30 June 2024 **125**

8.3 Risks Associated with Project Management **129**

9. **Public Excluded Business | Ngā Hui Kāore anō mō te Hāpori**

9.1 Item 1: Health and Safety Report **136**

9.2 Item 2: Cybersecurity Update Report **144**
Appendix 1: Cert NZ Quarterly Insights Report **148**

Meeting closing | Karakia whakamutunga

Ngā take kia tū te hui o te Kaunihera anake |

Reasons for Matters to be taken with the Public Excluded

The public be excluded from the following parts of the proceedings of this meeting.

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

Item No.	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) Under Section 48(1) for the Passing of this Resolution
1	Health and Safety Report	Section 7(2)(a) – Protect the privacy of natural persons, including that of deceased natural persons.	Section 48(1)(a) That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.
2	Cybersecurity Update Report	Section 7(2) (g) – Maintain legal professional privilege.	Section 48(1)(a) That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

HAURAKI DISTRICT COUNCIL

AUDIT AND RISK COMMITTEE

MINUTES OF A MEETING OF THE AUDIT AND RISK COMMITTEE HELD IN THE COUNCIL CHAMBER,
1 WILLIAM STREET, PAEROA ON TUESDAY, 13 FEBRUARY 2024 COMMENCING AT 9.00 AM

PRESENT

His Worship the Mayor, D A Adams - Deputy Chair (In the Chair),
C Buchanan (Independent Chair – via Zoom), Cr P A Milner, Cr C Daley,
Cr S Croymans and Cr B Ranchhod

IN ATTENDANCE

C Wessels (Audit NZ), A Labuschagne (Audit NZ), L D Cavers (Chief Executive), D Peddie (Group Manager – Business Support), A de Laborde (Group Manager – Service Delivery), S Baker (Finance Manager), H Hodges (Strategic Planner), C Moore (Project Manager), L Moore (Project Manager), J Nicholls (Health and Safety Advisor), M Radford (IT Manager) and Ms C Black (Council Secretary)

Meeting opening | Karakia timatanga

Mayor Adams opened the meeting with the karakia.

APOLOGIES | Te hunga kāore i tae

There were no apologies.

LATE ITEMS | Whāki pānga

There were no late items.

DECLARATIONS OF INTERESTS | Whakapuakitanga Whaipānga

There were no declarations of interests.

CONFIRMATION OF MINUTES | Te Whakaū i ngā Meneti

AUDIT AND RISK COMMITTEE MINUTES – 12-12-2023 - 3548775

RESOLVED

THAT the minutes of the meeting of the Audit and Risk Committee meeting held on Tuesday, 12 December 2023 are received and confirmed as a true and correct record.

ARC24/01

Ranchhod/Milner

CARRIED

Reporting (for information) | Ngā Pūrongo Whakamārama

AUDIT AND RISK ACTION SCHEDULE – FEBRUARY 2024 - 3578307

The Group Manager – Business Support provided a summary of the progress on outstanding Committee action points by staff following the meeting of 12 December 2023.

RESOLVED

THAT the Committee receives the report titled Audit and Risk Action Schedule (document no. 3578307).

ARC24/02

Milner/Daley

CARRIED

ACTION

That the completed items be removed and the action schedule updated accordingly.

AUDIT AND RISK PROPOSED WORK PROGRAMME - 2024 - 3578310

The Group Manager – Business Support provided an update on the 2023 and 2024 proposed work programme for the Committee’s review.

RESOLVED

THAT the Committee receives the report titled Audit and Risk Proposed Work Programme 2024.

ARC24/03

Ranchhod/Daley

CARRIED

The work programme shows a number of changes since the previous meeting.

RESOLVED

THAT the Committee approves the Work Programme as amended.

ARC24/04

Buchanan/Milner

CARRIED

ACTION

No action required.

RISK REPORT INCLUDING FUTURE RISK DEEP DIVE TOPICS AND RISKPOOL UPDATE – FEBRUARY 2024 - 3578317

The Group Manager – Business Support provided a report that included the Council Risk Register, information about risk deep dive reporting, and further information relating to Riskpool that the Committee had requested previously.

RESOLVED

Receives the report titled Risk Report including Future Risk Deep Dive Topics and Riskpool update – February 2024, (document number 3578317).

ARC24/05

Daley/Ranchhod

CARRIED

ACTION

That staff advise the Committee when Risk Pool releases any further updates and comments.

RISK APPETITE WORKSHOP DRAFT OUTCOMES – DRAFT KPMG REPORT – 3578318
APPENDIX A – DRAFT APETITE STATEMENTS - 3578319

The Finance Manager provided the Committee with an opportunity to review the draft - risk appetite statements compiled by KPMG before Council considers them at its 28 February meeting.

RESOLVED

Receives the report titled Risk Appetite Workshop Draft Outcomes, (document number 3578318).

ARC24/06

Croymans/Ranchhod

CARRIED

RESOLVED

THAT the Committee approves Option 1 – Recommendations of changes be made to Council on the Draft Risk Appetite statements contained in Appendix A

ARC24/07

Ranchhod/Croymans

CARRIED

ACTION

No action required.

LEAVE BALANCE REPORTING (PRE-CIRULATED REPORT) - 3581324

The Group Manager – Business Support provided the Committee with an update on the leave balance information.

RESOLVED

THAT the pre-circulated report titled Leave Report February 2024, (document number 3581324) be received.

ARC24/08

Daley/Ranchhod

CARRIED

For the information of the Committee, the report advised of current leave balances and further information on other possible measures in relation to leave balances that will be reported to future meetings.

It was noted that since the previous report, there has been a decrease in the total leave balances, and decreases in the 10 highest leave balances.

ACTION

No action required.

ELECTED MEMBER TRAINING OPPORTUNITIES – REPORT REVIEWING AND DECISION MAKING
- 3578311

The Group Manager – Business Support provided the Committee with information on elected member training opportunities related to understanding staff reports and good decision-making.

RESOLVED

THAT the Committee receives the report titled Elected Member Training Opportunities – Report Reviewing and Decision Making - 3578311

ARC24/09

Adams/Croymans

CARRIED

RESOLVED

THAT the Committee recommend to Council that it subscribe to the AKONA LGNZ elected member-training programme subject to confirmation by councillors that they will participate in the programme.

ARC24/10

Adams/Ranchhod

CARRIED

ACTION

Staff prepare a report recommending Council subscribe to the AKONA LGNZ elected member-training programme.

Committee only time with Audit NZ Auditors

The Chair and members held committee only time with the Audit NZ auditors from 9.50am to 10.10am.

The meetin adjourned for morning tea 10.10am

The meeting reconvened at 10.20am

ANALYSIS OF the 2023-24 NON-FINANCIAL PERFORMANCE RESULTS – 3566104

The Strategic Planner provided the Committee with a list of those non-financial performance targets 'not achieved/not on track' in the year to date, reasons for not meeting these targets, and to consider where improvements can be made.

RESOLVED

THAT the report titled 2023/24 Analysis of the 2023/24 Non-financial performance results, (document number 3566104) is received.

ARC24/11

Daley/Ranchhod

CARRIED

The Committee was also asked to consider providing feedback or suggested intervention on any of the 'not achieved' performance results for consideration at the Long Term Plan workshop on 19 February 2024.

Cr Milner proposed that explanations be included in the results for areas where the result is 'not achieved' i.e. Community Protection regarding liquor-licensing timeframes.

RISKS ASSOCIATED WITH CAPITAL PROGRAMME DO-ABILITY – 3565742

Appendix A: 3563341- Dec 2023 Monthly Report - Utilities

Appendix B: 3563342 - Nov 2023 Monthly Report - Land Transport

Appendix C: 3563344 - Sep 2023 Monthly Reporting – Community Services

The Project Manager – Team Leader and Manager Projects and Operations provided an overview of the key risks associated with the delivery of the capital programme for the current and following financial year.

RESOLVED

THAT the Committee receives the report titled Risks Associated with Capital Programme Do-ability, (document number 3565742).

ARC24/12

Milner/Crooymans

CARRIED

In addition to the risks and issues discussed in this report, the last 3 months of reporting covering each activity and the individual projects was appended for the member's information. This highlights the reporting sent to service delivery managers to include within their Council quarterly reporting which further identifies where the capital programme is at and risks or issues highlighted by project managers and activity managers.

An explanation was provided by staff in response to a question from the Committee as to what processes Council has in place to protect itself against health and safety liability when engaging contractors. Members were advised that all contractors must complete a full prequalification process to ensure that contractors, working for or on Council assets and/or supplying services have effective health and safety management systems to prevent harm to people and the environment, or damage to property.

ACTION

No action required.

KPMG INTERNAL AUDIT REVIEWS – PROGRESS REPORT

APPENDIX A - KPMG INTERNAL AUDIT REVIEWS - PROGRESS REPORT

The Finance Manager presented a progress report against the matters raised by the KPMG internal Audit reviews.

RESOLVED

THAT the Committee receives the report titled KPMG Internal Audit Reviews – Progress Report, (document number 3564259).

ARC24/13

Crooymans/Daley

CARRIED

The report showed the progress update against the matters raised by KPMG from the recommended reviews, and the management actions that have been agreed in response to the KPMG findings.

At Councils request, KPMG have undertaken the following six review areas:

- Procurement

- Cash handling
- Payroll
- Accounts payable
- Asset management
- Procurement and Contract Management

It was advised there has been no change to the review areas since the last report.

ACTION

No action required.

PROGRESS UPDATE AUDIT NZ RECOMMENDATIONS - 3578316

APPENDIX A - AUDIT NZ MANAGEMENT REPORT ACTION SCHEDULE - 3578315

The Finance Manager provided an update to the Committee on matters raised by Audit New Zealand following their previous audits.

RESOLVED

THAT the Committee receives the report titled Audit NZ Recommendations – Progress report, (document number 3564252).

ARC24/14

Milner/Ranchhod

CARRIED

ACTION

No action required.

CHIEF EXECUTIVE VERBAL UPDATE OF REFORMS

The Chief Executive verbally provided updates on the status of current government reforms.

- Three Waters Reform update – Central Government are introducing legislation to repeal the three waters reform. An Advisory Group has been formed to provide feedback to the Government on its proposals. The legislation to repeal the previous government's reforms will be passed on 23 February 2024. Two bills will be considered to implement Local Water Done Well. The first bill will be passed by the middle of 2024 and will set out provisions relating to council service delivery plans and transitional economic regulation. The second bill will also establish regulatory backstop powers, to be used when required to ensure effective delivery of financially sustainable or safe water services.
- National and Built Environment Act and Spatial Planning Act – the legislation to repeal these Acts was passed late last year and both acts have been repealed
- Maori Wards – the Local Government Commission has provided an update in response to enquiries received regarding Māori wards/constituencies after the release of coalition agreements, which refer to the right to local referendum on the establishment or ongoing use of Māori wards, including requiring a referendum on any wards established without referendum at the 2025 Local Government elections.

Matters to be taken with the Public Excluded

RESOLVED

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

Item No.	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) Under Section 48(1) for the Passing of this Resolution
1	Health and Safety Report	Section 7(2)(a) – Protect the privacy of natural persons, including that of deceased natural persons.	Section 48(1)(a) That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.
2	Cybersecurity Update Report	Section 7(2) (g) – Maintain legal professional privilege.	Section 48(1)(a) That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

ARC24/15

Daley/Ranchhod

CARRIED

confidential page 16 has been removed

RESOLVED

THAT the public be re-admitted to the meeting and that the business in committee discussed be confirmed.

ARC24/20

Milner/Crooymans

CARRIED

Meeting closing | Karakia whakamutunga

Mayor Adams closed the meeting with a karakia at 11.27am.

CONFIRMED

C Buchanan
Chairperson

16 April 2024

unconfirmed

FOR INFORMATION NGĀ MŌHIOTANGA



To Audit & Risk Committee

Author Duncan Peddie
Group Manager Business Support

Meeting date 16 April 2024

File reference Document: 3596663

Subject **Action Schedule April 2024**

1 TE WHAIKUPU | RECOMMENDATIONS

THAT the Committee

- a) Receives the report titled Action Schedule, (document number 3561342).
- b) That the report be distributed to staff for action

2 TE WHAKARĀPOPOTANGA | SUMMARY

This report provides a summary of the progress on outstanding Committee action points by staff following the committee meeting of 13 February 2024.

3 TE ARONGA | PURPOSE

The purpose of this report is to update the attached committee on progress against action requests made by the Committee.

This is a standing item on the Committee's agenda.

4 WHAKAPAPA | BACKGROUND AND CONTEXT

From time to time the Committee will make requests of staff. This report is designed to keep track of these requests, allocate them to a member of staff for action, and provide feedback to the committee as to progress on the request.

5 ACTION SCHEDULE

Action point	Raised Committee Meeting	Assigned Staff Member	Target Date	Status Following 13 February Meeting
<p>Lack of Quality Information for Decision Making</p> <p>That staff prepare a report on a process Council could put in place and the criteria that could be used to determine when a peer review of a decision-making report would be undertaken.</p>	13-06-23	TBA	April 2024	<p>In Progress</p> <p>Peer review criteria is in phase three of the current decision making review process and due to LTP commitments is now scheduled for June 24.</p>
<p>Non-financial performance targets</p> <p>Staff prepare a report on those non-financial performance targets that are not on track to being achieved, for the Audit and Risk Committee on a six monthly basis, Consideration will be made to the best timing of this cycle by the Strategic Planning staff.</p>	17-10-23	Nina Murphy	13-2-24	<p>Completed</p> <p>A report on the performance targets was tabled in the February agenda.</p>
<p>Training Opportunities</p> <p>Staff to provide information on training opportunities for elected members to support them to have a clear understanding of reports and to make good decisions This information is to be provided for further discussion at the next 'committee only time' in December 2023.</p>	17-10-23	GMBS	12-12-23	<p>Completed</p> <p>At its February meeting the Committee recommended to Council that it subscribes to the AKONA LGNZ elected member training programme subject to confirmation by councillors that they will participate in the programme.</p>

Action point	Raised Committee Meeting	Assigned Staff Member	Target Date	Status Following 13 February Meeting
Water Communications Communications on the risk of interruption of water supply with the farming community be a continued focus (later in 2024)	12-12-23	GMSD/Utilities Manager	Later in 2024	In Progress Staff to investigate likely communication channels/methods and report back.
Leave Balance Reporting Prepare a report on meaningful metrics on managing high annual leave balances to be reported to the Audit and Risk Committee on a date to be confirmed	12-12-23	HR Manager Julie Sweeney	April 24	In Progress To be presented to April Committee meeting
Riskpool That the Committee be advised of any updates and comments	16-02-24	GMBS/Finance Manager	As required	In Progress
Training Opportunities Staff prepare a report recommending Council subscribe to the AKONA LGNZ elected member-training programme	16-02-24	GMBS/Finance Manager	April 2024	In Progress AKONA now included in annual LGNZ subscription

6 TE ARA KI MUA | NEXT ACTIONS

The table below sets out the next key steps:

Action	Responsibility	By When
Actions be distributed to staff	Council Secretary	One week after minutes review by Chair
Action progress is reported back to the Committee	Group Manager Business Support	Following meeting

7 WHAKAPAI | APPROVAL

Prepared by	Duncan Peddie Group Manager Business Support
Reviewed by	Duncan Peddie Group Manager Business Support
Approved by	Duncan Peddie Group Manager Business Support

MŌ TE WHAKATAUNGA FOR DECISION



To Audit & Risk Committee

Author Duncan Peddie
Group Manager Business Support

Meeting date 16 April 2024

File reference Document: 3601245

Subject **Proposed Work Programme**

1 TE WHAIKUPU | RECOMMENDATIONS

THAT the Committee

- a) Receives the report titled Proposed Work Programme, (document 3601245).
- b) Approves Option 1 Accept the Work Programme as reported,
OR
- c) Approves Option 2 Accept the Work Programme as amended, (**recommended option**)

2 TE ARONGA | PURPOSE

The purpose of this report is to present a forward work programme for the Audit and Risk Committee for discussion and confirmation.

This is a standing item on the Committee's agenda. The Committee is welcome to make comment to or revise the programme as required.

This report also sets out items on the Committees action schedule and progress on those items.

3 TE WHAKARĀPOPOTANGA | SUMMARY

An annual work programme is a necessary tool that enables the Committee to fulfil the obligations placed on it through its terms of reference.

The programme is a live document that is regularly modified to reflect the ever-changing challenges and environment within which the organisation operates.

4 WHAKAPAPA | BACKGROUND

The Terms of reference for the Committee was approved by Council on 9 November 2022. The Audit and Risk Committee Terms of Reference are included at the start of the agenda.

5 NGĀ TAKE | ISSUES

The proposed work programme for discussion is shown in Appendix A

6 NGĀ KŌWHIRINGA A MĀTOU | OPTIONS AVAILABLE

The following options have been identified for consideration:

- Accept the Work Programme as reported
- Accept the Work Programme as amended.

6.1 Option 1:

Option 1: Accept the Work Programme as reported	
Provide a summary of option:	The Committee makes no changes to the programme
Advantages:	The Committee has the opportunity for input into the process No further resource is required
Disadvantages:	None identified
Risk mitigation:	None identified
Financial costs:	None identified
Rates Impact:	There is no expected change to forecast rates, as funding for this option is provided for in existing budgets.
Debt Impact:	There is no change to forecast debt, as funding for this option is provided for in existing budgets.
Option 1: Significance Assessment - Criteria	Level of significance
Does the recommendation involve a transfer of ownership or control, or abandonment of a strategic asset?	No
Is there a legal requirement to engage with the community?	No
What is the level of financial consequence?	Low
What is the proportion of the community affected?	Low

Option 1: Significance Assessment - Criteria	Level of significance
What is the impact on the current and future social, economic, environmental or cultural well-being of the district?	Low
What is the level of community interest?	Expected to be low
Are the likely consequences controversial?	Expected to be low
What is the level of consequence in relation to land or a body of water?	No significance
Does this recommendation trigger a break of one or more of Councils rates caps or debt caps?	No
What is the impact on the ability for Council to carry out any activity in the LTP?	Low
Extent of community views already known on this recommended approach	Low
Option 1 is considered to be of overall low significance.	

6.2 Option 2

Option 2: Accepts the Work Programme as amended	
Provide a summary of option:	The Committee makes changes to the programme and adopts the amended programme.
Advantages:	The Committee has input into the process
Disadvantages:	Adding additional items may add to staff resource requirements
Risk mitigation:	None identified
Financial costs:	None identified
Rates Impact:	There is no expected change to forecast rates, as funding for this option is provided for in existing budgets.
Debt Impact:	There is no change to forecast debt, as funding for this option is provided for in existing budgets.
Option 2: Significance Assessment - Criteria	Level of significance
Does the recommendation involve a transfer of ownership or control, or abandonment of a strategic asset?	Low
Is there a legal requirement to engage with the community?	Low
What is the level of financial consequence?	Low

Option 2: Significance Assessment - Criteria	Level of significance
What is the proportion of the community affected?	Expected to be low
What is the impact on the current and future social, economic, environmental or cultural well-being of the district?	Expected to be low
What is the level of community interest?	No significance
Are the likely consequences controversial?	No
What is the level of consequence in relation to land or a body of water?	Low
Does this recommendation trigger a break of one or more of Councils rates caps or debt caps?	Low
What is the impact on the ability for Council to carry out any activity in the LTP?	Low
Extent of community views already known on this recommended approach.	Low
Option 2 is considered to be of overall low significance.	

7 TE KOWHIRINGA MATUA | RECOMMENDED OPTION

Staff recommend proceeding with option 2 - Accept the Work Programme as amended

After the consideration of options, the recommendation is considered to be of overall low significance and as such the recommended form of engagement is to: not carry out any specific consultation or engagement.

8 COMMITTEE CHAIR CONTACT

Since the last meeting, the chair has had discussions with the Group Manager Business Support and the Chief Executive.

9 TE ARA KI MUA | NEXT ACTIONS

The table below sets out the next key steps:

Action	Responsibility	By When
Staff will update the proposed work programme and action schedule for any changes requested by the Committee.	Group Manager Business Support	Next Meeting

10 WHAKAPAI | APPROVAL

Prepared by	Duncan Peddie Group Manager Business Support
Reviewed by	Duncan Peddie Group Manager Business Support
Approved by	Duncan Peddie Group Manager Business Support

APPENDIX A: Audit and Risk Committee – Proposed work programme 2024

NB: the Committee is delegated to hear and decide upon appeals made on matters relating to Council’s Rates Remission Policies. These would be brought forward to the Committee as required.

Meeting date	Agenda items	Standing agenda items for every meeting
February 2024	<ul style="list-style-type: none"> • Risk Review – Capital program do-ability • Elected members interests register • Gifts register Review • NFPT Review– Second Quarter 	<ul style="list-style-type: none"> • Health and Safety report. • Progress report regarding previous Audit Management Report findings. • Progress report regarding previous Internal Audit findings • Risk register. • Work Programme report including action schedule. • Any ongoing fraud investigations • Cybersecurity report • Local Government Sector Reviews • Annual Leave Balance Report
April 2024	<ul style="list-style-type: none"> • Risk Review – Project Management • Internal Debt Report 30 June 2023 and projected 30 June 2024 	
June 2024	<ul style="list-style-type: none"> • Risk Review – Three Waters Reform (provisional) • AON insurance market update • Committee Effectiveness Review Approach • NFPT Review– Third Quarter • Peer Review Criteria 	
August 2024	<ul style="list-style-type: none"> • Risk Review – topic to be confirmed • Departures from the Procurement Policy 1 December 2023 – 30 June 2024. • P-Card Report 1 July 2023 – 30 June 2024 • NFPT Review– Final Quarter • Emergency Management Committee report 	
October 2024	<ul style="list-style-type: none"> • Risk Review – Climate change (provisional on adaptive planning info being available) • Review of Committee Effectiveness • Review of Draft 2023/24 Annual Report 	
December 2024	<ul style="list-style-type: none"> • Risk Review – Water Delivery (district wide) • Audit NZ Final Audit Management Report for the year ending 30 June 2024. • Departures from the Procurement Policy 1 July 2023 – 30 November 2024. • NFPT Review – First Quarter 	
Future	<ul style="list-style-type: none"> • Risk Review – possible topics <ul style="list-style-type: none"> • Reputational Risk • Compliance with Regulation (By department) • Building consent and resource consent revenue and cost streams • Sensitive Expenditure • Data privacy – implementation of the Privacy Act 2020 • Emergency response management • Conflict of interest for elected members and staff 	

MŌ TE WHAKATAUNGA FOR DECISION



To Audit and Risk Committee

Author Duncan Peddie
Group Manager Business Support

Meeting date 16 April 2024

File reference Document: 3609898
Appendix A: Proposed Risk Policy April 2024 - 3609899
Appendix B: Proposed Risk Framework April 2024 - 3609900

Subject **Risk Policy and Framework Review**

1 TE WHAIKUPU | RECOMMENDATIONS

THAT the Committee

- a) Receives the report titled Risk Policy and Framework Review, (document number 3609898).
- b) Approves Option 2 and endorses to Council the adoption of the proposed Risk Policy and Risk Framework April 2024, with amendments if required.

2 TE ARONGA | PURPOSE

The purpose of this report is to seek the Committees endorsement of the proposed Risk Policy and Framework April 2024 prior to staff presenting them to Council for adoption in May 2024.

3 TE WHAKARĀPOPOTANGA | SUMMARY

Council is required to periodically review its Risk Policy and Framework the last iteration of these documents was adopted by Council in August 2020.

In June 2022 Council commenced a review of the Policy and Framework

A cornerstone of the framework is understanding the Council's risk appetite over different areas of risk. Council's current risk appetite statement was developed in 2016 by a different Council, and in a different environment than that of today.

Accordingly, a workshop facilitated by KPMG was held with Council in November 2023 to flesh out Council's risk appetite against twelve areas of risk. These have now been incorporated into the Policy and Framework

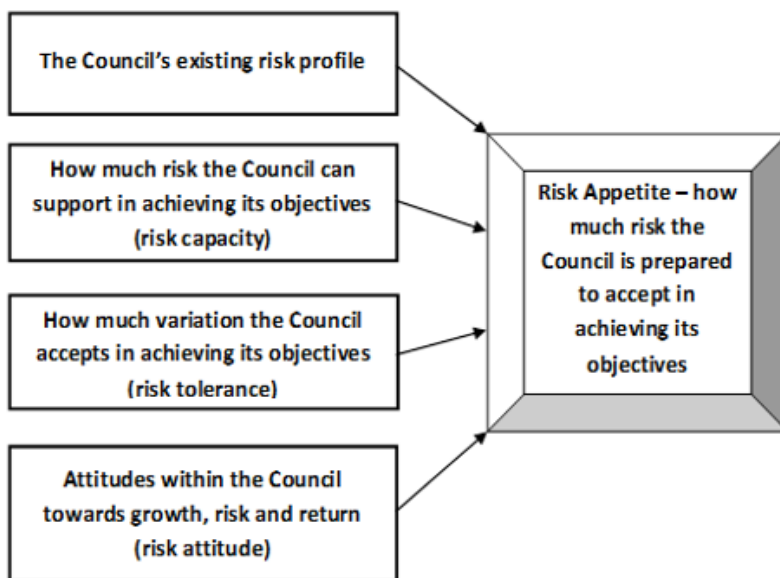
4 WHAKAPAPA | BACKGROUND

In May 2022, Council’s Risk Policy and Framework were compared to the comparative policies of seven Councils as well as Massey University’s. A tertiary institution was chosen as a comparative, as one would expect them to be leaders in this area, after all they teach it. A request was sent to members of the Local Government Connect Risk Management Forum. The following seven Councils kindly sent their policies/frameworks to us for review.

Ashburton South Taranaki Waipa
 Rotorua Thames Coromandel Auckland New Plymouth

While they are all aesthetically individual, they all follow the guidance set out in AS/NZS ISO 31000:2009 Risk Management Standard.

The review was presented to the Audit and Risk Committee in June 2022. The key amendment to the existing policy was the insertion of Council risk appetite in the Policy to provide context to the reader. Below is the excerpt from that report pertaining to risk appetite.



Source of Risk	Risk Appetite				
	Averse	Conservative	Measured	Justified	Flexible
Financial & Economic	<h1>?</h1>				
Health & Safety					
Legal Compliance					
Political Reputation					
Human Resources					
Operations					
Information					
Environmental					

At the above meeting of the Committee it made the following resolutions

THAT the report be received.

ARC22/51 Daley/Harris

CARRIED

The Finance Manager advised that Council's policies were compared to the comparative policies of seven Councils as well as Massey University's. A tertiary institution was also chosen as a comparative.

A request was sent to members of the Local Government Connect Risk Management Forum. A number of Councils sent their policies/frameworks for review.

The Chair and Committee members proposed that Council undertake an induction process on risk with new councillors in October 2022 or, that a process be undertaken to review policies in the second half of next year (August 2023).

The Finance Manager will update the policy to make it easier to understand, then the induction programme to commence (1st quarter next year) and to ascertain the new council's appetite for risk.

RESOLVED

THAT the Risk Management Policy be reviewed prior to the election in October 2022 and that the incoming Council be presented with a report to determine their risk appetite.

ARC22/52 Harris/Daley

CARRIED

5 NGĀ TAKE | ISSUES

Council needs to review and update its Risk Policy and Framework on a regular basis. It has now been nearly four years since the Policy and Framework were last formally reviewed by Council.

A gap in the current Policy was identified in that it did not document Councils risk appetite in relation to areas of risk. In the absence of such, it is difficult to see how staff could undertake their duties in line making decisions in line with Councils risk appetite.

6 WHAIWHAKAARO RAUTAKI O NGĀ TAKE | STRATEGIC CONSIDERATIONS

6.1 Mana Whenua/Māori

One of the areas of risk for which Councils risk appetite has now been documented pertains to partnerships with Iwi and Māori.

6.2 Strategic alignment

A key objective of the Risk Policy is to ensure that activities of Council are undertaken in a manner consistent with Council risk appetite in relation to the different areas of risk.

6.3 Policy and bylaw consistency

One of the areas of risk for which Councils risk appetite has now been document pertains to regulatory change and compliance.

6.4 Climate change implications

One of the areas of risk for which Councils risk appetite has now been document pertains to climate change.

The decision will not be impacted by a changing climate.

6.5 Issue risks and mitigations

This Policy and Framework looks to update the Risk Categories based on twelve areas of risk we have sought Councils risk appetite on.

6.6 Financial and resource implications of issue

Nil

7 NGĀ KŌWHIRINGA A MĀTOU | OPTIONS AVAILABLE

The following options have been identified for consideration:

- Option 1 endorses to Council the adoption of the proposed Risk Policy and Risk Framework April 2024 as contained in this paper.
- Option 2 endorses to Council the adoption of the proposed Risk Policy and Risk Framework April 2024 as contained in this paper, with amendments if required.

7.1 Option 1:

Option 1: Endorse the proposed amendments to Councils Risk Policy and Framework	
Provide a summary of option:	Updates the previous Risk Policy and Framework of Council to include Councils Risk Appetite to twelve risk areas which is absent in the current Policy and Framework
Advantages:	Provides context for staff which was absent in the current Policy.
Disadvantages:	Nil
Risk mitigation:	The inclusion of risk appetite statements will improve the Policy and understanding across the organisation in relation to risk and the appropriate response to it in different areas of risk.
Financial costs:	N/A
Rates Impact:	There is no expected change to forecast rates, as there is no financial impact under this option.
Debt Impact:	There is no expected change to forecast debt, as there is no financial impact under this option.

Option 1: Significance Assessment - Criteria	Level of significance
Does the recommendation involve a transfer of ownership or control, or abandonment of a strategic asset?	No
Is there a legal requirement to engage with the community?	No
What is the level of financial consequence?	Low
What is the proportion of the community affected?	Low
What is the impact on the current and future social, economic, environmental or cultural well-being of the district?	Low
What is the level of community interest?	Expected to be low
Are the likely consequences controversial?	Expected to be low
What is the level of consequence in relation to land or a body of water?	No significance
Does this recommendation trigger a break of one or more of Councils rates caps or debt caps?	No
What is the impact on the ability for Council to carry out any activity in the LTP?	Low
Extent of community views already known on this recommended approach	Low
Option 1 is considered to be of overall low significance.	

7.2 Option 2

Option 2: Endorse the proposed amendments to Councils Risk Policy and Framework with amendments, if required.	
Provide a summary of option:	Updates the previous Risk Policy and Framework of Council to include Councils Risk Appetite to twelve risk areas which is absent in the current Policy and Framework
Advantages:	Provides context for staff which was absent in the current Policy. Provides the Committee opportunity to request additional amendments should they deem necessary.
Disadvantages:	Nil
Risk mitigation:	The inclusion of risk appetite statements will improve the Policy and understanding across the organisation in relation to risk and the appropriate response to it in different areas of risk.
Financial costs:	N/A
Rates Impact:	There is no expected change to forecast rates, as there is no financial impact under this option.

Debt Impact:	There is no expected change to forecast debt, as there is no financial impact under this option.
Option 2: Significance Assessment - Criteria	
	Level of significance
Does the recommendation involve a transfer of ownership or control, or abandonment of a strategic asset?	No
Is there a legal requirement to engage with the community?	No
What is the level of financial consequence?	Low
What is the proportion of the community affected?	Low
What is the impact on the current and future social, economic, environmental or cultural well-being of the district?	Low
What is the level of community interest?	Expected to be low
Are the likely consequences controversial?	Expected to be low
What is the level of consequence in relation to land or a body of water?	No significance
Does this recommendation trigger a break of one or more of Councils rates caps or debt caps?	No
What is the impact on the ability for Council to carry out any activity in the LTP?	Low
Extent of community views already known on this recommended approach.	Low
Option 2 is considered to be of overall low significance.	

8 TE KOWHIRINGA MATUA | RECOMMENDED OPTION

Staff recommend proceeding with option 2 - Endorse the proposed amendments to Councils Risk Policy and Framework with amendments, if required.

After the consideration of options, the recommendation is considered to be of overall low significance and as such the recommended form of engagement is to: not carry out any specific consultation or engagement.

9 KIA UIA KI TE HAPORI WHĀNUI ME NGĀ PĀPAHO | ENGAGEMENT AND COMMUNICATION

Based on the recommended form of engagement being inform the community, the proposed engagement and communication approach is: not carry out any specific consultation or engagement.

10 TE ARA KI MUA | NEXT ACTIONS

The table below sets out the next key steps:

Action	Responsibility	By When
Take the Proposed Risk Policy and Framework, if endorsed by the Committee to Council for formal adoption	Finance Manager	29 May 2024
Socialise the Policy and Risk Appetite statements with staff	Finance Manager	June 2024

11 WHAKAPAI | APPROVAL

Prepared by	Steve Baker Finance Manager
Reviewed by	Duncan Peddie Group Manager Business Support
Approved by	Duncan Peddie Group Manager Business Support

Appendix A



2024 Risk Management Policy

our home, our future
tō tātou rohe kāinga, tō tatou ao tūroa



Contents

1.	Introduction	1
2.	Objective	1
3.	Policy	2
4.	Roles and Responsibilities	6
5.	Delegations.....	7
6.	Related Council policies/strategies or guidelines	7
7.	Glossary	7
8.	Review	8
9.	Document management and control.....	9

1. Introduction

- 1.1. This Risk Management Policy (policy) sets out the Hauraki District Council's decision on risk management strategies, processes and operations. It is made in accordance with the Joint Australian New Zealand International Standard Risk Management – Principles and Guidelines (AS/NZS ISO 31000:2009).
- 1.2. We care about risk management at Hauraki District Council (HDC) because it supports how we achieve our organisational objectives.
- 1.3. This policy provides us with the ability to determine the impact of uncertainty upon things that we value. We seek to better understand risk because it informs the decisions that we make in order to protect and develop that value.
- 1.4. This policy does not set out how risk management is implemented. Approaches for implementing risk management are detailed in the Risk Management Framework (MagiQ document 2823491).

2. Objective

- 2.1. Risk management is the coordinated set of knowledge, behaviours, and practices that we use to control the risks that can impact on the things that we value. As such, risk management aims to reduce threats and maximise opportunities.
- 2.2. The purpose of this policy is to provide a consistent process to enhance efficient operations, effective processes and successful strategies that increase the likelihood of achieving the best outcomes for the district and the Council by:
 - a) Ensuring risk-based information is available to support good decision-making
 - b) Providing assurance that risks are being appropriately addressed and managed, and
 - c) Ensuring compliance with applicable legislation and regulation.
- 2.3. The Council's approach to risk management is consistent with the Joint Australian New Zealand International Standard Risk Management – Principles and Guidelines (AS/NZS ISO 31000:2009). That Standard provides the following principles of risk management:
 - d) Risk management creates and protects value
 - e) Risk management is an integral part of all organisational process
 - f) Risk management is a part of decision making
 - g) Risk management explicitly addresses uncertainty
 - h) Risk management is systematic, structured and timely
 - i) Risk management is based on the best available information
 - j) Risk management is tailored
 - k) Risk management takes human and cultural factors into account

- l) Risk management is transparent and inclusive
- m) Risk management is dynamic, iterative and responsive to change
- n) Risk management facilitates continual improvement of the organisation

3. Policy

- 3.1. Risks can be positive or negative and can be 'risks to Council' or 'risks to the district'.
- 3.2. Positive risks, or risks of opportunity, should be embraced, in a cost-effective manner, to the extent that they help Council or the district to meet its objectives.
- 3.3. Negative risks should be managed in a cost-effective manner so that they do not detract from Council or the district meeting its objectives.
- 3.4. In tabular form these concepts can be shown as follows:

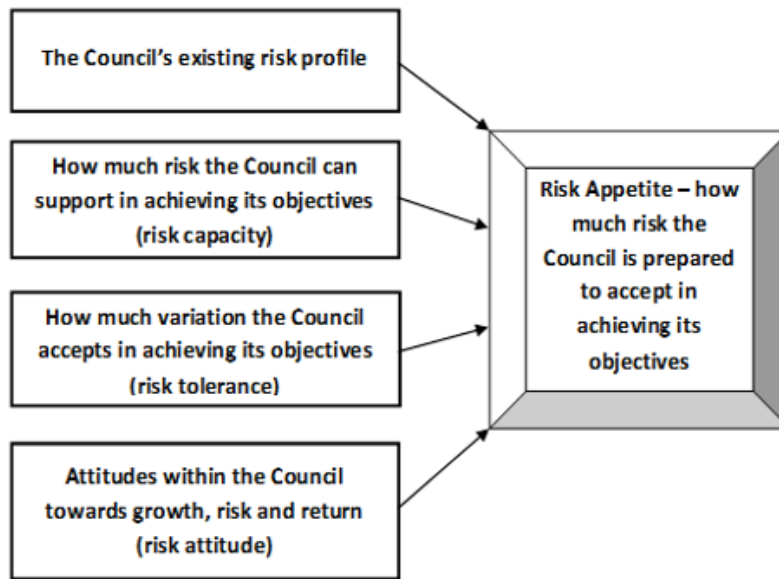
	Negative risk	Positive risk
	3	4
District risk	Understanding risks for the district and assessing Council's role in managing those risks	Understanding opportunities for the district and assessing Council's role in developing those opportunities
	1	2
Council risk	Understanding and managing risks for Council and its immediate stakeholders	Understanding and exploiting opportunities for Council

- 3.5. Council's initial approach will be to focus on quadrant one while remaining aware of the responsibilities and possibilities under quadrants two, three and four.
- 3.6. Council has a formal risk management framework that principally focuses on quadrant one risks. This approach will be reviewed as part of each policy review, or sooner if required.

Commitment to risk management:

- 3.7. In order to manage risk one must first establish the context. 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.
- 3.8. 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 the sources of risk above.
- 3.9. The internal context is about understanding the internal operating environment and the way its components interact – people, culture, vision, values, goals and objectives.
- 3.10. The inputs into Council's risk appetite are shown in **Figure 1** below.

Fig1 – Considerations that would inform the Councils risk appetite



3.11. We gain this context by understanding and documenting Council’s appetite for risk across the different sources of risk it faces. In 2023 KPMG workshopped with Council to determine Councils risk appetite over twelve strategic risk areas. These are shown below in table 1

Table 1

Risk Appetite					
	Averse	Cautious	Neutral	Receptive	Open
Area of Risk		Environmental compliance	Climate change	Operations	
		Health & safety	Community engagement	Financial & economic	
		Information systems	Human resources	Regulatory change and compliance	
			Emergency management		
			Partnerships with Iwi & Māori		
			Partnerships with central & local government entities <i>(NEW)</i>		

For further information and context on each risk appetite statement please see **Appendix A** below.

- 3.12. Council recognises that early and systematic identification, analysis and assessment of risks and the development of plans for controlling and mitigating risk are necessary to achieve its desired objectives.

As such, Council is committed to identifying, analysing, assessing and appropriately managing the risks to its objectives

- 3.13. Risk management is the responsibility of everyone.
- 3.14. Council encourages intelligent and informed risk-taking and risk-acceptance in pursuit of its objectives.
- 3.15. Adverse risks that Council is exposed to are either avoided or if it is not possible to avoid those risks controlled to an acceptable level.

Identification of risks

- 3.16. All staff members are empowered, and expected, to identify and communicate risks. Identified risks will be recorded in a risk management plan. Where, for whatever reason, direct reporting lines are not able to be used to communicate identified risks, alternative methods will be made available. These will include, but not be restricted to, direct notification to Group Managers or the Chief Executive.

Analysis of risks

- 3.17. Risks will be analysed to determine potential causes, the likelihood of occurrence, and the potential consequences if they do occur.
- 3.18. The causes, likelihood and consequence will be recorded in a risk management plan.
- 3.19. In accordance with the principle that risk management is tailored, the analysis of risks will reflect the relevant objectives of the Council, organisation, group, unit or project.
- 3.20. For the high-level 'corporate risk management plan:
- 3.20.1. The likelihood of a risk event occurring will be assessed in accordance with the Likelihood Table included as in Step 4 of the Risk Management Framework
- 3.20.2. The potential consequences if a risk event occurs will be assessed in accordance with the Consequence Assessment included in step 3 of the Risk Management Framework.
- 3.20.3. The assessments of the likelihood of a risk event occurring and the potential subsequent consequences will be considered together in accordance with Step 5, the Risk Management Matrix included in the Risk Management Framework.
- 3.20.4. The analysis of risks at subsidiary levels will be undertaken in a manner consistent with the above but may be tailored to suit the relevant circumstances.

Evaluation of risks

- 3.21. Analysed risks will be evaluated against criteria to determine whether a risk is tolerable in its current state or whether further action is required.
- 3.22. The evaluation of risks will consider established risk tolerances for such risks, as well as any risk-specific factors.

- 3.23. The evaluation of risk will include reference to the Risk Response table included in the Risk Management Framework.

Treatment of risks

- 3.24. Where residual risk is considered to be too high, risk treatments will be applied to reduce the residual risk to an acceptable level.
- 3.25. In considering risk treatments consideration will be given to both the costs and effort involved in the treatment and the potential benefit from the risk reduction.
- 3.26. Risk treatment can involve:
- a) Avoiding a risk by deciding not to start or continue with the activity that gives rise to the risk.
 - b) Taking or increasing risk in order to pursue an opportunity
 - c) Removing the risk source
 - d) Changing the likelihood of the risk occurring
 - e) Changing the consequence if the risk occurs
 - f) Sharing the risk with another party or parties, or
 - g) Retraining the risk by informed decision.

Recording of risks

- 3.27. Risks, controls and mitigations will be recorded in a risk management plan.
- 3.28. A high level organisation-wide 'corporate risk management plan' will be maintained to record and report on risks of Council-wide significance.
- 3.29. Subsidiary risk management plans will be prepared as appropriate throughout the organisation. These may include, but will not be limited to:
- a) Group risk management plans
 - b) Activity risk management plans (within Activity Management Plans)
 - c) Asset risk management plans (if appropriate to be separate from Activity Management Plans)
 - d) Specialists risk management plans (for example, health and safety)
 - e) Project risk management plans, and
 - f) Any other risk management plan relevant to helping Council achieve its objectives.

Reporting of risks

- 3.29.1. Identified risks, and the associated controls, mitigations and accountabilities, will be reported in accordance with the risk review and reporting table set out in step 9 of the Risk Management Framework.
- 3.29.2. Risk management plans will be reported regularly to both the Management Team and the Committee responsible for risk.

Accountability for risks:

- 3.29.3. Specific accountability for each risk, control and mitigation will be identified and recorded in a risk management plan.

4. Roles and Responsibilities

Assigning specific responsibilities to specific roles provides clarity and strengthens the overall risk management framework.

Governance	Responsibility
Council	Determine organisations risk appetite. To be assured that a risk management framework is in place and that risks are being appropriately managed
Committee responsible	Subject to the governing body’s delegated authority, the Committee responsible for risk has responsibility to: Review the risk management framework Consider matters related to the quality assurance and internal controls in the organisation including by enquiry and monitoring of risk matters Advise the governing body on matters of risk and provide objective advice and recommendations for the governing body’s consideration
Management	Responsibility
Chief Executive	Assist Council to determine organisations risk appetite. Approve the risk management framework and recommend it to the Committee responsible for risk. Lead and promote a risk aware culture across the organisation. Implement the risk management framework across the organisation
Group Managers	‘Own’ risks relevant to, or arising from, their groups.
ELT	Lead and promote a risk aware culture within their groups Endorse the risk management framework and champion it to the organisation. Monitor effective implementation of the risk management framework across the organisation. Receive and consider risk management plans on a quarterly basis Receive and consider other risk-related reports on an as-required basis. Provide direction on risk tolerance at a general and risk-specific level. Periodically review the risk management framework to ensure it remains appropriate.
Risk Manager	Develop and maintain the risk management framework.

	<p>Facilitate the population and ongoing review of the high level 'corporate risk management plan'.</p> <p>Manage the interface between subsidiary risk management plans and the high level 'corporate risk management plan'.</p> <p>Advise on potential risk treatments for identified risk.</p> <p>Consider and, where necessary, challenge the risks, controls, mitigations and accountabilities included (or not included) in risk management plans across the organisation.</p> <p>Support budget and business unit managers to implement the risk management framework in their departments and teams.</p> <p>Lead the integration of risk management principles into other Council decision-making processes.</p>
Budget and Business Unit Managers	<p>Develop, populate and manage the risk management plan for their unit in accordance with the risk management framework.</p> <p>'Own' risks relevant to or arising from, their teams.</p> <p>Lead and promote a risk aware culture within their units/teams</p>
Staff and Contractors	<p>Provide support in identifying risk.</p> <p>As appropriate, 'own' risks, controls or mitigations.</p>

5. Delegations

- 5.1. The Chief Executive or their nominee has delegated authority for the implementation of this policy.

6. Related Council policies/strategies or guidelines

- 6.1. Joint Australian New Zealand International Risk Management – Principles and Guidelines (AS/NZS ISO 31000:2009).
- 6.2. Risk Management Framework (MagiQ # 3609900)

7. Glossary

- 7.1. Some policies may require a definition section. The purpose of this section is to define areas that may need clarification.

Committee responsible for risk	means the Audit and Risk Subcommittee, or a subsequent Committee of Council established with similar roles, responsibilities and powers.
---------------------------------------	--

Control	is a process, policy, device, practice or other action that reduces the likelihood of a risk event occurring or reduces the potential consequence of that risk event before the risk event occurs
Council	means the entity known as the Hauraki District Council and includes the governing body and the organisation.
Governing body	Means the mayor and all councilors.
Mitigation	is a process, policy, device, practice or other action that is intended to reduce the consequence of a risk event after the risk event has occurred.
Organisation	means the operations, processes and staff of Hauraki District Council led by the Chief Executive.
Residual risk	is the risk remaining after risk treatment. (AS/NZS ISO 31000/2009)
Risk	is the effect of uncertainty on objectives. (AS/NZS ISO 31000/2009)
Risk Appetite	an organisation's approach to assess and eventually pursue, retain, take or turn away from risk.
Risk event	is an occurrence or a change in a particular set of circumstances that gives rise to, or modifies, a risk
Risk management	is the coordinated activities to direct and control an organisation with regard to risk. (AS/NZS ISO 31000/2009)
Risk management framework	is the combined suite of tools and processes, including this policy and supporting procedures, by which Council manages risk.
Risk management plan	is a schedule that records risks and the controls, mitigations, risk treatments, and accountabilities associated with those risks.
Risk register	is the same as a 'risk management plan'.
Risk treatment	is the process to modify risk. (AS/NZS ISO 31000/2009)
Tolerable Risk	an organization's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives

8. Review

- 8.1. The policy will be reviewed within three years after the first policy is adopted by the Council and then at intervals determined by the Council.

9. Document management and control

Title	Hauraki District Council Proposed Risk Management Policy April 2024
Sponsor	Group Manager Corporate Services
Approved by:	Council
Adoption date:	TBC
Review by:	TBC
File ref:	TBC

Property of Hauraki District Council

APPENDIX A



Contents

01	Background of this document	4
02	Risk appetite and strategy	5
03	HDC Risk appetite settings	8
04	Appendices	23



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



Background and use of this document

Introduction

Risk appetite represents a conscious, explicit decision about which risks, and how much of each, a business is willing to take. It reflects our operating model, strategy, risk capacity, risk management capabilities and culture. Factors such as the external environment, people, systems and policies guide our overall appetite to taking risk. We may also be willing to have appetite for risk in areas where significant opportunities exist, but this will need to align to where our appetite allows us to venture. If used effectively it can inform and influence a wide range of elements as shown in the adjacent diagram

The purpose of this risk appetite document is to give clarity to the wider organisation about the nature and degree of risks that can be taken and the rationale for those positions. Difference between risk appetite and current risk levels will determine whether more control is required or more opportunity should be sought.

Using Risk appetite statements

The risk appetite statements within this document, articulate the Council's risk appetite given its strategy and future direction. Accordingly, it is key that all staff understand the risk appetite within the context of their roles and responsibilities.

Our risk appetite has been constructed to reflect the areas where we take the most risk currently and going forward to achieve our 10 year Long-term plan.

Where executive or staff are looking to adopt strategies, initiatives or actions that could exceed the stated risk appetite, the Councillors expect to be fully consulted prior to the commencement of those activities.



Risks will be monitored against the risk appetite with a residual risk level highlighted for each risk area. This highlights where additional mitigations may be required to close the gap between current risk levels and risk appetite.



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential | 4



Considering risk appetite and HDC's 10 year long term plan

In the development of a 10 year long term plan, it is important for organisations to consider a variety of factors that can impact success. Risk appetite, or the level of risk that HDC is willing to take in the pursuit of its goals, will vary depending on how the council must adapt to align to the delivery of its strategic goals.

Across HDC's long term plan, there are four key strategic priorities that seek to deliver the most impact to ensure that Hauraki is vibrant and thriving come 2031. These are: Strong economy, Healthy environment, Safe & vibrant communities and Connected people. Collectively, these priorities recognise the responsibility that HDC plays in responsible management of resources, conserving the natural environment, and fostering strong community and stakeholder connections.

It is crucial to note, these strategic priorities are not without their associated risks. Of these risks, HDC has articulated key risk areas that require careful attention.

Strategic Risk: Financial & Economic

To achieve a strong economy, the Council must look ahead to evaluate potential disruptions to the local economy, viability of new business, and ability to adapt in times of economic downturn.

Strategic risk: Community Engagement

Ensuring the Council maintains positive relationships with central government and the community is vital for collaborative decision-making and connected people.

Strategic Risk: Climate Change

Managing the impacts of climate change is a pressing challenge, requiring proactive measures to mitigate risks and build resilience. Working towards the strategic objective of maintaining a healthy environment and a safe and vibrant community.

Strategic Risk: Operations

The Council's public perception is largely influenced by what it prioritises and therefore delivers on for its community. This encompasses the maintenance and development of key infrastructure as well as critical services to enable safe and vibrant community.

It is through a comprehensive understanding of these interconnected strategic priorities and risk areas that HDC can chart a path toward sustainable environmental management, social well-being, and economic prosperity.

By aligning its key priorities and it's understanding of the associated identified risks, the council can enhance its effectiveness, responsiveness, and ability to navigate the complex landscape of regional governance and environmental stewardship in New Zealand Aotearoa.



Understanding how risks are connected

Understanding how risks are connected or the concept of "Risk interconnectivity", refers to the interconnected nature of various risks that can affect an organisation's achievement of its strategic goals.

It recognises that risks are not isolated events but can have a collective impact if not managed appropriately, where one risk can trigger an amplified effect upon others. Understanding this concept of interconnectedness across the organisation is crucial because it allows for a comprehensive assessment of potential vulnerabilities, their collective potential impacts, and therefore prioritise where proactive management should be adhered to in order of associated impact.

By understanding how risks interact with one another, organisations can improve their capability as governors by implementing integrated risk management strategies. This approach enhances the ability to identify and address risks holistically, making risk management efforts more efficient and effective.

Linkage of Strategy and Risk

- What are the key risks identified for HDC?
- Are we clear on what risks are most important to manage in order to deliver on our strategy?

How ambitious are we?

- Are the risks we've identified clearly aligned to what our strategy expects of us?
- Given our strategic direction? And when we need to deliver, is there a risk of compliance, or a risk to performance?
- Whether our strategy is ambitious or conservative will influence the overall risk to deliver.

Impacts on externals

- How does mismanagement of our risks impact our communities?
- Which risks will cause significant reputational damage to how we are perceived by the community?

Internal capability

- Are our people well supported to deliver what our strategy demands of us?
- Are our systems sufficient to support our operations and our ability to comply with legislation?

Influence from externals

- Where must our strategy be able to pivot, depending on what is demanded of us?
- Government reform and tightened regulatory requirements are examples of this





HDC Spread of Risk Appetite



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential | 9

How to interpret Risk appetite statements

Risk Owner: This is the member of the senior leadership team who owns the risks that fall within this risk area

OVERVIEW OF RISK AREA

The overview provides details of the risk area and where possible refers back to the risks within HDC Risk management framework (RMF)

RISK APPETITE STATEMENT

The risk appetite statement reflects the accumulated risk preference based on where risk will and will not be taken. The statement links risk taking activities to the strategic direction of Hauraki District Council and should be used to drive decision making, and backlog prioritisation.

WHERE WILL WE TAKE RISK?

This is where the list of areas that we will take risk is detailed. Examples could be where we will be looking to face into risks that are necessary to achieve our strategy and purpose. It could also be an area where speed or pace is necessary to maintain our position against our competitors.

WHERE WILL WE NOT TAKE RISK?

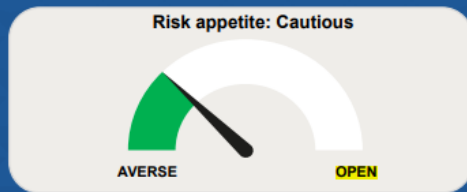
This is where the list of areas that we will not take risk in will be detailed. Examples could be where we will need to ensure we have adequate controls and standards in place to minimise risk that could impact our ability to achieve our strategy and purpose.

RISK RATING DEFINITIONS

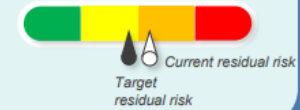
The diagrams on the right show current risk levels against perceived risk appetite of the Council. Also shown are upstream and downstream connected risks. Often there will be areas of grey, tension and trade-offs with these connected risks.

Target residual - this is an alignment of where risk appetite is driving our strategic direction and therefore influences where we will aim to manage downside risk or lead into more risk to capitalise on opportunities.

Current residual risk - is arrived at through high level consideration of the risk being managed with respect to the controls. This is based on the views shared by the workshop attendees.



Risk ratings



Connected risks

Upstream/Emitters

- Risks that will have flow-on effects to how this risk is managed

Risk area

Downstream/Receivers

- Risks that will be influenced by the positive management / mis-management of this risk



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

10

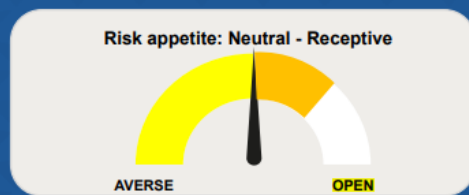
Operations

OVERVIEW OF RISK AREA

There is a risk of failure to deliver on the works programme and provide necessary infrastructure services as prioritised due to poor planning or management, lack of adequate capacity or skills capability, resulting in negative impact on the overall growth and social infrastructure in the district.

RISK APPETITE STATEMENT

Delivery of our planned programme of work is central to achieving our strategic objectives and meeting the expectations of our key stakeholders. The Council has a **'Neutral - Receptive'** risk appetite for the delivery of its work programme as a result of potential disruptions like supply chain, and economic issues that are beyond our ability to control and may exacerbate the risk. We will look for opportunities to actively plan and manage these risks. However, for critical work programmes, the Council has a **'Cautious'** risk appetite and will adopt a cautious approach to prevent significant disruptions that could hinder infrastructure and social development.



WHERE WILL WE TAKE RISK?

The Council has a **'Neutral-Receptive'** risk appetite for failure to deliver non-critical work programmes. We will respond to, and meet, the requirements of reforms by the central government. This is likely to result in increased pressure on broader planned project delivery.

Where there is pressure, either internally or externally, on the total cost of initiatives, we will consider the need for scope changes or reprioritise delivery of non-critical service areas to reduce net impacts on affordability. Part of our core purpose is maintaining levels of service in critical areas. Accordingly, we will not trade-off this priority for affordability. Where reprioritisation of projects is required we will look to consider and manage community expectations.

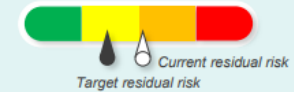
The Council has a **'Receptive'** appetite for temporarily suspending non-critical work programmes and reallocating resources to support the delivery of emergency management plans to handle significant disasters, crises, or emergency events.

WHERE WILL WE NOT TAKE RISK?

The Council has a **'Cautious'** risk appetite for the failure to deliver critical work programmes and is unwilling to accept any risks that could significantly impact their delivery. However, this needs to be balanced with external factors beyond the Council's control, such as a shortage of employees or contractors with the required skill set. We have an **'Averse'** appetite for not focusing or prioritising staff and contractor health and safety while delivering on our works programme.

The Council has a **'Cautious'** appetite towards failing to be able to deliver critical services, due to a failure in effective resource planning.

Risk ratings



Connected risks

Upstream/Emitters

- Regulatory Change and Compliance (Government reform)
- Human resources
- Climate change

Operations

Downstream/Receivers

- Human resources
- Health and safety



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential 11

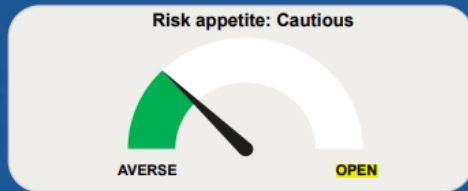
Environmental compliance

OVERVIEW OF RISK AREA

There is a risk of environmental damage and loss of social license and reputation, if the Council fails to address environmental concerns related to stormwater and wastewater discharges. Non-compliance with regulatory requirements for these discharges may lead to pollution of waterways and wider environmental damage, resulting in legal, reputational and financial penalties for the Council.

RISK APPETITE STATEMENT

The Council has a 'Cautious' risk appetite for not addressing the wider environmental concerns, such as upgrading waste water treatment plants. We acknowledge that neglecting these issues could result in environmental damage and loss of social license to operate. We are committed to taking proactive measures to address these concerns and ensure compliance with regulatory requirements. We have an 'Averse' appetite for non-compliance with legislative requirements.



WHERE WILL WE TAKE RISK?

While we acknowledge that managing stormwater is a critical component of environmental protection and public health, we understand that there may be external factors that impact our ability to address the risk. Our 'Neutral' risk appetite is a reflection of our limited ability to control and less regulatory focus and emphasis to address the historic issues.

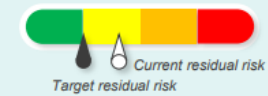
The Council recognises the significant uncertainties and multiple influencing factors that are changing the way that New Zealand legislation is being implemented. This includes evolving expectations on managing climate change, collaboration with Iwi on use of natural resources, and uncertainties regarding election. As a result, the Council will have to accept some risk while it navigates through these.

WHERE WILL WE NOT TAKE RISK?

The Council has a 'Cautious' risk appetite for not prioritising the maintenance and upgrading of water treatment plants. We understand that neglecting this critical infrastructure could lead to environmental damage and can significantly exacerbate public health risks.

The Council has an 'Averse' appetite to breaching legislative requirements. Minor breaches will be managed using a values-based approach to mitigate any impacts and maintain required level of compliance. We will consider areas where our focus on exceeding current regulatory obligations outweighs the monetary value to impact achieved. We are not willing to commit funds that can be utilised more effectively within our current approach to compliance.

Risk ratings



Connected risks

Upstream/Emitters

- Human resources
- Information management
- Climate Change
- Regulatory Change and Compliance

Environmental compliance

Downstream/Receivers

- Community engagement
- Partnerships with Iwi and Māori
- Climate change



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

12

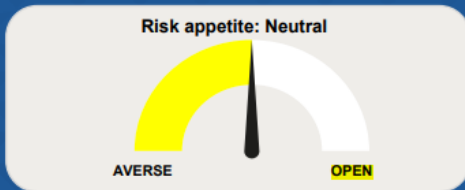
Climate change

OVERVIEW OF RISK AREA

There is a risk that the Council does not appropriately consider the impact of climate change in its planning and decision-making processes for Long-Term Plan (LTP) - infrastructure, organisational business, policies and service delivery. This could result in long-term financial and social costs for communities, Iwi partners and wider stakeholders.

RISK APPETITE STATEMENT

The Council has a **'Neutral'** risk appetite for addressing climate change risks. Currently, there is uncertainty surrounding the Central government response and expectations relating to climate change. This uncertainty makes it challenging for the Council to plan an appropriate response. Nonetheless, we are committed to prioritising climate change adaptation and mitigation in our planning and decision-making processes. We have declared an urgency in this regard, adopted a zero-carbon policy, and included key actions as part of our adaptation planning to keep pace with community expectations.



WHERE WILL WE TAKE RISK?

The Council has a 'Receptive' risk appetite to exploring climate change opportunities while balancing financial sustainability. We acknowledge the long-term impacts of poor climate change planning, and we are committed to considering soft engineering solutions in our infrastructure development plans to adapt to changing environmental conditions.

The Council has a 'Neutral' risk appetite to prioritise the allocation of resources to wider initiatives that meet the expectations of the community and provide tangible outcomes (economic growth, job creation, etc.), even if they may not lead to greener outcomes.

WHERE WILL WE NOT TAKE RISK?

The Council has a 'Cautious' risk appetite for not considering climate change impacts while developing land-use plans and wider Council strategies. The Council is constantly looking for ways to uplift its understanding and is willing to invest, allocate resource, and seek external advice to deliver on its strategic objectives.

The Council has a 'Cautious' risk appetite for not having clarity on risks and expectations and being non-responsive to guidance from the central government on climate change. We acknowledge our leadership role in building resilient communities and are committed to advocating for climate change policies and initiatives at the central government level. We will prioritise working closely with the other Councils to avoid duplication of efforts and ensure we take proactive measures to minimise negative consequences.

Risk ratings



Connected risks

Upstream/Emitters

- Community engagement
- Health & Safety
- Regulatory Change and Compliance
- Financial and economic

Climate change

Downstream/Receivers

- Community engagement
- Environmental compliance



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential 13

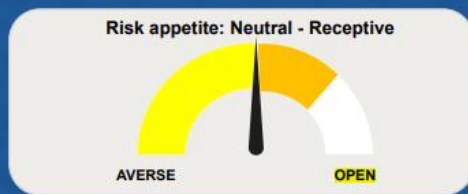
Financial and economic

OVERVIEW OF RISK AREA

There is a risk that Council is unable to plan, attract and effectively allocate sufficient funding to manage changing economic situations and growth, including timing of infrastructure, or incomplete asset sales. This can have significant impacts on the Council's long-term financial sustainability, delivery of service levels, key projects and affordability of rates. Additionally, unforeseen events such as disasters requiring funding could further exacerbate the risk.

RISK APPETITE STATEMENT

The Council has a **'Neutral - Receptive'** appetite for financial and economic risk. This reflects the need to balance its financial sustainability with meeting its commitments to the community and other stakeholders. The Council will prioritise effective fund management and financial sustainability to deliver on its growth objectives and long-term plans. We will adopt a prudent approach to managing debt levels, with potential rate increases to deliver core objectives and provide value to the community.



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

WHERE WILL WE TAKE RISK?

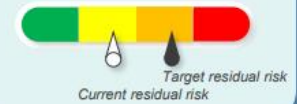
The Council has a 'Receptive' risk appetite for introducing rate increases where the benefits clearly deliver long-term value for the district, including the delivery of quality infrastructure and core work programmes. However, we acknowledge the importance of balancing this with community expectations and managing reputational impacts.

WHERE WILL WE NOT TAKE RISK?

The Council has a 'Cautious' risk appetite for ineffective management of debt levels as we navigate through uncertain times and potential risks from critical internal or external shock events. We are committed to closely monitoring our debt and operating within debt ceiling levels, and maintaining sufficient "borrowing headroom" through financial scenario modelling and review of our financial position. We recognise the importance of managing debt levels responsibly while maintaining an appropriate balance with rate caps.

The Council has a 'Cautious' risk appetite for not prioritising funding towards core-critical services over non-critical during times of fiscal uncertainty. The Council is willing to accept the reputational impacts to ensure that its communities are still receiving essential services. In the event of a significant external event impacting Council's financial position, it will reprioritise delivery of growth outcomes and reduce the spending on non-critical services, discretionary spend, work programmes and initiatives.

Risk ratings



Connected risks

Upstream/Emitters

- Emergency management
- Regulatory Change and Compliance
- Operations
- Climate change
- Information technology

Financial and economic

Downstream/Receivers

- Operations
- Emergency management
- Health & Safety
- Climate change
- Human resources
- Information technology

Document Classification: KPMG Confidential

14

Community engagement

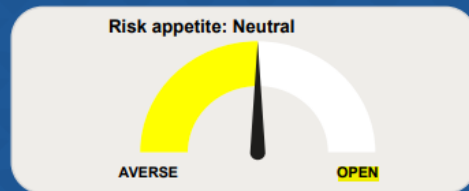
OVERVIEW OF RISK AREA

There is a risk that the Council may fail to effectively engage and manage relationships with its communities, potentially affecting their trust and confidence in our ability to deliver on our services and commitments. Failure to communicate effectively may result in a lack of understanding of the impacts of the Council's decisions, especially with the current level of change fatigue.

RISK APPETITE STATEMENT

The Council values proactively engaging with communities and maintaining positive community relationships.

It recognises the increased inherent risks due to regulatory uncertainty, extreme weather events, and the worsening of global economic conditions which are beyond our ability to control. We have a **'Neutral'** risk appetite for not effectively engaging with our communities. We will prioritise and proactively respond to short-term and long-term community needs while achieving our strategic objectives.



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

WHERE WILL WE TAKE RISK?

The Council is committed to delivering the desired strategic outcomes to its communities and stakeholders. However, we acknowledge that prioritisation of key outcomes is necessary to achieve the wider benefit for the communities we serve. Therefore, the Council has a 'Neutral' risk appetite for managing key relationships, acknowledging the constraint of affordability, impact on rate payers, trade-offs between intergenerational benefits and short-term outcomes, and the natural priorities of all key community stakeholders.

The Council understands the potential risks associated with inadequate planning for emergency management and adaptation planning for the region, and impacts on community perceptions as a result. The Council has a 'Neutral' risk appetite for this risk and will consider allocating more budget as part of the planning and development of its long-term plan to ensure it is taking steps to mitigate this risk.

WHERE WILL WE NOT TAKE RISK?

The Council has a 'Cautious' risk appetite for engaging with its communities while keeping its vision and community outcomes at the forefront when communicating and engaging with them.

The Council understands the importance of community input in establishing levels of service and setting the work programmes and will effectively engage with the community to ensure that their voices are heard and their needs are met.

Risk ratings



Connected risks

Upstream/Emitters

- Climate change
- Emergency management
- Partnerships with Iwi and Māori
- Regulatory Change and Compliance
- Information systems

Community engagement

Downstream/Receivers

- Operations
- Regulatory Change and Compliance
- Emergency management

Document Classification: KPMG Confidential

15

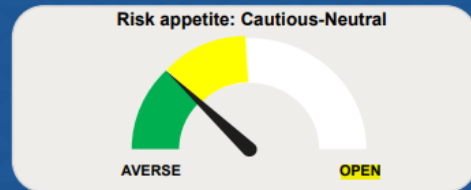
Human resources

OVERVIEW OF RISK AREA

There is a risk of inability to attract, develop, and retain staff members and contractors resulting in failure and/or significant increase in costs to deliver service levels and key projects. Inadequate staffing can make it difficult for the Council to meet the demands of the community and stakeholders, potentially leading to a loss of trust and confidence in the Council's ability to deliver on its commitments.

RISK APPETITE STATEMENT

We have a **'Cautious-Neutral'** risk appetite for failing to create an organisational culture that does not attract, retain, or support a positive working environment, that complements our strategic direction. This is reflective of our investment in innovating our organisational ways of working to ensure our people are well supported in delivering on our strategic goals and meeting the evolving needs of the community.



WHERE WILL WE TAKE RISK?

The Council has a 'Neutral' risk appetite to look for opportunities to innovate current ways of working to better support our people. Shifting the mindset to meet modern market demands does bring uncertainty, but we are willing to step into this where the benefits will allow us to achieve our strategic goals and stay true to the Council's core values.

WHERE WILL WE NOT TAKE RISK?

The Council has a 'Cautious' risk appetite to managing staffing pressures across roles relating to critical service areas. Priority and focus will be placed upon resourcing constraints of the most critical areas first, with the latter being managed to the best of our ability, given current market and budgets constraints.

The Council has a 'Cautious' risk appetite to failing to maintain and improve organisational culture and not adapting to modern ways of working. This includes incorporating flexible working arrangements, and family arrangements that best support our people.

The Council has a 'Cautious' appetite to not investing enough in our people to provide them with skillsets that will support them to deliver better for our communities, as well as themselves on their future career journeys.

The Council has a 'Cautious' risk appetite to failing to attract and retain top talent within the Council. It will ensure that its remuneration offers are reviewed and align with the market standards.

The Council has a 'Cautious' risk appetite for hiring third-party contractors, where council has the ability and resource to deliver this work in-house.

Risk ratings



Connected risks

Upstream/Emitters

- Health & Safety
- Financial and Economic
- Information systems
- Community engagement
- Partnerships with Iwi and Māori
- Emergency management

Human resources

Downstream/Receivers

- Community engagement
- Information systems
- Climate change
- Financial and economic
- Emergency management



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

16

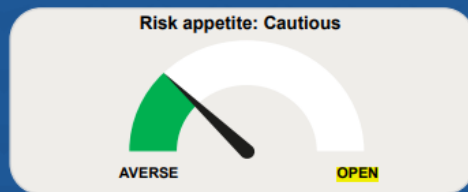
Health and Safety

OVERVIEW OF RISK AREA

There is a risk that ineffective or inadequate health, safety, and well-being management processes may result in a failure to provide a safe and healthy work environment for the Council's staff members, contracted workers, or volunteers. This may lead to a serious injury incident or fatality, as well as increased exposure to litigation.

RISK APPETITE STATEMENT

The Council has a **'Cautious'** risk appetite for failing to provide a safe and healthy work environment. The Council recognises that some risks may be outside of its ability to control, but it remains committed to not compromising or trading-off the health, safety, and wellbeing of its employees, contractors, volunteers, or members of the community while delivering on its strategic objectives, priorities, work programmes, or growth outcomes.



WHERE WILL WE TAKE RISK?

The Council has a 'Neutral' risk appetite for not fully mitigating health and safety risks for uncontrolled sites like parks as these are outside its ability to control and are more difficult to implement effective controls.

The Council has 'Neutral - Receptive' appetite for less serious health and safety risks like paper-cuts, slips and trips from regular Council operations or activities that do not result in significant harm to its employees, contractors, volunteers or visitors.

WHERE WILL WE NOT TAKE RISK?

The Council recognises the importance of compliance with health and safety legislation and internal policies, processes, and practices. The Council therefore has an 'Averse' risk appetite for failing to comply with current legislation requirements, even where a trade-off with costs associated exists.

The Council has an 'Averse' risk appetite for prioritising delivery of work programmes and growth outcomes over the safety of our people. We are adamant that the safety of our people comes first before all other strategic objectives.

The Council is willing to be more innovative and invest in introducing new technologies that will help to improve the efficiency of our ways of working and reduce health and safety risk. For e.g. investing in technologies that support remote monitoring and reduce the need to access dangerous and accident prone sites during extreme weather events, etc.

Risk ratings



Connected risks

Upstream/Emitters

- Human Resources
- Emergency Management
- Climate Change
- Information technology
- Community engagement
- Partnerships with Iwi and Maori

Health and safety

Downstream/Receivers

- Human resources
- Community engagement
- Regulatory Change and Compliance



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

17

Information systems

OVERVIEW OF RISK AREA

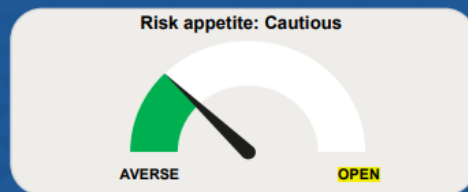
There is a risk of cybersecurity threats and the failure to build a resilient IT infrastructure. This can potentially result in data breaches, system failures, and cybersecurity incidents that can compromise the Council's ability to deliver services and protect sensitive information.

RISK APPETITE STATEMENT

At the Council, we recognise the critical nature of information technology (IT) systems and their importance to our business operations, service delivery, communication channels and therefore overall capability of our business.

Due to ongoing market events, we also understand the inherent risks and vulnerabilities that IT poses to any organisation.

Accordingly, we have a **'Cautious'** risk appetite to managing this risk, given that we have continued to build our capability surrounding the management of cyber security, but there are still growing complexities and evolving uncertainties in this space with emergence of new and advanced technologies that we are continuing to navigate.



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

WHERE WILL WE TAKE RISK?

As technology advances at a rapid pace, cyber security threats and IT asset failure risks are becoming more intricate and sophisticated. Although it is vital to remain vigilant and manage these risks, the Council understands that a concentration on cyber security should not impede innovation, or prevent the adoption of new technologies that could enhance its operations.

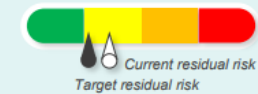
The Council has a 'Neutral' risk appetite for taking appropriate risks in pursuing new opportunities and advancing its operations while uplifting its technological infrastructure and architecture and balancing this with the potential cost implications.

WHERE WILL WE NOT TAKE RISK?

We have a 'Cautious' appetite to for not having a strong and effective IT/cyber security control environment, maintaining resilience, ensuring continuity of systems, and managing privacy risks.

The Council has an 'Averse' risk appetite for non-compliance with IT security and cyber security requirements by employees and contractors. The Council is committed to promoting a safer cyber/IT environment by improving IT and cyber security competencies through training and awareness. It aims to build and maintain a strong culture of IT and cyber security to ensure that its employees and contractors understand and comply with internal policies and requirements related to IT and cyber security.

Risk ratings



Connected risks

Upstream/Emitters

- Emergency management
- Health and Safety
- Financial and economic
- Human resources

Information systems

Downstream/Receivers

- Health and Safety
- Emergency management
- Human resources
- Regulatory Change and Compliance

Document Classification: KPMG Confidential

18

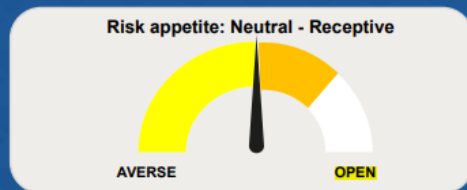
Regulatory change and compliance

OVERVIEW OF RISK AREA

There is a risk that Council does not prepare for, understand impacts, and manage the response and transition to the reforms being led by the central government. And also includes inability to remain compliant with local, regional and national legislative requirements, that may result in a breach, damage to reputation, and potential financial penalties and/or civil and criminal liability.

RISK APPETITE STATEMENT

The Council recognises that the central government may introduce legislative changes that could have a significant impact on the Council's strategy. The Council acknowledges and anticipates an increase in such changes being introduced in the future. The Council has a **'Neutral-Receptive'** risk appetite, reflecting its limited ability to control the changes being introduced. While we are committed to ensure compliance with regulations, we do acknowledge the current level of uncertainty from elections and potential impacts on government's reforms.



WHERE WILL WE TAKE RISK?

The Council acknowledges that in the current regulatory environment, there are multiple influencing factors that are changing the way that New Zealand legislation is being implemented. This ranges from climate change and its impact on the Resource Management act, ongoing updates to industry cyber security standards, and the potential impacts of a change in government. With this level of uncertainty, the Council has a **'Neutral-Receptive'** risk appetite for managing compliance as it navigates through these changes and reforms.

The Council has a **'Neutral-Receptive'** risk appetite for collaborating with working groups in the region to advocate on sector specific topics. In doing so, the Council will take appropriate measures to consult with key stakeholders and the wider community on their needs and expectations, and factor that in its response to the central government reforms.

WHERE WILL WE NOT TAKE RISK?

Council has an **'Averse'** appetite to be a first-mover in changing organisational process until central government provides clarity on changing governmental reform. We will ensure we allocate our time and effort into committed initiatives not potential initiatives.

It has a **'Cautious'** appetite for not providing appropriate compliance management training to Council employees and contractors, to ensure that its employees and contractors have a good understanding of compliance requirements, which can help maintain high standards of compliance.

Risk ratings



Connected risks

Upstream/Emitters

- Human resource
- Operations
- Emergency management
- Climate change
- Environmental compliance
- Information systems

Regulatory reform and legislative compliance

Downstream/Receivers

- Climate change
- Environmental compliance
- Information systems
- Partnerships with Iwi and Māori
- Community engagement
- Human resource



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential 19

Emergency management

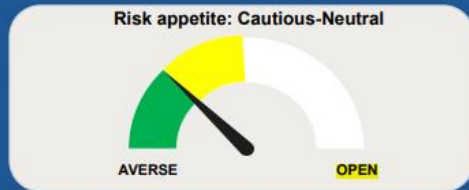
OVERVIEW OF RISK AREA

The risk that the Council is not well prepared and therefore has not invested enough into emergency management and building resilience, which leads to a failure to respond, or an ineffective response to an extreme weather or human induced event, resulting in impacts to our communities.

RISK APPETITE STATEMENT

The Council has a '**Cautious-Neutral**' risk appetite for not being adequately prepared to respond to disaster events, while having limited ability to control the incidence of disaster events and predict the nature and extent of their potential impacts.

It acknowledges that there is a need for planning and developing an effective response plan that is capable of dispatching resources, executing business continuity and emergency management procedures, and is a direct result of effective resilience investment.



WHERE WILL WE TAKE RISK?

The Council has a 'Receptive' risk appetite to temporarily suspending non-critical work programmes to prioritise delivery of its core and essential services and therefore have resources and funding allocated to areas that require an immediate response.

The Council has a current 'Neutral' appetite to managing emergency response while experiencing insufficient capacity. Without necessary staff, we need to be prepared for the risk that this creates, and work with Waikato Civil Defence Emergency Management Group for support with planning and managing potential risks, until the Council develops and uplifts its emergency management and resilience plans.

WHERE WILL WE NOT TAKE RISK?

The Council has a 'Cautious' risk appetite to allocating funding to emergency resilience initiatives where fiscal focus on key infrastructure, processes, information, is not reflective of the impacts that these activities will deliver for the Council. This is in line with the Council balancing and seeking the most effective use of funding while meeting our legislative requirements because we have not invested enough.

We have a 'Cautious' risk appetite for failing to invest in maintaining high standards of emergency response training for staff members to ensure our people have been prepared to respond, and are aware of emergency response framework and business continuity plans.

Risk ratings



Connected Risks

Upstream/Emitters

- Human resources
- Climate change
- Information management

Emergency management

Downstream/Receivers

- Community engagement
- Climate change
- Operations
- Information management
- Financial and economic



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential 20

Partnerships with Iwi and Māori

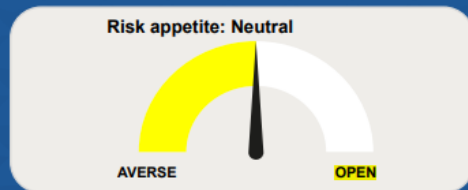
OVERVIEW OF RISK AREA

There is a risk that the Council does not give effect to Te Tiriti o Waitangi and associated legislative obligations, and therefore fails to build and sustain partnerships with Iwi/Mana Whenua.

This includes investing enough resource, time and funding into effectively building partnerships with our Iwi and Māori communities. With the failure to do so meaning that Council will not meet our obligations to Te Tiriti and wider legislation, which may lead to political, legislative, and reputational impacts to our organisation.

RISK APPETITE STATEMENT

We are committed to ensuring that we remain true to our strategic objectives and fulfil our obligation to Te Tiriti o Waitangi, while navigating this time of change and political uncertainties. Therefore, the Council has a **'Neutral'** risk appetite given the level of external complexities that add to the overall management of this risk.



WHERE WILL WE TAKE RISK?

The Council has a 'Neutral' risk appetite to look for opportunities beyond the immediate obligations to Te Tiriti o Waitangi. We are committed to going beyond what is required of us if that means we can more effectively engage with Iwi/ Māori communities in our district.

We therefore also have a 'Neutral' risk appetite to managing the reputational impacts of being an effective partner for Iwi/ Māori community during this time of political change. We are willing to face into reputational risks, if it means we fulfil our obligations to Te Tiriti o Waitangi and stay true to our organisational values, and create a lasting impact.

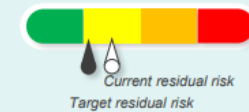
WHERE WILL WE NOT TAKE RISK?

The Council has a 'Cautious' risk appetite for failing to uphold Tikanga and cultural competency when engaging with Iwi and Mana Whenua.

The Council has a 'Cautious' risk appetite for not adhering to its required legislative and statutory obligations as set out by Te Tiriti o Waitangi.

The Council has a 'Cautious' risk appetite to failing to be an effective partner and not investing enough time and funding for building and maintaining strong partnerships. We are willing to create a lasting impact for our communities and therefore are willing to invest.

Risk ratings



Connected Risks

Upstream/Emitters

- Community engagement
- Regulatory Change and Compliance
- Human resource
- Financial and economic

Partnerships with Iwi and Māori

Downstream/Receivers

- Community engagement
- Climate change
- Environmental compliance
- Regulatory Change and Compliance



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential 21

Partnerships with central and local government entities (NEW)

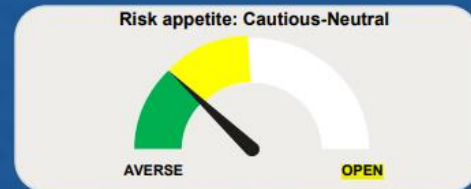
OVERVIEW OF RISK AREA

There is a risk that a failure to implement strong relationships with central and local government entities, will impact the councils ability in preparing and therefrom delivering on new and evolving regulatory legislation and new government initiatives.

RISK APPETITE STATEMENT

The Council has a 'Cautious-Neutral' risk appetite to failing to foster relationships with key central and local government entities and therefore impacting the delivery on its strategic objectives.

This appetite acknowledges that in the near-term, the council will be facing into a period of increased uncertainty, with the focus of a new government not being made clear. However, the council will continue to seek ways to ensure that it remains informed until more clarity is provided.



WHERE WILL WE TAKE RISK?

The Council has a 'Neutral' risk appetite towards the current and evolving impacts of changing government reforms and related uncertainty. We will be accepting this risk until further clarity on the key areas of focus is gained. Over time the risk impact is likely to decrease.

WHERE WILL WE NOT TAKE RISK?

The Council has an 'Cautious' appetite for failing to pursue initiatives that will support the council in remaining informed of upcoming regulatory change. This includes opportunities for advocacy with local government entities, and participating in working groups or forums to share learnings on upcoming reform. As well as with central government to continue to promote Council's values and objectives.

The Council has an 'Cautious' appetite for failing to incorporate the views shared by the community, when championing outcomes for the Hauraki district at the central and local government advocacy forums. The Council will hold true to its values when it engages in these discussions.

Risk ratings



Connected Risks

Upstream/Emitters

- Community engagement
- Regulatory Change and Compliance
- Environmental compliance

Partnerships with Central and Local government entities

Downstream/Receivers

- Community engagement
- Climate change
- Environmental compliance
- Regulatory Change and Compliance



© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential 22





For more information:

- **W** www.hauraki-dc.govt.nz
- **E** info@hauraki-dc.govt.nz
- **P** 07 862 8609 or 0800 734 834 (from within District)

Visit us at one of our offices:

- Paeroa: 1 William Street
- Ngatea: 84 Orchard West Road
- Waihi: 40 Rosemont Road

Appendix B



Hauraki District Council

Risk Management Framework

Guidelines for staff

Document management and control

Title	Proposed Hauraki District Council Risk Management Framework
Sponsor	Group Manager Corporate Services
Approved by:	Council
Adoption date:	TBC
Review by:	TBC
File ref:	TBC

Property of Hauraki District Council

Table of Contents



DISTRICT COUNCIL	1
Hauraki District Council	1
Document management and control	2
Definitions	5
Hauraki District Council - Risk Management Process	6
Step 1: Project objectives	6
Step 2: Risk identification	6
Step 3: Consequence assessment	8
Step 4: Likelihood Assessment	10
Step 5: Evaluate the risk using the risk matrix	10
Step 6: Risk analysis	11
Step 7: Risk action plan	11
Step 8: Assess risk again	11
Step 9: Risk response review and reporting	12
Risk Management Framework Review	13

Purpose

The nature of Hauraki District Council's activities and operating environment means that the Council is exposed to a wide range and high level of continuing risk in delivery of its services and conduct of its business.

Whilst risk is inherent in all activities, the management of risk is good business practice and integral to sound corporate governance. In addition, the Council is accountable to its communities, as well as large and diverse groups of other stakeholders, businesses and government agencies.

Risk management is the coordinated activities to direct and control an organisation with regard to risk¹.

The Risk Management Framework has been informed by the *AS/NZS ISO 31000 2009 Risk Management Principles and Guidelines* and forms part of the Hauraki District Council's internal control arrangements.

The Framework sets out a common "Hauraki Way" for identifying, managing, monitoring, reviewing and reporting of risk.

The Risk Management Framework should be read in conjunction with the Council's Risk Management Policy (MagiQ 3609899) which details the Council's underlying approach to risk and risk management.

¹ ISO 31000 2009 Risk Management Principles and Guidelines

Definitions

Risk management framework	Sets out a common, systematic "Hauraki Way" for identifying, managing, monitoring, reviewing and reporting of risk. Also known as risk management process.
Risk Appetite	Is the amount of risk that an organisation is willing to accept in pursuit of value
Risk Maturity	Based on assessment of current state of our risk management framework against the KPMG's maturity framework. Scale - weak to advanced
Risk assessment	The overall process of risk identification and analysis.
Risk identification	The process of identifying, considering and rating risks.
Risk analysis	The process of evaluating in detail the causes and consequences of a risk, and the identification of appropriate mitigations to reduce the initial risk rating.
Risk rating (initial)	The magnitude of a risk or combination of risks expressed in terms of the consequences and likelihood of that risk at a point in time.
Risk rating (residual)	The magnitude of a risk or combination of risks expressed in terms of the consequences and likelihood, with additional controls and mitigations in place.
Risk owner	Staff may be appointed as risk owners for specific risks within their area of responsibility. As a risk owner, they will be responsible for: <ul style="list-style-type: none"> • Ensuring that risk information is kept up to date and relevant. • Ensuring mitigating action is carried out. • Reporting and escalating any changes to the risk information.
Internal controls	Are the processes and procedures used to govern, oversee and manage the Council's services and work programme.
Consequence	Consequence is an assessment of the impact of the risk event occurring. (See Step 3)
Likelihood	Likelihood is the probability or frequency of the risk event occurring. It's usually rated in terms of an annual occurrence and a percentage chance of the event happening within a specified timeframe. (See Step 4)
Risk matrix	The risk matrix enables the relative priority of all risks to be assessed – that means that all identified risks are represented in a form that readily portrays their significance in comparison to other risks that the Council has identified. (See Step 5)

Hauraki District Council - Risk Management Process

There are nine steps in the risk management process.

Step 1	Know and articulate project objectives .
Step 2	Identify the risks that can cause a hazardous or unwanted event or occurrence, or that compromise achievement of objectives. Risk categories have been developed and should be used as a prompt for risk identification.
Step 3	Describe the consequences of the event and assign the severity level (using the risk matrix).
Step 4	Assess the likelihood of the risk (using the risk matrix).
Step 5	Evaluate the risk (using the risk matrix) to categorise the risk without safeguards in place.
Step 6	Undertake risk analysis (for example the bow tie analysis to understand the mitigation strategies and controls).
Step 7	Develop a risk action plan .
Step 8	Assess the risk again with safeguards in place.
Step 9	Action, report, monitor and review .

Step 1: Project objectives

In order to undertake a risk assessment, it is first necessary to clearly understand the project objectives, or outcomes which the activity is intended to achieve. This is the responsibility of the project manager, project sponsor, or in the case of a business as usual activity, the responsible manager.

Step 2: Risk identification

The next step is to identify risks which may hinder the achievement of the objectives. Ideally this exercise would be facilitated by an organisation risk champion.

When identifying risks, the following risk areas should be used to prompt risk thinking. These should correlate to the categories of the Risk Maturity and also Risk Appetite.

- Operations
- Environmental compliance
- Climate change
- Financial and Economic

- Community engagement
- Human resources
- Health & safety
- Information systems
- Regulatory change and compliance
- Emergency management
- Partnerships with Iwi and Māori
- Partnerships with central and local government entities.

Step 3: Consequence assessment

The third step is to determine the impact and consequences of the risks identified. Criteria are provided for this assessment to provide a common understanding and application of assessments of consequence. Note Councils Risk areas can impact one or more of the impact categories below. The Impact Categories and criteria are as follows:

Risk consequence assessment criteria					
Rating →	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Risk Impact Category↓					
Financial / Economic	Loss less than \$5,000 or less in any 12 month period.	Loss \$5,000 to \$50,000 in any 12 month period.	Loss \$50,000 to \$200,000 in any 12 month period.	Loss \$200,000 to \$1m in any 12 month period.	Loss of \$1m or greater in any 12 month period.
Health & Safety	Minor incident, no medical attention needed. No impact on public health and safety. Event report to Health & Safety officer.	Incident incurring minor injury, short term sickness, or requiring moderate medical attention and up to 2 weeks. Event report to Health & Safety officer.	Incident requiring significant medical attention and 2 weeks to 3 months impact, or minor effect on many people. Event report and investigation to Health & Safety officer.	Serious injury or hospitalisation to several people. Serious harm event with 3 + months impact to persons. Serious harm event report and investigation submitted to Health & Safety officer.	Loss of life. Wide-spread injury or illness. Event report and event investigation to Health & safety officer.
Human Resources	Permanent staff turnover of 0 to 10% p.a. Can be absorbed within normal operations, minimal impact.	Permanent staff turnover 10 to 15% p.a. Minor incident contained with local resources.	Permanent staff turnover 15 to 20% p.a. Significant impact likely to be of medium term significance to the organisation and require additional resource.	Permanent staff turnover 20 to 30% p.a. Important organisation targets cannot be achieved. Substantial organisational changes and/or additional resource needed.	Permanent staff turnover exceeds 30% p.a. Organisation targets cannot be achieved. Substantial organisational changes and/or additional resource needed.
Legal	HDC sued or fined less than \$5,000.	HDC sued or fined between \$5,000 to \$50,000.	HDC sued or fined between \$50,000 to \$200,000.	HDC sued or fined between \$200,000 to \$1m.	HDC sued or fined in excess of \$1m.

Reputation	Negative reaction from individuals or local interest groups.	Loss of confidence among sections of the community Negative media coverage nationwide for up to 2 days Local adverse political comment and/or media coverage for several days.	A manageable loss in community confidence. Negative media coverage nationwide for several days. Regional adverse political comment and/or media coverage for a week.	Major loss in community confidence requiring substantial time to remedy. Negative media coverage nationwide for up to 2 weeks Nationwide adverse political comments for several days	Insurmountable loss in community confidence. Negative media coverage nationwide for more than 2 weeks. Nationwide adverse political comment for more than 1 week.
Operational	Isolated loss of operational capability. No affect on strategic goals and only temporary affect on level of service. In the case of essential services (such as water supply) impact of < 3 hrs to < 100 people.	Loss of operational capability in some areas. Strategic goals and levels of service temporarily affected. In the case of essential services (such as water supply) impact of 3 – 12 hrs to < 100people, or< 3 hrs to > 100 people or key customers.	Substantial loss of operational capability for 1 to 2 weeks. Serious disruption to strategic goals and LOS. In the case of essential services (such as water supply) impact of 12 – 24 hrs to < 100 people, or3 – 12 hrs to > 100 people or key customers.	Substantial loss of operational capability for 2 to 4 weeks. Serious disruption to strategic goals and LOS. In the case of essential services (such as water supply) impact of 24 – 72 hrs to < 100 people, or12 – 24 hrs to > 100 people or key customers.	Substantial loss of operational capability for over 4 weeks. Serious disruption to strategic goals and LOS. In the case of essential services (such as water supply) impact of > 72 hrs to ≥ 100 people.
Project impacts	Negligible impact on project objectives.	Minor effects relatively easily rectified.	Some project objectives affected.	Important project objectives cannot be achieved.	Project objectives cannot be met.
Natural environment	Localised short term reversible damage to aquatic and/or terrestrial ecosystems, and/or visual effects. No identifiable reduction in species.	Localised minor reversible damage to aquatic and/or terrestrial ecosystems. Temporary reduction to one species.	Moderate environmental damage, local importance. Prosecution possible. Widespread medium term reversible damage to aquatic and/or terrestrial ecosystems. Moderate reduction in one or more species.	Major effect and, long term impact. Prosecution expected. Widespread long term reversible damage to aquatic and/or terrestrial ecosystems. Significant reduction in one or more species.	Serious damage of national importance and irreversible impact. Prosecution expected. Widespread irreversible damage to aquatic and/or terrestrial ecosystems. Permanent loss of one or more species.

Step 4: Likelihood Assessment

Likelihood is the probability or frequency of the risk event occurring. It's usually rated in terms of an annual occurrence and a percentage chance of the event happening within a specified timeframe.

Information on past experience and frequency and future trends may inform your assessment of likelihood.

The following criteria are intended to provide a common understanding and application of assessments of likelihood.

Likelihood Criteria (within 12-24 months)	%	For asset management risks specifically, is the event likely to occur
(1) Rare	0 - 10	> 20 Years
(2) Unlikely to occur	10 - 25	Within 10-20 Years
(3) Possible	25 - 75	Within 6-10 years
(4) Likely to occur	75 - 90	Within 2-5 Years
(5) Almost certain	90 - 100	Within 1 Year

Step 5: Evaluate the risk using the risk matrix

This step involves placing the consequence and likelihood ratings on the risk matrix to provide an overall risk rating. The risk matrix enables the relative priority of all risks to be assessed – that means that all identified risks are represented in a form that readily portrays their significance in comparison to other risks that the Council has identified.

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
		↓				
Likelihood	→	Moderate	Moderate	High	Extreme	Extreme
Almost certain		Moderate	Moderate	High	Extreme	Extreme
Likely		Low	Moderate	Moderate	High	High
Possible		Low	Low	Moderate	High	High
Unlikely		Low	Low	Low	Moderate	High
Rare						

Step 6: Risk analysis

This step involves consideration in detail of the causes, consequences, mitigations and controls for a particular risk.

Mitigations are potential, preventive measures to reduce the likelihood of the risk or to reduce the consequence of the risk in case it occurs.

Controls are plans that would be implemented in the event that the risk materialises.

The risk analysis exercise is the responsibility of the project manager, project sponsor, or in the case of a business as usual activity, the responsible manager and/or risk owner.

There is a template for risk analysis (#2806646).

Step 7: Risk action plan

The risk action plan is an output of the risk analysis exercise. It is documented in the same template as the risk analysis (#2806646) and records the agreed mitigations and controls that will be acted upon in order to reduce the overall risk.

Step 8: Assess risk again

Following the risk analysis and development of the risk action plan, repeat steps 3 – 5 again to determine a risk rating with the new controls in place. This rating is known as the *residual* risk rating.

The *residual* risk rating should be recorded in the department or project risk register by Budget/ Business Unit Managers.

Step 9: Risk response review and reporting

The frequency of reviews and reporting will differ depending on the overall risk rating. As a general guide:

Overall risk rating	Action	Reporting
Extreme	<p>Urgent and active management required\risk treatment plan must be implemented immediately to reduce the risk exposure to an acceptable level</p> <p>Regular reporting required. Includes reporting to Audit and Risk Committee and Council</p>	<p>Immediate notification to relevant group manager</p> <p>Advise ELT, Audit and Risk Committee, immediately to allow tracking of risk.</p> <p>If deemed necessary advise Council as soon as possible</p> <p>Included in Organisational risk registers including project risk registers</p>
High	<p>Management attention is required. Risk treatment plan required.</p> <p>Regular reporting required Includes reporting to Audit and Risk Committee and Council</p>	<p>Notification to relevant group manager</p> <p>Advise ELT to allow tracking of risk</p> <p>Advise Audit and Risk Committee at next meeting.</p> <p>Progress to be communicated to ELT bi monthly</p> <p>Included in Organisational risk registers including project risk registers</p>
Moderate	<p>Management responsibility to monitor</p> <p>Focus on internal controls are effective and monitoring the ongoing risk</p>	<p>Included in management level risk registers including project risk registers</p> <p>Progress to be communicated to GM bi monthly</p>
Low	<p>Can be monitored using routine practices.</p> <p>Focus on ensuring internal controls are effective.</p>	<p>Included in management level risk registers including project risk registers</p> <p>Progress to be communicated to GM bi monthly</p>

Risk Management Framework Review

The Risk Management Framework will be reviewed tri-annually in conjunction with the Council's Risk Management Policy.

For pragmatic purposes, the Chief Executive may make minor adjustments to the Risk Management Policy at any stage.

FOR INFORMATION NGĀ MŌHIOTANGA



To Audit and Risk Committee

Author Duncan Peddie
Group Manager Business Support

Meeting date 16 April 2024

File reference Document: 3609747

Subject **Risk Report including Future Risk Deep Dive Topics and Riskpool update – April 2024**

1 TE WHAIKUPU | RECOMMENDATIONS

THAT the Committee

- a) Receives the report titled **Risk Report including Future Risk Deep Dive Topics and Riskpool update – April 2024**, (document number 3609747).

2 TE WHAKARĀPOPOTANGA | SUMMARY

This report discusses various matters relating to Council Risk.

It includes the Council Risk Register, information about risk deep dive reporting, and further information relating to Riskpool that the Committee had requested.

3 TE ARONGA | PURPOSE

The purpose of this report is to present risk related information to the Committee.

4 WHAKAPAPA | BACKGROUND AND CONTEXT

The Audit and Risk Committee's terms of reference include the delegation to satisfy itself as to the existence of quality risk management policy and processes.

5 CORPORATE RISK REGISTER

A corporate risk register is an integral tool in risk management. It is used to identify potential risks in an organisation, sometimes to fulfil regulatory compliance but mostly to stay on top of potential issues that can derail intended outcomes. Few risks remain static. Factors that affect

the likelihood and consequences of an outcome can change, as may factors that affect the suitability or cost of the various mitigation strategies. Ongoing review is essential to ensure the risk management treatment plan remains relevant.

The Audit and Risk Committee Terms of reference include the delegation:

To work in conjunction with the Chief Executive and Group Manager Business Support in order to be satisfied with the existence and quality of cost-effective risk management systems and the proper application of risk management policy and processes.

Accordingly, the Audit and Risk Committee is asked to review the Risk Register Summary below, and the full Corporate Risk Register included as Appendix A, and to raise any comments or concerns with staff as necessary.

Risk Register Summary

Risk description	Initial risk rating	Revised assessment	Status update
<p>1. The previous Government has mandated that the delivery of 3 waters be removed from Local Government legislation is currently in place for this transition.</p> <p>We have a change of government who have stated they will repeal the legislation within the first 100 days.</p>	Extreme	High	<p>We have a change of government. The coalition has announced they will revoke the Water Services Entities Act 22 - this will see 3W remaining with LG. National has previously stated that it would strongly advocate for the formation of CCO's.</p> <p>This will give us the opportunity of collaborating with the "East Waikato" Councils. We had Morrison Low prepare a report in this regard prior to this mandated aggregation and it identified that we could gain some efficiencies (the same as a larger regional / national organisation).</p>
2. Resource Management Act reform	Extreme	High	Again we have had a change of government. National has previously indicated that it will repeal this legislation in its first 100 days if it is elected to government.
3. Local Government review	Extreme	High	The Future for Local Government report has been released.
4. There are risks associated with how human induced climate change might affect the district over the medium to long term.	Extreme	Moderate	The Council implements mitigation controls as outlined in the risk register.
5. There are risks to the organisation associated with the occurrence of a successful cyber attack	Extreme	High	The Council implements the IT strategy to combat the threat of cyber-attack within approved budgets. Additional mitigation strategies that might become necessary at some future time will be presented to Council should additional budget be requested.
6. There are risks that the costs associated with implementation of changing regulations are unaffordable.	Extreme	High	The Council continues to maintain awareness of changing regulations and the Local Government sector's response to the National Environmental Standard on Freshwater, as well as the Waikato Regional Council's response to implementation.
7. There is a risk of substantial, negative economic impact to the agricultural industry if the Council cannot supply	Extreme	High	Water Safety Plans have been submitted to the Drinking Water Assessors. Rebekah Duffin is working on the communications regarding the Plains supply customers needing 24

Risk description	Initial risk rating	Revised assessment	Status update
water (particularly on the Hauraki Plains).			hour water storage. The communications plan was presented to the ARC in April. Communications were sent out with the Rates assessments in August 2023.
8. There is a risk that there is insufficient capacity to respond (at all levels) to a civil defence emergency.	Extreme	Moderate	The Council continues to resource its Civil Defence responsibilities seriously, and maintain a close working relationship with neighbouring Council's and the Waikato Civil Defence Group. The Thames-Valley Emergency Operating Area has been disestablished, but Council will continue to work with the Eastern Waikato emergency services to ensure joint approach to emergency management continues. Council has formed an Emergency Management Committee to oversee the strategic direction of Council's improvement programme.
9. There is a risk of inappropriate decision making as a result of ineffective planning, processes or inadequate information.	High	High	Mitigation of this risk is a team effort by both Elected Members and staff alike. A variety of elected member training has occurred in the period following the elections. This will be continued/reinforced at regular intervals. The elected member training to date has been predominantly in the regulatory/RMA decision making responsibilities. An area of risk for local authorities is compliance with LGA decision making obligations. Training for elected members and staff will continue to focus on this area. While the Council infrequently undertakes peer reviews of staff or consultant's reports, the allowance for this is to be built into work programmes. Workloads across the organisation are placing time constraints on report writing and peer review.
10. There is a risk that the organisation does not have adequate and/or appropriate resources to deliver its services and work programme.	High	High	Gaps / resource shortfalls have been identified and use of external contractors is being made to assist with programme delivery
11. There is a risk that failure of a critical ICT system results in the inability to deliver services and/or work programme.	High	Moderate	Staff have assessed that the business continuity planning in IT requires a review and refresh. With regards to staff training, the Group Manager Business Support advises that most staff have completed the last round of phishing training.
12. There is a risk that the Council's business continuity planning is inadequate.	High	High	This continues to be an area for further improvement, and is prioritised against other corporate priorities.
13. There is a risk that an unsafe or unhealthy work environment impacts employee safety and/or wellbeing.	High	Moderate	The Health and Safety work programme continues to be a priority for the Executive Leadership Team

Risk description	Initial risk rating	Revised assessment	Status update
			<p>and features at every meeting of the Executive Leadership Team.</p> <p>Health and Safety reporting (from the Vault tool) continues to be an area of focus, as does ensuring that appropriate investigation and corrective actions are occurring.</p> <p>BCP's for CV19 have been prepared and have currently overridden BAU BCP's. These have been prepared.</p>
<p>14. There is a risk that the provision of incorrect information (internally or externally) could expose the Council to financial, reputational or legal risk.</p>	High	High	<p>Issues remain in the organisation's ability to record documents comprehensively in the document management system.</p> <p>Organisation filing standards and training remain an area of concern.</p> <p>Staff also have concern that the effectiveness of some of the controls regarding LIM production are questionable and would consider this an area that would benefit from internal audit in future.</p>
<p>15. There is a risk that the relationship between the Executive Leadership Team and the Councillors becomes ineffective.</p>	High	Low	<p>Regular meetings, annual retreat with elected members along with new Council induction processes are seen as effective mitigation in reducing the residual risk assessment to low.</p>
<p>16. There is a risk that the relationship between the Executive Leadership Team and staff becomes ineffective.</p>	High	Low	<p>The Executive Leadership Team receive escalation of issues from all levels of the organisation, and the ability to continue to do this is reiterated at staff meetings</p>
<p>17. There is a risk that we experience wastewater overflows - particularly dry weather - and get prosecuted by Waikato Regional Council</p>	High	Moderate	<p>A range of mitigation plans are being implemented. These range from communication with appropriate staff to installation of alarms replacement of pumps to upgrading infrastructure.</p>
<p>18. There is a risk that Council operations could be negatively impacted by the Covid-19 virus</p>	High	Moderate	<p>Council insures that it has appropriate financial reserves to cushion any negative impact on its cash flow while maintaining service delivery to the community. This is facilitated through either LGFA or other banking facilities.</p>
<p>19. There is a risk that Council operations and relationships could be adversely affected through failure to effectively partner with Iwi, Hapu, and Manu Whenua</p>	High	Moderate	<p>Council has engaged with Hauraki iwi with the view of signing an agreement in principle to work together on developing a partnership model for Hauraki. A model that is co-designed and co-implemented with Hauraki Māori. Engagement with individual Iwi is well underway.</p>

6 RISK DEEP DIVES

At its December meeting the Committee decided to investigate the following topics as deep dives:

- Capital Programme Do-ability
- Project Management
- Three Waters Reform (provisional upon significant new information being available)
- Climate change (once adaptive planning info being available)
- Water Delivery (district wide)

Other possible areas for discussion:

- Reputational Risk
- Compliance with Regulation (By department)
- Building consent and resource consent revenue and cost streams
- Sensitive Expenditure
- Data privacy – implementation of the Privacy Act 2020
- Emergency response management
- Conflict of interest for elected members and staff
- Any topics listed in the Risk Register
- Any other topics suggested by members

Past Deep Dives:

- Cyber-attack – August 2021 (and subsequent bi-monthly update reports)
- Work Schedule and resourcing
- Continuation of Supply of water to the Plains Ward – February 2022
- Emergency Management – April 2022
- Climate Change – June 2022
- Continuation of Supply of water to the Plains Ward – August 2022
- 3-Waters reform impact – February 2023
- Future for local government reform impact – April 2023
- Lack of quality information for decision making – June 2023
- Council not adequately challenging information and options given – August 2023
- Quality of elected member relationships including with senior staff – October 2023
- 3 Waters debt – December 2023
- Capital Programme Do-ability – February 2024
- Risks associated with project management – April 2024.

7 RISKPOOL UPDATE

In February the Committee was advised Riskpool would be issuing an update within the next two months outlining the remaining risk, and the magnitude of any likely future call. To date no further information has been received.

8 CORPORATE RISK REGISTER SUMMARY

A summary of the risk register is presented on the following pages with the full risk register (including controls) included as Appendix A. Where we have updated areas in the risk register we have highlighted in **[blue]** to aid the reader.

We have also introduced the traffic light for each risk mitigation to assist the reader.

Key	
Effective (E)	
Needs Improvement (NI)	
Not Acceptable (NA)	

9 TE ARA KI MUA | NEXT ACTIONS

The table below sets out the next key steps:

Action	Responsibility	By When
Audit and Risk to review Corporate risk register		11 June 2024

10 TUHUTORO | REFERENCES

11 WHAKAPAI | APPROVAL

Prepared by	Steve Baker Finance Manager
Reviewed by	Duncan Peddie Group Manager Business Support
Approved by	Duncan Peddie Group Manager Business Support

Appendix A

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls		
Last updated			8-Apr-24		Doc ID#2816206	
Risk ID	Risk Owner	Risk description	Initial risk rating	Controls	Revised assessment	Status update
MT_RR_0001	Adrian de Laborde	3-Waters The Government has mandated that the delivery of 3 waters be removed from Local Government. This will have a significant impact on HDC. The organisation will be left with stranded overheads. This will require a further restructure of the organisation.	extreme		High	We have a change of government. The coalition has announced they will revoke the Water Services Entities Act 22 - this will see 3W remaining with LG. National has previously stated that it would strongly advocate for the formation of CCO's. This will give us the opportunity of collaborating with the "East Waikato" Councils. We had MorrisonLow prepare a report in this regard prior to mandated aggregation and it identified that we could gain some efficiencies (the same as a larger regional / national organisation).
				Provide ongoing support to affected staff		
				Provide information to Councillors		
				Work collaboratively with the DIA and their Transition team		
				Work Collaboratively with Entity B when it is established.		
				Prepare staff through training for the change		
MT_RR_0002	Peter Thom	Government announced its plans to repeal the Resource Management Act 1991 (RMA) and replace it with three new pieces of legislation. Basis for the reform: The reform is based on the findings of the comprehensive review of the resource management system which were released last year. The review was carried out by the independent Resource Management Review Panel led by Hon Tony Randerson, QC. It is the most significant, broad-ranging and inclusive review of the resource management system since the Resource Management Act 1991 (RMA) was enacted.	extreme	Participate in sector working groups regarding the implementation of the new legislation	High	Again we have had a change of government. National has previously indicated that it will repeal this legislation in its first 100 days if it is elected to government.
				Provide sound information to Government regarding implications of potential change.		
MT_RR_0003	Langley Cavers	Ministerial review into the future for local government. The purpose of the review is to "identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and the environment, and actively embody the treaty partnership." It includes: *roles, functions, and partnerships *representation and governance and *funding and financing	extreme	Participate in sector working groups regarding the review.	High	Council actively engaged in the Government review providing sound information regarding the implications of potential change. The Final Report was released on the 21 June 2023. The reports contains 17 recommendations but none of these are binding on Local Government. LGNZ will take a lead role on the LG sector taking a consensus position on the report. HDC will engage with this process.
				Provide sound information to Government regarding implications of potential change.		

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls
MT_RR_0004	Adrian de Laborde	Climate change will affect the district over the medium to long term in line with projections provided by the Ministry for the Environment. These projections include: 1. An increase in the frequency and intensity of storm events. 2. Higher temperatures. 3. Rising sea level. 4. A change in rainfall patterns producing more extreme weather events and an increase in drought events. 5. potential adverse impact on the ability to supply water to the network There is a risk the impacts of climate change for Council activities will be more significant than	Extreme	Moderate
			Identified climate change and natural disaster events as key forecasting assumptions in the 2021-31 Draft Long Term Plan.	Included in 2021-31 LTP and will be further addressed in the 24-34 LTP
			Included significant issues related to climate change and natural hazards in the 2018-48 Infrastructure Strategy. Identify the effects (or potential effects) of climate change on core services.	In some cases the Council needs to undertake modelling to ascertain the likely effects of climate change on particular core assets. Other effects are being accommodated in new capital and operational works. The risk associated with significant issues is considered low as the Council has time to identify and respond to changes. This will continue to be addressed through the 24-54 IS
			In 2018/19 undertake a community 'adaptive' planning process for Kaiaua Pūkororo Miranda to plan for the future, including adaptation to coastal hazards and wider climate change related issues. Work will also tie in with local civil defence recovery plans that we need to start preparing.	Wharekawa 2120 the adaptive planning process has begun with a Technical Advisory Group meeting regularly. A Communications Plan is in place. A Joint Working Party has been appointed with representatives from this Council, WRC and Iwi. Technical working groups have been established for particular work such as Hoarahi Stream Management. The Transport ILM process for the Wharekawa Coast has begun The community meetings are well under way and a draft document is being prepared. The WP programme has been submitted to the Council for ratification
			In the future undertake an adaptive planning process for the Hauraki Plains.	The adaptive planning process for the Hauraki Plains is now underway
			Monitor and report on the climate change policy and natural hazard policy directions coming from MfE and other central government agencies	Staff reported on the MfE guidance on coastal hazards and sea level rise. Staff attended the inaugural SOLGM conference on climate change and are also engaging with researchers involved with the Deep South project. Staff continue to keep up to date with developments
			Include natural hazards/climate change in the Council's Growth Strategy .	Completed.
			Address climate change and updated sea level rise scenarios in District Plan reviews/changes.	The Council resolved that staff are to incorporate the most recent sea-level rise data for the District (in the MfE guidance) in the Hauraki District Plan as part of the future Plan Change requirements. This work is yet to be undertaken. Once the Kaiaua community planning process is undertaken this area will be included in the Hauraki District Plan. We are currently remodelling the Greater Paeroa area for flood management taking into account RCP8.5 CC factors. These will be incorporated into PC4 & 5

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls		
MT_RR_0005	Duncan Peddie	Cyber Attack	Extreme	High	<p>While a number of mitigation strategies are effective at present - it is a continuous process of upgrade and refinement to keep pace with the threat in this area.</p> <p>The Council implements the IT strategy to combat the threat of cyber-attack within approved budgets. Additional mitigation strategies that might become necessary at some future time will be bought before Council should additional budget be requested.</p> <p>Council ranks in the top 2 or 3 councils based on indepent assessment, but continual improvement is required. Staff continue to work on areas highlighted by the external assessor, and continue to monitor emerging threats.</p>	
					Application Whitelisting	
					Patch applications	Automated patch monitoring and delivery software is in place and operational
					Configure Microsoft Office macro settings to block macros from the Internet	
					User application hardening.	
					Automated dynamic analysis of email and web content run in a sandbox	
					Email content filtering.	Email filtering and reporting systems are in place and operational.
					Web content filtering.	Web filtering technology and reporting systems are in place and operational. Application layer firewall inspections also validates "web" traffic.
					Deny corporate computers direct Internet connectivity.	Corporate devices (Windows based) have an "Always On" VPN connection to connect to the internet through Councils firewall and security technology
					Operating system generic exploit mitigation	Enterprise grade Security solutions are in place to mitigate this
					Server application hardening especially Internet-accessible web applications	Standardised server hardening configuration is used for external facing servers, typically hosting websites. They are sitting behind the firewall and have endpoint security solutions in place so have a layer of protection between them and the internet
					Operating system hardening	Standardised server hardening configuration is used for external facing servers, typically hosting websites. They are sitting behind the firewall and have endpoint security solutions in place so have a layer of protection between them and the internet
					Antivirus software using heuristics and reputation ratings	We use enterprise grade security solutions. A major upgrade was implemented in the latter part of 2021.
					Control removable storage media and connected devices	The use of removable storage is blocked in the majority of endpoints - options for the remainder require approval by ELT
					Block spoofed emails.	Multiple layers of email security and SPAM filtering take place, but isn't an exact science. Configuring for current, best practice (DMARC/SPF/DKIM) would stop delivery of spoofed
					User education.	A programme of security training for the whole organisation has been implemented with significant improvements made in staff knowledge . Still some distance to go in staff being continually aware.
					Antivirus software with up-to-date signatures	Automated updates are configured, with deployment and visibility from a central console. Endpoint security upgrades are scheduled for May/June 2021
					Restrict administrative privileges to operating systems and applications	Systems access is provided by IT only following documented request and approval from Manager of the staff member requesting access.
					Continuous incident detection and response	New tools have been implemented to monitor and alter on anomalous behaviour. Other tools are in the pipeline to have automated actions to isolate and block these behaviours before they can do harm.
					Daily backups of important new/changed data	Automated backups and data replication is configured and operational

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)		Assessment WITHOUT controls	Assessment WITH controls
	Business continuity and disaster recovery plans	Councils secondary data storage facility is located in Waihi. Documented procedures need to be developed pertaining to bringing the disaster recovery site on line when needed following an event.	
	System recovery capabilities	Automated backups and data/server replications in place and undergoes automated and cyclic testing	
	Personnel management		

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls	
MT_RR_0006	Executive Leadership Team	There are risks that the costs associated with implementation of changing regulations are unaffordable.	Extreme	High	The Council continues to maintain awareness of changing regulations and the Local Government sector's response to the National Policy Statement on Freshwater, as well as the Waikato Regional Council's response to implementation.
					Maintain awareness of changing regulations.
					Participate in sector working groups regarding changing regulations.
					Provide sound information to Government regarding implications of changing regulations.
					Advocate that Government provides appropriate funding.
					Maintain a thorough understanding of the affordability tolerances in our communities.
					Identify and actively pursue alternative funding opportunities (i.e. non-rates)
					Undertake a staged approach to required capital works.
MT_RR_0007	Adrian de Laborde	There is a risk of substantial, negative economic impact to the agricultural industry if the Council cannot supply water (particularly on the Hauraki Plains). Note with the 3 waters review it is likely that the responsibility for this risk will transfer to a new entity, but it will not reduce the risk for the community.	Extreme	High	We are working on improving our resilience in the network. This includes: 1. a Change to the current water abstraction consent for the Waitakaruru WTP reservoir at Steen Road 2. Connecting the Plains and Paeroa networks 3. Investigating an upgrade to the Kerepehi WTP membrane units to increase capacity 4. Upgrading the delivery pumps at the Pekapeka intake 5. Replacing the raw water mains for Kerepehi and Paeroa. Increased capacity will be sought in both lines. 6. Installing a new raw water tank at Kerepehi WTP
					The mitigation measures are also contained within the WSP's Controls: Kerepehi WTP – 2588592 Paeroa WTP – 2451714 Waihi WTP – 2402790 Waitakaruru WTP – 2395725
					Scada system employed by Council to monitor and control water plants remotely 24/7. Looking to implement 24/7 monitoring of systems
					Upgrades have been completed and real time warning systems are in place.
					Critical Assets have been identified and sampling of pipework is undertaken.
					Staff resourcing is difficult in the current environment, however we have been able to successfully strengthen our capability through the use of cadetships
					Water Safety Plans
					Have real time information regarding performance of schemes.
					Have real time warning systems in place.
					Maintain good asset information.
					Uphold resource consent conditions and maintain resource consents.
					Adequate personnel resource is in place, including clear succession planning.

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls
			Actively maintain good communications with stakeholders (customers, affected and interested parties), and communications strategy in place.	Regular community meetings with Plains community updates to Facebook and radio for wider community.
			Levels of service are clearly understood by the Council, staff and communities.	New pragmatic levels of Services have been put in place following consultation with the Community.
			Actively encourage farmers to maintain their own back-up supplies.	No advancement on this.
			Public health risk is modelled and emergency response plan in place.	Water Safety Plans have been submitted to the Drinking Water Assessors. The Senior Communications Advisor is working on the communications regarding the Plains supply customers needing 24 hour water storage. This will be completed by the ARC meeting in April 2023
			Replace brittle sections of the network with more ductile product which is more resilient to earthquake damage	We have a proactive replacement programme in place. This will take a number of years to replace all of the brittle sections across the network. This work is long term and will be completed in the 15 - 30 year timeframe
			Investigation into LPI liquefaction potential index of the Hauraki soils to understand the extent of the liquefaction that might take place during an earthquake	Liquefaction study undertaken and presented to Council in March 2019 where the recommendations were accepted. Additional work is planned for the District. This is being led by WRC but the project is nearly 6 months behind schedule. This project has been abandoned. We have undertaken LPI testing at our Kerepehi site as part of the raw water tank upgrade
			Discussion with Federated Farmers on earthquake led by WRC.	No advancement on this - we are waiting the results of the above work
			Provide alternative water storage to provide better resilience against operational failures and daily operational issues.	Kerepehi storage project has been completed.
			Maintain adequate redundancy of materials and/or have in place alternative material supply arrangements.	Currently Council holds a range of fittings to meet operational needs but has not undertaken an assessment of what materials it would need for a significant disruption to the reticulated network or water treatment plants. Some redundancy has been achieved, however supply chains are affecting additional arrangements
MT_RR_0008	Peter Thom	There is a risk that there is insufficient capacity to respond (at all levels) to a civil defence emergency.	Extreme	Moderate
			Maintain a core group of civil defence trained staff.	Due to the disestablished TVEOA, Council has entered into an agreement with Waikato Regional Council to have a full time professional CDEM assisting with the upskilling of our staff. Core functions to be provided by HDC staff and additional repose roles will be sourced from other Waikato and National Councils/ Organisations. The position of a CD professional has been filled and is working well.
			Maintain good relationships with the local and regional emergency services and other CDEM partners.	Formalised relationships established and maintained
			Maintain good relationships with the Waikato Civil Defence Group.	Formalised through activate participation on the Joint Committee and CEG and staffing agreement
			Maintain up-to-date understanding of Civil Defence legislation, obligations, and ministerial portfolios.	Local Controller and recovery manager leading the way on this along with plans for taking these positions to a National tier 2 level.

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)	Assessment WITHOUT controls	Assessment WITH controls
	Control of Financial expenditure during an event.	Systems need to be in place to not only capture costs but ensure they are approved. Delegations now in place for a declared and non declared event

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls
MT_RR_0009	Langley Cavers	There is a risk of inappropriate decision making by elected members as a result of ineffective planning, processes or inadequate information provided by staff.	High	High
			Regular elected member training regarding decision making obligations.	Forms part of the Elected Members induction process.
			Review of Decision making process	A detailed review of the decision making frame work commenced in April 2023. Stage one is proposed to take place during April – June 2023, and includes a review of the standard reports that are presented to Council. It is proposed that the Service Delivery team undertake a two-month trial before a full release is made to the organisation as a whole through training and supporting processes. Stage two is proposed to take place from June 2023, and is proposed to focus on improving consistency and transparency with the organisational wide approach to the use of LTP project sheets, business cases, communication plans etc. Stage three is the review of the processes associated with decision-making and will include the preparation of a full process map, from report drafting to reaching the Council table, and will include a range of thresholds and subsequent different processes. Timeframe is to have the review completed Sept 2023
			Regular staff training regarding good-practice decision making reports, critical thinking and report writing.	
			Executive Leadership Team receive regular training regarding good-practice decision making reports, critical thinking and report writing.	Treasury Business case model
			Decision making reports completed in sufficient time to be appropriately peer reviewed.	While the Council infrequently undertakes peer reviews of staff or consultants reports, the allowance for this is built into work programmes. Presently workloads across the organisation are constraining time availability to both generate some reports and to peer review them if required.
			Council induction provides for adequate briefing regarding scope and breath of council business in order to support effective decision making.	A review of the Council induction process has been undertaken to identify what has worked well to date and what changes need to be implemented to complete the elected member training.
			Delegations manual in place.	Delegation Manual updated as changes are approved
			Regular staff training regarding delegations.	scheduled reinforcement for staff regarding delegations are ongoing.
			Planning and project processes are clearly documented, and peer reviewed.	Underway

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls
			Skilled project managers planning and managing projects, to a standardised methodology.	PMO Office has been initiated and is improving both processes and deliverables for the organisation.
MT_RR_0010	Langley Cavers	There is a risk that the organisation does not have adequate and/or appropriate resources to deliver its services and work programme.	High	High
			Work programme plans, by department, are in place and regular monitoring and reporting of the work programme occurs.	Business Plans done for each group restructuring in some departments Financial Reporting Gaps / resource shortfalls have been identified and use of external contractors is being made to assist with programme delivery CV19 and its effects are providing significant challenges across service delivery - A
			Resource plans, by department, are in place.	Development has started with a short term focus first three years of the LTP.
			A percentage of staff time is non-committed to enable redeployment to other areas as/if required.	Current staffing levels does not provide/allow for non-committed time in many roles. No active planning is being undertaken to build additional capacity.
			Business continuity plans, by department, are in place.	The last detailed coordinated planning work undertaken on Business Continuity Planning was for Y2K. Work will be programmed in this area post LTP development work. Networks 2018/19.... Business continuity planning for the Service Delivery Group is underway. A substantial amount of work was undertaken for CV19 and this will form the basis of the BCP's.
			Executive Leadership Team maintains awareness of particular resource vulnerabilities.	Is a standing item on ELT agenda
				Work programming will need to account for the high additional work load in building control, regulatory and in all areas as a result of the governments reform programmes (Water, Resource Management and Future for Local Government).

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls	
MT_RR_0011	Langley Cavers	There is a risk that failure of a critical ICT system results in the inability to deliver services and/or work programme.	High	Moderate	Staff have assessed that the business continuity planning in IT requires a review and refresh. With regards to staff training, the Group Manager Business Support advises that most staff have completed the last round of phishing training.
					Critical ICT infrastructure (hardware and software) are identified.
					Redundancy built into critical infrastructure.
					Clear ICT strategy in place.
					Clear policies are in place for ICT use.
					Regular staff training occurs regarding ICT policies and use.
					Annual monitoring of security controls and verification of users occurs.
					Clear change control processes and delegations are in place.
					Business continuity plan is in place.
					Annual audits are undertaken.
					Adequate personnel resource is maintained.
					Adequate financial resource for ICT services is maintained.
					ICT staff have adequate training to maintain skills currency.
					ICT staff maintain active awareness of changing landscapes.
					We now face increased compliance review by WRC - Will our IT systems able to deliver
					Systems are being upgraded to allow for increased monitoring and reporting.
					Annual IT Audit is undertaken
					ICT Strategy is now in place
					The IT Policy was adopted in September 2017 asnd was last reviewed in February 2023.
					A stocktake with the wider organisation needs to be undertaken to identify what areas may have perceived shortcomings. Greater redundancy has been built into areas that have been identified as critical, e.g. SCADA links, the Disaster Recovery servers in Waihi
MT_RR_0012	Langley Cavers	There is a risk that the Council's business continuity planning is inadequate.	High	High	This continues to be an area for further improvement, and is prioritised against other corporate priorities.
					Business continuity plans, by department are in place.
					The last detailed coordinated planning work undertaken on Business Continuity Planning was for Y2K. Work will be programmed in this area post LTP development work. Business continuity . Business continuity plan preparation for Service Delivery is well underway as part of the Pandemic Plan update process (see above comment for MT_RR_0008). Covid Business Continuity plans for all our services has been completed.
					BCP's for CV19 have been prepared and have currently overridden BAU BCP's. These have been prepared. - A
					Business continuity plans are peer reviewed.
					Refer Above
					Business continuity plans are updated and adopted no less than annually.
					Refer Above
					Business continuity plans are updated and adopted no less than annually.
					Refer Above

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)	Assessment WITHOUT controls	Assessment WITH controls

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls
MT_RR_0013	Langley Cavers	There is a risk that an unsafe or unhealthy work environment impacts employee safety and/or wellbeing.	High	Moderate
			Dedicated Health and Safety staff and department representatives are in place.	2 full-time staff.
			Executive Leadership Team members and supervisors undertake regular site visits to high risk facilities.	ELT members have commenced a regular sit visit schedule with the Health & Safety Advisor to high risk facilities. This includes 2 rotations per year per Group Manager. Not all supervisors are in a habit of undertaking regular site visits - needs improvement in this area.
			Internal audits are carried out on high risk sites and for high risk processes.	Internal audits are carried out by the Health and Safety Advisor on an 'as-required' basis, so meeting minimum legal requirements. A pro-active and co-ordinated programme of more regular internal audits by Supervisors / Asset Managers should be developed for high risk sites and high risk processes to provide better assurance processes.
			HDC Employee Survey shows agreement with the statement "current work practises in my team provide for a safe and healthy environment".	Effective results produced here, with increased support for health and safety initiatives generally. Problematic: Employee Surveys run by IBM will not be available from end of 2018 - another method of measurement required.
			Health and Safety matters are specified through staff induction, and again every three years, or when significant change has occurred.	Generic health and safety inductions have been revised and are operating successfully. Site specific inductions are not consistent across the organisation, and will need more consistent ownership and accountability from supervisors.
			Regular health and safety and sick leave reports are provided to the Executive Leadership Team.	ELT meetings are presented with reports from H&S Advisor on a 3-monthly basis.
			All incidents reported are investigated, and corrective actions noted.	Huge improvement shown in past 2 years, but ongoing entrenchment of incident-reporting culture should be continued.
			Regular health and safety reports are provided to Elected Members.	Yes, standing item on Audit and Risk Committee agenda .
			Staff are encouraged to act safely, always and escalate known issues.	Ongoing
			Resources are provided for proactive wellness initiatives.	Ki Waiora Committee established and focuses on activities, resources and support that promote the well-being of staff.
			Annual health monitoring is compulsory for employees in identified job roles and offered to all.	Agreement to mandatory annual health monitoring is included for all new employees; 2 long-term employees have not provided agreement for annual health monitoring and both are nearing retirement.
			Staff workloads and areas of stress are discussed regularly by the Executive Leadership Team and actively managed.	Chief Executive is provided with a weekly report of known cases, and monitoring and assistance is provided by the Health and Safety Team. Dedicated seminar(s) to be held on stress v pressure and techniques for self-management and avenues to take when help is needed. This should be in the regular training/seminar calendar for all staff.
			Staff are supported through the change management process for the 3Waters, RM and Future Roles and Responsibility for Local Government reviews	

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls
MT_RR_0014	Langley Cavers	There is a risk that the provision of incorrect information (internally or externally) could expose the Council to financial, reputational or legal risk.	High	High
			Organisation standard for filing of electronic information.	Staff have concerns that the effectiveness of some of the controls regarding LIM production are questionable and would consider this an area that would benefit from internal audit in future. The current Information Management Digitalisation project will address some of the outstanding issues with our records as well as highlighting other issues to be addressed.
			Staff are provided with regular training regarding organisation filing standard.	Not all council information is recorded in the document management system
			Regular, internal audit of organisation filing processes occurs.	Offered is part of Induction.
			Current Information Management Strategy in place.	This does not currently take place lack of available resource. Looking to appoint additional staff member
			Council's software enables staff to find information required.	A draft version has been implemented
			All hard copy information currently held by the Council should be electronically scanned and stored.	Some staff do not record all council information in the document management system
			Property information is contained in one central repository.	The property file digitisation project is under way
			LIMS staff receive regular briefings regarding changed/changing information.	Currently property information is held in multiple files and in varying locations. Electronic scanning of all hard copy information would allow for the effective management of this information. Progress is being made
			Quality assurance processes are in place for LIM production.	
			Internal audit of LIM processes occurs.	
			Standard operating procedures in place for handling Official information Requests.	Yes Tasks are handled through Authority assigned to GM's.
			The Chief Executive and Group Managers are made aware of significant Official Information Act requests and approve information prior to release.	

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)			Assessment WITHOUT controls	Assessment WITH controls
			Upgrade programme being implemented Bring future budget forward - Council Upgrade distribution boards at the pump stations Install alarms & comms Upgrade pumps 24/7 Monitoring of alarms and SCADA	We expanded this to upgrading all PS controls as the review found them to be deficient. All PS are being connected to SCADA Completed Some upgrades are have been done - others underway - being done in conjunction with the above SCADA work. This work is mostly complete Underway - a number have been installed and the balance is being undertaken as part of \$3.06 M fund See above. This work is mostly complete 16 Pumps replaced to date. Staff availability is challenging. We have approached TCDC, MPDC and SWDC to set up a joint control centre, however their networks and Treatment Plants are currently not connected so this is not a current option. We are still pursuing options with MPDC
MT_RR_0018	Langley Covers	There is a risk that Council operations could be negatively impacted by a Pandemic the Covid-19 virus	High	Moderate
			A pandemic may negatively impact the ability for sections of our community to meet their rates payments. Staff are unable to work as cannot access their workplace	Council has a Pandemic Response plan that is update regularly Council ensures that it has appropriate financial reserves to cushion any negative impact on its cash flow while maintaining service delivery to the community. This is facilitated through either LGFA or other banking facilities. Council has implemented a range of initiatives including: Extending available cash (borrowing to ensure available cash) Offering rates payment holidays Sports/community group lease remissions Paying council suppliers before the due date Capital stimulus package Reducing proposing rates increases Ensuring local suppliers are able to participate in council's procurement processes Targeted community group support Targeted business development support Testing of comms links carried out. Redundant comms links in place Additional hardware purchased in lead-up to Level 3 Staff trained in remote working (from an IT perspective) IT worked as separate workgroups to minimise contact Increased phishing risk due to Covid related scams - phishing level 2 training delivered Hacking because working from home - use of Citrix, VPN's and council hardware reduces this risk Zoom rolled out The teams (staff and contractors) are in a prepared state should further lockdowns be initiated.
MT_RR_0019	Peter Thom	There is a risk that Council operations and relationships could be adversely affected through failure to effectively partner with Iwi, Hapu, and Manu Whenua	High	Moderate

Hauraki District Council - Risk Register Corporate Risks (Executive Leadership Team)	Assessment WITHOUT controls	Assessment WITH controls
	Council has Iwi / Maori Liaison Officer	Council has engaged with Hauraki iwi with the view of signing an agreement in principle to work together on developing a partnership for Hauraki that is co-designed and co-implemented with Hauraki Māori. Engagement with individual Iwi is well underway. A key focus is on developing the relationship and partnerships with each Hauraki Iwi. This will be an ongoing process as we look to form positive relationships with each Iwi. These partnerships will grow Councils ability in becoming better Treaty partners and ensure better outcomes for Māori within Hauraki are being achieved.
	developing partnership framework with Maori	
	Developing engagement framework with Maori	
	Cultural competency with staff underway	
	Council Induction scheduled for March 2023	

FOR INFORMATION NGĀ MŌHIOTANGA



To Audit & Risk Committee

Author Duncan Peddie
Group Manager Business Support

Meeting date 16 April 2024

File reference Document: 3609274

Subject **Leave Report April 2024**

1 TE WHAIKUPU | RECOMMENDATIONS

THAT the Committee

a) Receives the report titled **Leave Report April 2024**, (document number 3609274).

2 TE WHAKARĀPOPOTANGA | SUMMARY

The attached report provides leave balance information and possible other leave metrics for consideration.

Since the previous report there has again been a decrease in the total leave balance, and decreases in the 10 highest leave balances.

3 TE ARONGA | PURPOSE

The attached report seeks to provide the Committee with an update on the leave balance information previously provided and seeks committee feedback on possible other leave metrics for future reporting.

4 WHAKAPAPA | BACKGROUND AND CONTEXT

In recent Annual Report audits, Audit NZ have raised concerns over Council's high leave balances and suggested Council perform a review of annual leave balances on a regular basis, and implement measures to manage balances to help ensure that the leave liability and Associated risks are minimised.

The Committee had also asked at the December 2023 Audit and Risk Committee meeting that staff:

Prepare a report on meaningful metrics on managing high annual leave balances to be reported to the Audit and Risk Committee on a date to be confirmed.

In order to determine which reporting is useful to the Audit and Risk Committee, the HR Manager has done a deep-dive into our Leave Management Policy and considered a range of reporting options not only for the Audit and Risk Committee but also for the Executive Leadership Team and management who are responsible for monitoring and intervening where leave requests and trends are outside of the policy requirements. This report focuses on the measures that might be of use for the Committee’s monitoring.

Staff well-being and leave management measures that can be used to support this are also considered within the report.

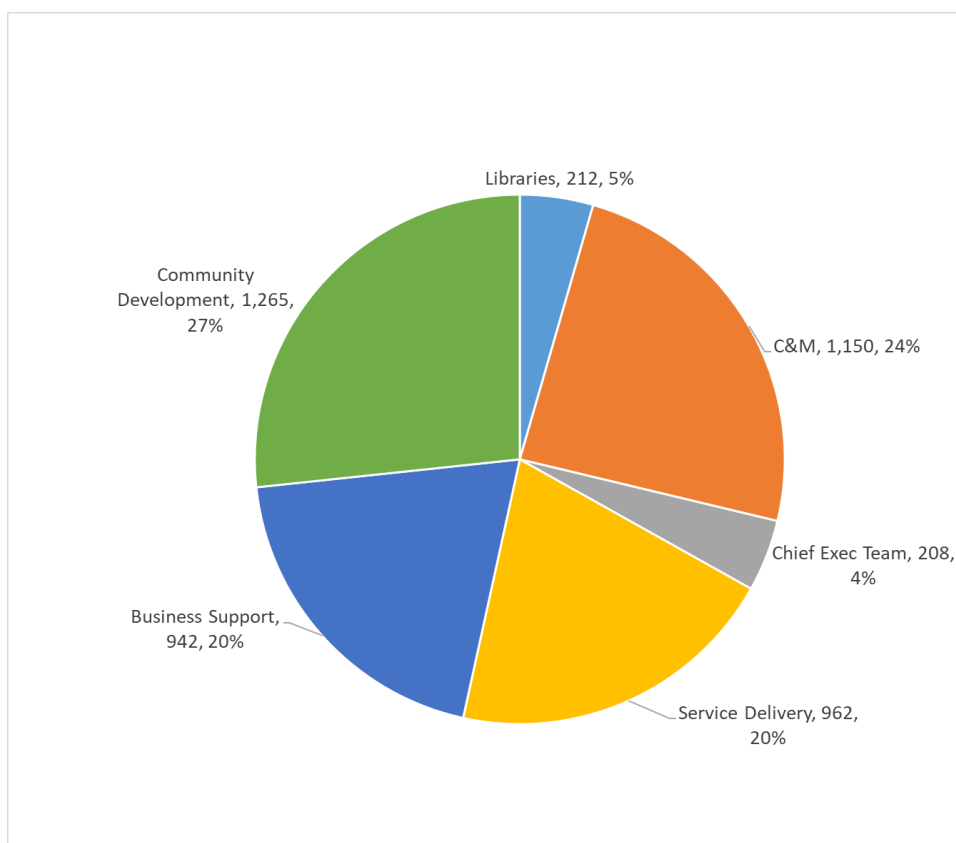
The Chief Executive, Group Manager Business Support, and Human Resources Manager met to consider the options and decide on recommendations to meet the purpose of the report.

5 REPORTS

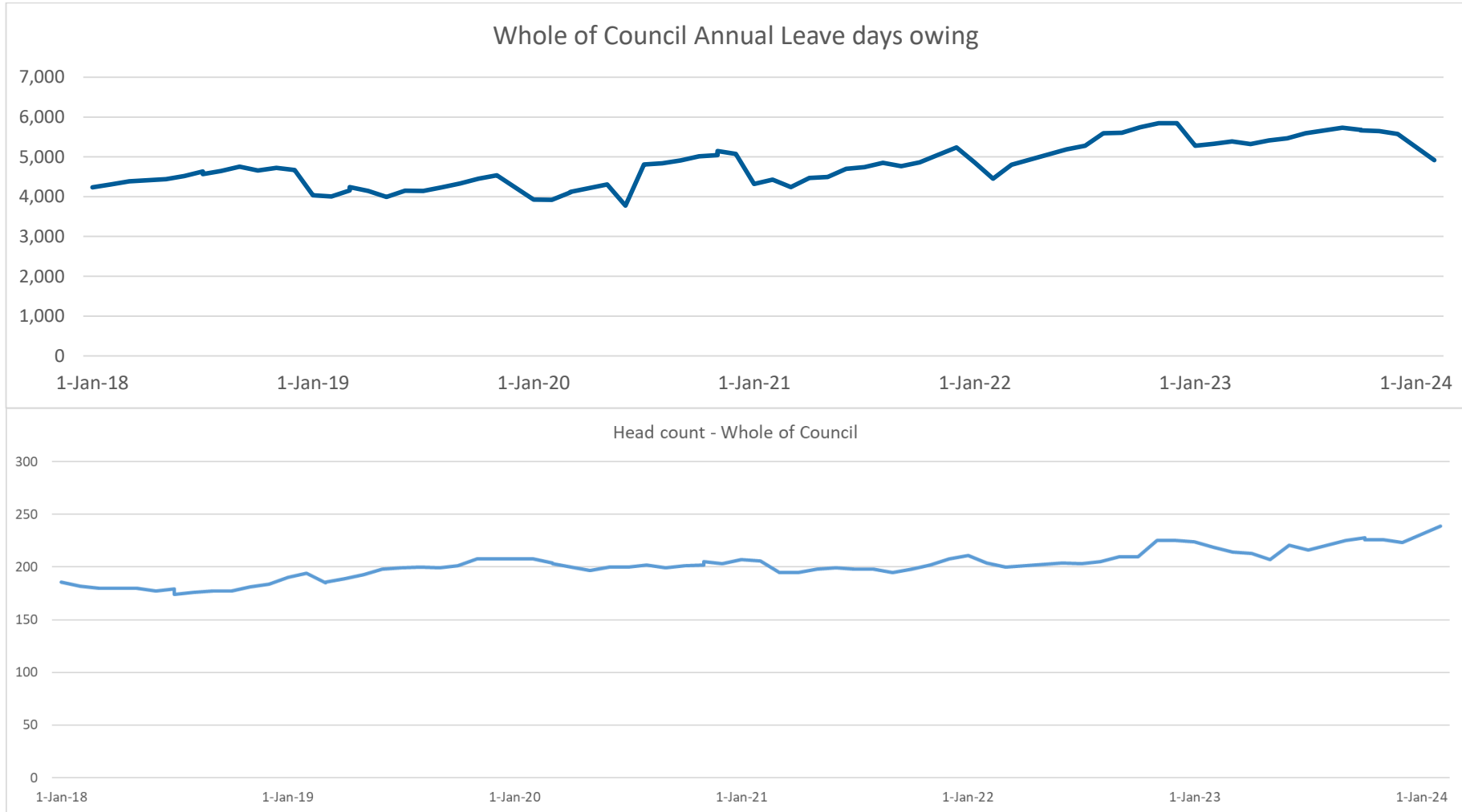
Please find below information on current leave balances. Further information on other possible measures will be reported to future meetings.

Total Annual Leave Days 4,739 (cf. 4,916 Jan 24 and 5,647 Nov23)

The graph below depicts the annual leave days by major department.



The following graphs show that while annual leave days outstanding has increased over the past 5 years so has the head count.



Ten highest individual annual leave balances in Council 31 March 2024

	30/11/23	4/2/24	31/3/24
1	144	111	71
2	131	105	66
3	125	89	64
4	88	80	59
5	85	69	59
6	73	64	58
7	69	63	57
8	64	61	57
9	63	60	55
10	61	55	54
50th highest	33	34	34
100th highest	19	20	23

6 FINANCIAL ANALYSIS – COMPARISON 30 JUNE 2022 AND 2023

Leave Type	Liability 2022	Liability 2023
Annual Leave	\$1,730,000	\$1,920,000
Statutory day Leave	\$54,000	\$100,000
Long Service Leave	\$49,000	\$58,000
Retirement Allowance	\$263,000	\$283,000
Sick Leave	\$63,000	\$76,000
Total	\$2,161,000	\$2,439,000

7 POSSIBLE REPORTING METRICS

Current reporting to the committee focuses on:

- Total annual leave days overall, and by department
- Five year trend information on total annual leave days owing
- Five year trend information on total headcount
- Ten highest leave balances
- The 50th highest leave balance
- The 100th highest leave balance
- The financial liability for annual leave, statutory leave, long service leave, retirement allowance, and sick leave

Alternative future measures for the Committee could include:

- Average leave utilisation rate.
- Average days of leave taken
- Average leave balance
- Compliance rate with leave policy

These measures are outlined in more detail below.

8 FUTURE REPORTING OPTIONS

<p>Leave Utilisation Rate</p>	<p>Measures the percentage of total available annual leave that employees have taken.</p> <p>This KPI helps ensure that employees are taking their entitled time off for rest and recuperation.</p> <p>A comparison of leave taken versus leave available, expressed as a percentage to highlight trends in leave usage.</p>	<p><i>Calculated by:</i> Total Annual Leave taken during a 12-month period and divided by the Total Annual Leave available to be taken (during a 12-month period and/or total leave available).</p> <p><i>Prepared by:</i> Payroll Manager/Finance Manager</p> <p><i>Frequency of Reporting:</i> Six-Monthly -end of calendar year; end of financial year</p> <p><i>Trending Comparators:</i></p> <ul style="list-style-type: none"> • Same date previous year(s) • Group data compared with whole org data • Desired KPI over a 12-month period = 1, although could have a range of range 0.5 – 1 which indicates they have taken at least 2 weeks of annual leave (out of 4 weeks), or (0.4 – 1) if they get 5 weeks annual leave. • Desired KPI for those with high leave balances will be >1 to indicate progress in reducing that balance. 	<p>Value: Yes, supports:</p> <ul style="list-style-type: none"> • Leave Management • Staff Well-being • Governance <p>Rationale: Monitors individual and organisational leave utilisation for individual well-being purposes and org-wide trends of well-being culture. Also monitors progress in reducing high balances in % terms over time for individual employees and the organisation.</p>
<p>Average Days of Leave Taken</p>	<p>Calculates the average number of annual leave days taken by employees. This can help identify trends and ensure that employees are using their leave benefits.</p>	<p><i>Calculated by:</i> Total Annual Leave taken during a 12-month period and divided by the number of employees as at that period.</p>	<p>Value: Yes, supports:</p> <ul style="list-style-type: none"> • Leave Management • Staff Well-being • Governance

	<p>If tracked on a monthly basis it could also help with resource planning to see any trending with periods of higher or lower utilisation for annual leave.</p>	<p><i>Prepared by:</i> Payroll Manager/Finance Manager</p> <p><i>Frequency of Reporting:</i> Six-Monthly -end of calendar year; end of financial year</p> <p><i>Trending Comparators:</i></p> <ul style="list-style-type: none"> • Same date previous year • Group data compared with whole org data • Desired KPI (4 weeks/annum taken – legislated leave requirement) 	<p>Rationale: An alternative tool that focusses on leave taken (rather than leave not taken) and will provide for trending over time to monitor for well-being purposes.</p>
<p>Average Leave Balance</p>	<p>The average leave remaining across the organisation, useful for benchmarking and forecasting leave liabilities.</p> <p>Variations may not definitively indicate good leave management as staff turnover will affect department balances also.</p>	<p><i>Calculated by:</i> Total annual leave balance of the Team/Group/Organisation divided by total number of employees. Measured in days.</p> <p><i>Prepared by:</i> Payroll Manager/Finance Manager</p> <p><i>Frequency:</i> Graph: Monthly Trending: Over 13 Months Year-end for year-on-year comparison.</p> <p><i>Trending Comparators:</i></p> <ul style="list-style-type: none"> • Same date previous month/year • Group data compared with whole org data • Desired KPI (entitlement only balance would be 2-2.5 weeks; total balance would be ??? 4 weeks/annum taken – legislated leave requirement) 	<p>Value: Yes, supports:</p> <ul style="list-style-type: none"> • Governance <p>Rationale: Provides a dashboard of average leave balances by Group and/or by Team for high level leave management indicators</p>

<p>Compliance Rate with Leave Policy – number of staff over the two limits</p>	<p>Tracks adherence to the Council’s annual leave policies in terms of annual leave balances.</p> <p>Current policy provides for up to 7 weeks of total annual leave before management intervention is suggested, and 10 weeks before intervention is required.</p> <p>Current policy provides for no leave to be approved if there is a zero/negative total leave balance. Exceptions require application/CE authorisation.</p>	<p><i>Calculated by:</i> Number and % of employees who are within and outside of policy guidelines, i.e. high leave balances and negative leave balances.</p> <p><i>Prepared by:</i> Payroll Manager/Finance Manager</p> <p><i>Frequency:</i> Area Chart showing %: Bi-Monthly Bar chart showing #: Bi-Monthly</p> <p><i>Trending Comparators:</i></p> <ul style="list-style-type: none"> • Same date previous year • Desired KPI (between 0 and 7 weeks total AL (green). 7-10 weeks AL (amber); Negative or >10 weeks AL (red) • Annual average 	<p>Value: Yes, supports:</p> <ul style="list-style-type: none"> • Leave Management • Staff Well-being • Governance <p>Rationale: Monitor organisational trends for compliance with Leave Management Policy</p>
---	--	---	---

9 TE ARA KI MUA | NEXT ACTIONS

The table below sets out the next key steps:

Action	Responsibility	By When
Staff will update the Committee	Group Manager Business Support	April 2024

10 WHAKAPAI | APPROVAL

Prepared by	Duncan Peddie Group Manager Business Support
Reviewed by	Duncan Peddie Group Manager Business Support
Approved by	Duncan Peddie Group Manager Business Support

FOR INFORMATION NGĀ MŌHIOTANGA



To Audit and Risk Committee

Author Duncan Peddie
Group Manager Business Support

Meeting date 16 April 2024

File reference Document: 3609299
Appendix A: 3609300

Subject **KPMG Internal Audit Reviews – Progress Report**

1 TE WHAIKUPU | RECOMMENDATIONS

THAT the Committee

- a) Receives the report titled **KPMG Internal Audit Reviews – Progress Report**, (document number 3609299).

2 TE WHAKARĀPOPOTANGA | SUMMARY

At Council's request KPMG have conducted six internal audits covering:

- Procurement
- Cash handling
- Payroll
- Accounts payable
- Asset management
- Procurement and Contract Management

This report shows progress against the recommendations received from KPMG as a result of those audits. 31 of which have been cleared with the further three in progress.

3 TE ARONGA | PURPOSE

The purpose of this report is to present a progress report against the matters raised by the KPMG internal Audit reviews.

This is a standing item on the Committee's agenda.

4 WHAKAPAPA | BACKGROUND AND CONTEXT

In late 2015 KPMG were appointed as internal auditors, and in October 2015 the Committee approved the Internal Audit work programme.

The six review areas were agreed as follows:

1. Procurement
<ul style="list-style-type: none"> • Community Services • Construction and Maintenance • Engineering
2. Cash handling, credit notes and invoicing
3. Accounts payable
4. Payroll
5. Asset management
<ul style="list-style-type: none"> • Issued to staff • Assets register • Acquisition and disposal
6. Procurement and Contract Management

KPMG have now completed all six of the reviews. The results of all of these reviews have previously been presented to the Committee. This report provides a progress update against the matters raised by KPMG from these reviews, and the management actions that have been agreed in response to the KPMG findings.

This report presents a summary assessment in the body of the report, and then as Appendix A, a more detailed progress report, with recent changes highlighted in blue.

5 PROGRESS UPDATE

There were 34 recommendations arising from the six reviews completed. A number of these matters are made up of a number of different components.

The table below summarises the number of recommendations raised in each review, and the status of the recommendations.

	Cleared	In progress	Not started	TOTAL
Procurement	9	0	0	9
Cash handling	6	0	0	6
Payroll	5	0	0	5
Accounts payable	4	0	0	4
Asset management	3	2	0	5
Procurement and Contract Management	4	1	0	5
	31	3	0	34

The tables below give further detail as to the recommendations raised as a result of each review, the status, and the level of risk as assessed by KPMG. Those highlighted blue have changed since the last report. As well as the items which have changed status, progress continues to be made in a number of areas.

KPMG Key to recommendations:

- Red = High risk
- Orange = Medium risk
- Green = Low risk

PROCUREMENT REVIEW	Status
1. Develop a procurement strategy and assign ownership of the function to plan and guide HDC's procurement	Cleared
2. Review purchases done outside of the preferred supplier list for cost saving opportunities.	Cleared
3. Enhance the use of Authority System to improve process and cost efficiencies.	Cleared
4. Strengthen controls over maintenance and review of supplier bank account changes.	Cleared
5. Strengthen supplier vetting process.	Cleared
6. Update policies and procedures to ensure good control and consistency of procurement and contract management across the Council.	Cleared
7. Review and cleanse the current supplier master file.	Cleared
8. Implement periodic supplier spend management analysis to identify opportunities	Cleared
9. Formally review and approve changes to DFA and access levels.	Cleared
CASH HANDLING, CREDIT NOTES AND INVOICING REVIEW	Status
1. Strengthen controls relating to swimming pool transactions	Cleared
2. Review and monitor void transactions and credit notes	Cleared
3. Tighten security over cash stored in the safe	Cleared
4. Review the decentralised invoicing model for better efficiencies and accuracy	Cleared
5. Perform an independent review of the library cash takings reconciliation.	Cleared
6. Maintain evidence of review of cheques receipted into Authority.	Cleared
PAYROLL REVIEW	Status
1. Strengthen exception reporting	Cleared
2. Regular review of user access to payroll system	Cleared
3. Implement plan to reduce leave balances	Cleared
4. Maintain documentation to support termination	Cleared
5. Approve annual leave applications in advance	Cleared
ACCOUNTS PAYABLE REVIEW	Status
1. Review timeliness of the supplier master file exception report review	Cleared
2. Implement system enforced segregation of duties over payments	Cleared
3. Review and align Delegated Financial Authority (DFA) limits in Authority	Cleared
4. Review and cleanse the supplier masterfile	Cleared
ASSET MANAGEMENT REVIEW	Status
1. Strengthen procedures and controls over fixed assets and inventory maintained at offsite locations	In progress
2. Review and update policies, procedures and guidelines for fixed assets management	In progress
3. Strengthen controls over vehicle and fuel card management	Cleared
4. Strengthen controls over IT assets and clarify procedures over software use	Cleared
5. Simplify process to charge pool vehicle mileage to individual departments	Cleared
Procurement and Contract Management Review	Status
Inconsistent approach to contract management practices	Cleared
Procurement analytics and reporting	In progress
Procurement Planning, tendering and supplier due diligence	Cleared
Conflict of interest management	Cleared
Readability of key documents is difficult	Cleared

* Items cleared this report.

Budget Implications

At this stage, most of the proposed responses outlined to KPMG will be undertaken by existing personnel within existing budget. Local Authority Shared Services (LASS) is continuing work

on shared procurement initiatives. Council has increased its involvement in the LASS procurement group.

The next review to be carried out, as previously determined by the Committee, is a payroll review, including the calculation of leave payments.

6 TE ARA KI MUA | NEXT ACTIONS

The table below sets out the next key steps:

Action	Responsibility	By When
Staff continue to work to clear outstanding recommendations Comments: Ability to address recommendations depends on staff availability due to competing priorities.	Group Manager Service Delivery	Ongoing

7 WHAKAPAI | APPROVAL

Prepared by	Steve Baker Finance Manager
Reviewed by	Duncan Peddie Group Manager Business Services
Approved by	Duncan Peddie Group Manager Business Services

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at April 2024

ASSET MANAGEMENT REVIEW		
KPMG Recommendation	HDC Agreed Management Action (Response to KPMG report)	Progress update as at April 2024
<p>Item 1. Strengthen procedures and controls over fixed assets and inventory maintained at offsite locations</p> <ul style="list-style-type: none"> • Develop and implement standard asset and inventory management controls that are applied across all of HDC's business units. • Perform a feasibility assessment for the option of consolidating and centralising assets and inventory used by C&M. • Implement stronger physical security controls at offsite locations. 	<p>Management agree there are a number of areas which should be strengthened in order to reduce risks around fixed assets and inventory, so that Council practices are more aligned to best practice.</p> <p>Management will consider procedures and controls around asset and inventory management, as well as the physical security at off-site locations. Some options to improve physical security at the depots are currently being considered.</p>	<p>In Progress April 2024 Work on the replacement of the Paeroa depot is continuing</p> <p>February 2024 No progress since last reported.</p> <p>August 2023 Project partly on hold pending 3-waters outcome. Ngatea stock being relocated to Paeroa</p> <p>December 2021 This project has been put on hold. The storeman has made significant improvements to the way stock is managed. We will revisit potential technology solutions in three months.</p>
<p>Item 2. Review and update policies, procedures and guidelines for fixed assets management</p> <ul style="list-style-type: none"> • Review and update the “council vehicles and equipment policy’ and ensure it is consistent with other Council policies, including alignment of the staff mileage claim rate 	<p>Management acknowledge there are gaps in policies and procedures, as well as areas which could be better clarified. Management will consider where policies and procedures around fixed assets</p>	<p>In Progress February 2024</p>

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at April 2024

ASSET MANAGEMENT REVIEW		
KPMG Recommendation	HDC Agreed Management Action (Response to KPMG report)	Progress update as at April 2024
with the IRD rate. Consider consolidating the ‘Policy for vehicle replacement’ and management of other fixed assets into one policy as part of the update. <ul style="list-style-type: none"> Clarify HDC expectations for the management of assets through policies and procedures. 	should be reviewed and updated, and will update where necessary.	No Progress since last reported to the Committee.

PROCUREMENT & Contract Management Review		
KPMG Recommendation	HDC Agreed Management Action (Response to KPMG report)	Progress update as at April 2024
<p>Item 2. Procurement analytics and reporting</p> <p>Explore the possibility of procurement analytics for HDC Define expectations for reporting to the ELT and frequency. This may include information on category spend, top 20 supplier spend etc</p>	Discussions will be held with ELT to determine the analytics and frequency they wish to implement in this area.	<p>In Progress April 2024 CoLAB is investigating Waikato-wide procurement analysis</p> <p>February 2024 Procurement now undertaking more work before reporting back</p> <p>October 2023 Report tabled with ELT. ELT has requested further information.</p>

FOR INFORMATION NGĀ MŌHIOTANGA



To Audit and Risk Committee

Author Duncan Peddie
Group Manager Business Support

Meeting date 16 April 2024

File reference Document: 3609297
Appendix A: 3609298 Action Schedule

Subject **Audit NZ Recommendations – Progress report**

1 TE WHAIKUPU | RECOMMENDATIONS

THAT the Committee

- a) Receives the report titled **Audit NZ Recommendations – Progress report**, (document number 3609297).

2 TE WHAKARĀPOPOTANGA | SUMMARY

This report provides a mechanism for the Audit and Risk Committee to monitor the Councils progress in relation to the implementation of recommendations Audit NZ have identified in previous audits of Council

3 TE ARONGA | PURPOSE

The purpose of this report is to update the committee on matters raised by Audit New Zealand as a result of previous audits.

This is a standing item on the Committee's agenda.

4 WHAKAPAPA | BACKGROUND AND CONTEXT

At the completion of each audit, Audit NZ sets out their findings from the audit in a report to the governing body. This report draws attention to areas where the Council is doing well and areas where they have made recommendations for improvement. These recommendations are then added to this report. This report provides a mechanism for the Audit and Risk Committee to

monitor the Councils progress in relation to the implementation of these recommendations on a regular basis.

5 DISCUSSION

Appendix A outlines the recommendations made by Audit NZ, management comments, and progress to date.

Two items previously believed to have been completed were raised again in the 2023 annual Report audit.

Matters raised in the 2023 Annual Report audit were added to the report in December 2023.

Item	Status
High Annual Leave Balances	In Progress
Conflicts of Interest	In Progress
Develop process to ensure IT access is removed for staff and contractors leaving Council. (New)	In Progress
Timesheet approval prior to payrun (New)	In Progress
Classification of Land inventory	Completed

6 BUDGET IMPLICATIONS

At this stage, existing personnel within existing budget will undertake most of the proposed responses outlined to Audit NZ.

7 TE ARA KI MUA | NEXT ACTIONS

The table below sets out the next key steps:

Action	Responsibility	By When
Staff will continue to progress outstanding items as time permits	Finance Manager	Various

8 WHAKAPAI | APPROVAL

Prepared by	Steve Baker Finance Manager
Reviewed by	Duncan Peddie Group Manager Business Support
Approved by	Duncan Peddie Group Manager Business Support

Appendix A

Recommendation	Reference	Priority	Assigned Staff Member	Target Date	Status as at April 2024
<p>High annual leave balances</p> <p>Perform a review of annual leave balances on a regular basis, and implement measures to manage balances to help ensure that the leave liability and associated risks are minimised.</p>	<p>Annual Report 2022</p> <p>Annual Report 2023</p>	<p>Necessary</p>	<p>ELT</p>	<p>On-Going</p>	<p>In Progress</p> <p>April 2024</p> <p>Staff are presenting a report (in graph format) on the average number of days of leave balances. Staff have included in the report the 50th and 100th highest leave balances to give an indication of how widespread high leave balances are. Staff are presenting options for other possible appropriate measures</p> <p>August 2023</p> <p>A report to the Committee on how high balances are managed was presented in June 2023. Report is now a standing Item on the Committee’s Agenda. Feedback required from Committee on report format/content</p> <p>Leave Balances continue to be reported to Managers, Group Managers and the ELT on a regular basis</p>

Recommendation	Reference	Priority	Assigned Staff Member	Target Date	Status as at April 2024
<p>Conflict of Interest Declarations</p> <p>We recommend the Council establish formal procedures for staff in roles most susceptible to bribery and corruption to regularly declare conflicts of interest.</p> <p>Our understanding is that formal procedures are yet to be established. During our Companies search, we identified 17 entities that were not disclosed in the Interest Register.</p> <p>Therefore, formal procedures are yet to be established.</p>	<p>Annual Report 2022</p> <p>Annual Report 2023</p>	<p>Necessary</p>	<p>Finance Manager</p>	<p>On-Going</p>	<p>In Progress</p> <p>December 2023</p> <p>Formal procedures have been established. An additional step has now been added to the process where a staff member has been tasked with reviewing the Companies search to ensure the declarations match information held by the Company's Office.</p>

Recommendation	Reference	Priority	Assigned Staff Member	Target Date	Status as at April 2024
<p>Improve procedures for advising Information Technology Application Development staff when staff and contractors leave</p> <p>Council should develop a control to ensure that the user access for staff leaving the Council is removed in a timely manner.</p>	<p>Annual Report 2023</p>	<p>Necessary</p>	<p>HR, Payroll, IT Manager</p>	<p>March 2024</p>	<p>In Progress December 2023</p> <p>A team comprising the IT Manager, Human Resources and Payroll has been tasked with development and implementation of a process to remedy</p>
<p>Approval of timesheets for all staff</p> <p>Council should implement processes to ensure all timesheets are approved prior to the payrun being completed to ensure casual staff's pay is accurate.</p>	<p>Annual Report 2023</p>	<p>Necessary</p>	<p>Payroll, IT</p>	<p>March 2024</p>	<p>In Progress December 2023</p> <p>A system for authorising timesheets in the absence of a supervisor has been implemented. A new electronic timesheet system is being investigated.</p>

Recommendation	Reference	Priority	Assigned Staff Member	Target Date	Status as at April 2024
<p>Classification of land inventory Council considers if land inventory will be sold within 12 months of year-end. This is to ensure the classification of land inventory reflects if it is current or non-current assets.</p>	<p>Annual Report 2023</p>	<p>Necessary</p>	<p>Finance Manager</p>	<p>December 2023</p>	<p>Completed December 2023 A new step has been included in the Annual Report timetable detailed checklist</p>

Audit Recommendations

- Interim Audit Management Letter 2017/18 Magiq Document # 2507342
- Final Audit Management Letter 2017/18 Magiq Document # 2507349
- Interim Audit Management Letter 2018/19 Magiq Document # 2590220
- Final Audit Management report 2018/19 MagiQ Document # 2697703
- Interim Audit Management Report 2019/20 MagiQ Document # 2764513
- Final Audit Management report 2019/20 MagiQ Document # 2885692
- Final Audit Management report 2020/21 MagiQ Document # 3110136
- 2021-31 LTP consultation document Audit MagiQ Document # 2925346
- Final Audit Management report 2021/22 MagiQ Document # 3373397
- Final Audit Management report 2021/22 MagiQ Document # 3541340

FOR INFORMATION NGĀ MŌHIOTANGA



To Audit and Risk Committee

Author Duncan Peddie
Group Manager Business Support

Meeting date 16 April 2024

File reference Document: 3609793

Subject **Internal Debt as at 30 June 2023 and Forecast 30 June 2024**

1 TE WHAIKUPU | RECOMMENDATIONS

THAT the Committee

- a) Receives the report titled **Internal Debt as at 30 June 2023 and Forecast 30 June 2024**, (document number 3609793).

2 TE WHAKARĀPOPOTANGA | SUMMARY

A The purpose of this report is to provide updated information to the Committee on Council's internal debt position as at 30 June 2023 and provide a forecast position for 30 June 2024.

This is an annual standing item on the Committee's agenda.

3 WHAKAPAPA | BACKGROUND AND CONTEXT

A local authority must manage its revenues, expenses, assets, liabilities, investments, and general dealings prudently and in a manner, that promotes the current and future interests of the community.

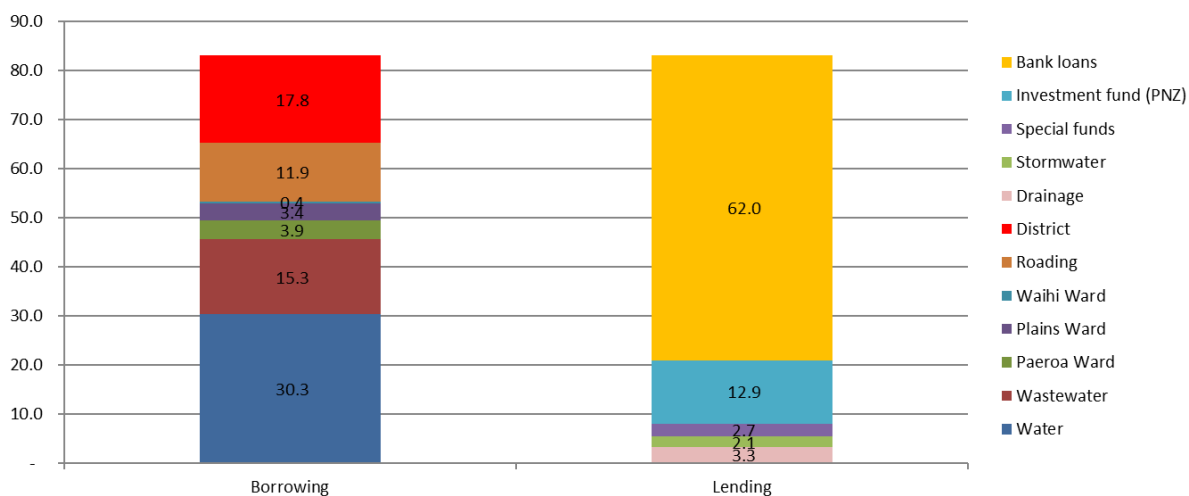
To enable the Council to fulfil the above requirements, financial performance must be monitored on a regular basis. The monitoring of various activity's borrowing positions across the organisation is a key part in fulfilling this requirement.

4 DISCUSSION

The following charts show the actual 30 June 2023, and forecast 30 June 2024, balanced debt position of Council. They include internal and external debt, and the sources of funding for the internal debt.

On the left hand side, the borrowing column outlines activities which currently have debt owing to the Council (e.g. the Water activity owes Council \$30M). On the right hand side, the lending column shows the activities from which, and the mechanisms through which, Council is “borrowing” the money. The two columns must always balance each other out.

Actual Internal Borrowing/Lending as at 30/06/23 (\$83.0m)



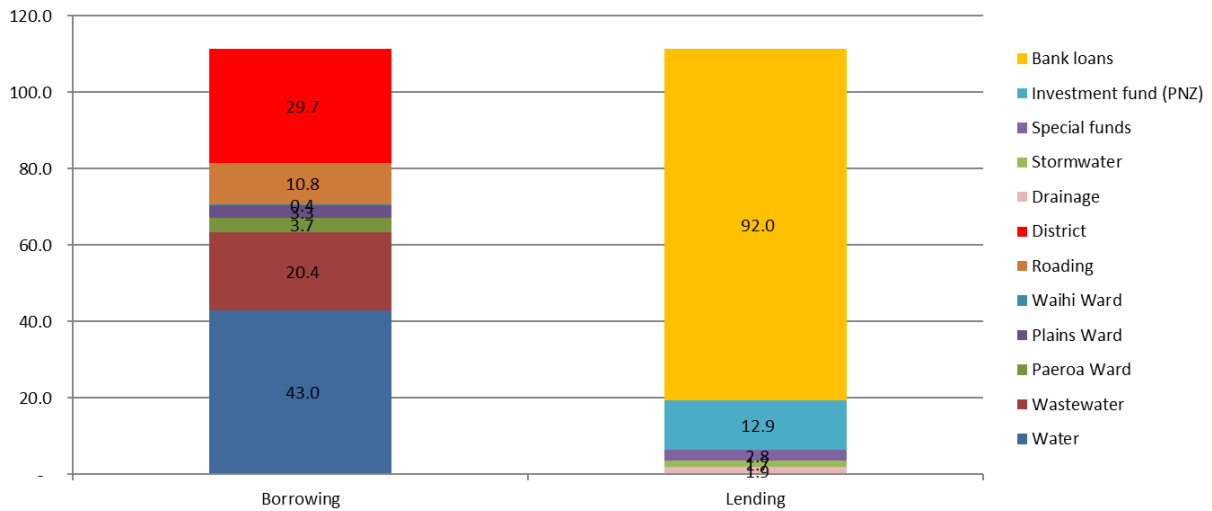
The Investment Fund, Special Funds and the Drainage and Stormwater activities represent the activities (or funds) from which the Council can internally borrow. These amount to \$21.0M of the right hand (Lending) column.

The Investment Fund of \$12.9M is made up of \$12M of Power New Zealand share proceeds, plus \$5.9M of Waihi Beach property sales, less \$5M of withdrawals to fund Roothing seal extensions.

The borrowing activities to 30 June 2023 (left hand column) have \$83.0M of debt. This is funded from the \$21.0M of internal funds available plus \$62.0m of external debt (LGFA loans).

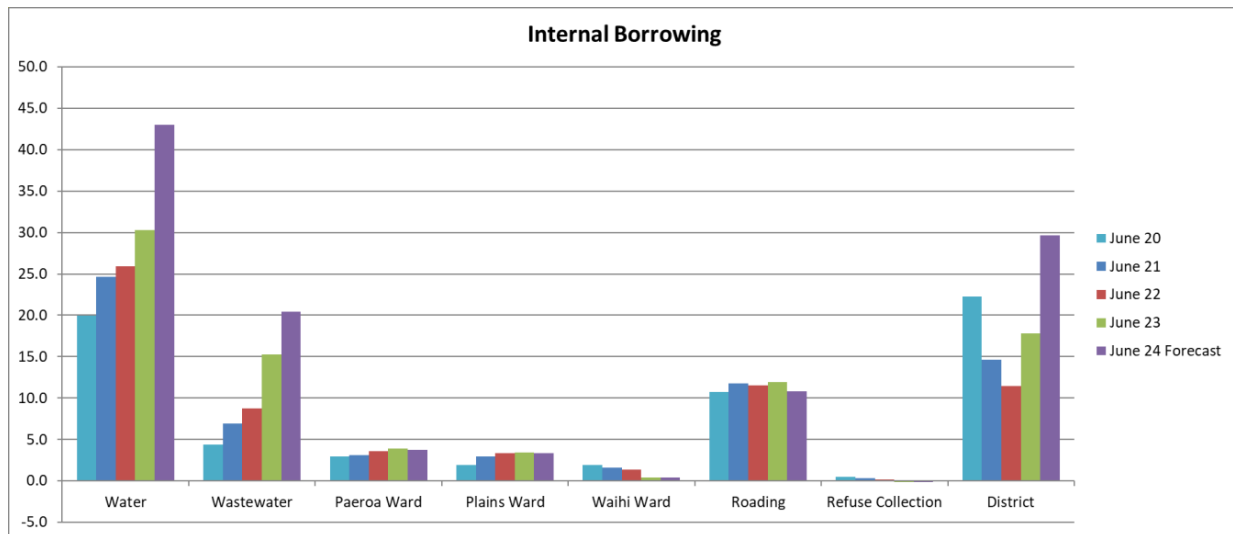
NB: Each Drainage District and Town Stormwater scheme is rated for separately and has its own credit/debit balance, however, in the above diagram, the Stormwater and Drainage funds have been amalgamated.

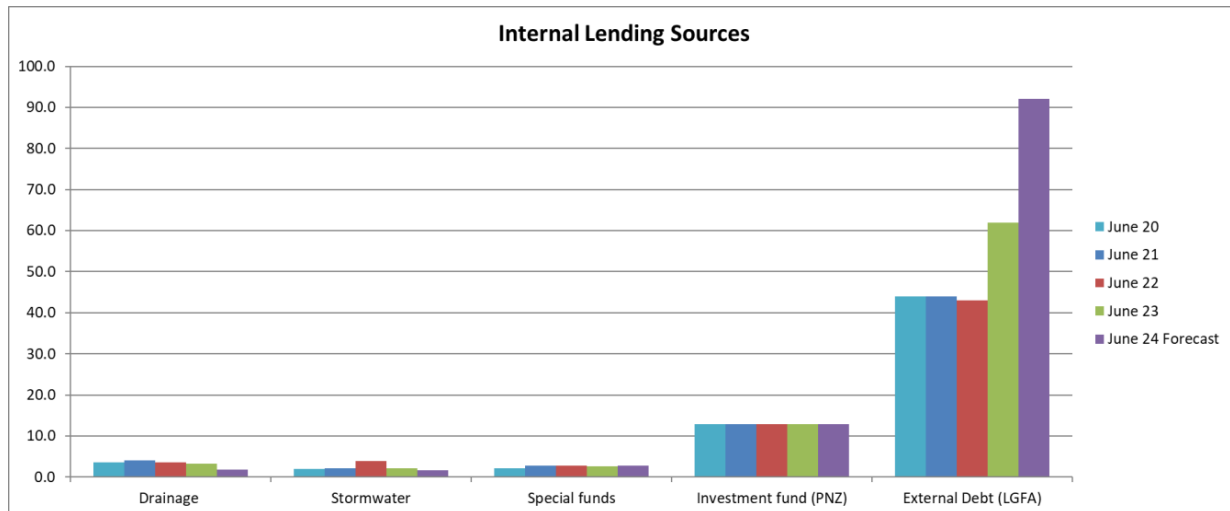
Forecast Internal Borrowing/Lending as at 30/06/24 (\$111.3m)



The chart above shows the increases in Roothing, Water and Wastewater debt that are forecast by 30 June 2024. This is primarily funded by external debt increasing to \$92M.

The charts below are provided to allow comparison between years from the 30 June 2020 balances up to the forecast position as at 30 June 2024.





5 TE ARA KI MUA | NEXT ACTIONS

The table below sets out the next key steps:

Action	Responsibility	By When
Staff will continue to monitor and report internal debt positions to the committee.	Finance Manager	Ongoing

6 WHAKAPAI | APPROVAL

Prepared by	Duncan Peddie Group Manager Business Services
Reviewed by	Duncan Peddie Group Manager Business Services
Approved by	Duncan Peddie Group Manager Business Services

FOR INFORMATION NGĀ MŌHIOTANGA



To Audit and Risk Committee

Author Lisa Moore
Project Manager Team Leader

Meeting date 16 April 2024

File reference Document: 3562663

Subject **Risks associated with Project Management**

1 TE WHAIKUPU | RECOMMENDATIONS

THAT the Committee

- a) Receives the report titled Risks Associated with Project Management, (document number 3562663).

2 TE WHAKARĀPOPOTANGA | SUMMARY

Project management involves a range of risks that can impact the successful completion of a project. Identifying and managing these risks is crucial for project success.

This report runs through some key risks in project management, and the Hauraki District Council situation for each risk.

3 TE ARONGA | PURPOSE

The purpose of this report is to provide an overview of the key risks in project management.

4 WHAKAPAPA | BACKGROUND AND CONTEXT

The Committee requested a report regarding the risks of project management as part of its regular risk monitoring programme.

The risks related to Project Management that have been identified are:

- Scope creep, or scope misalignment
- Budget overruns
- Schedule delays
- Resource constraints
- Communication issues
- Quality issues
- Stakeholder change
- Technology risk
- External risk
- Lack of contingency planning
- Team dynamics
- Legal issues
- Security risks

5 SCOPE CREEP OR SCOPE MISALIGNMENT

Scope creep occurs when the project scope expands without proper control, leading to increased time and resource requirements.

Scope misalignment is the misalignment between project objectives and stakeholder expectations and can lead to dissatisfaction and project failure.

We do encounter situations where the project scope may be somewhat unclear so the first task for the Project Manager (PM) is to clarify and document the scope. Once the scope is clear we do manage to the scope well, however do have the ability to be agile.

We also encounter projects where key members of the project team may have a differing opinion on the scope. This is addressed by pulling team members together to discuss and/or seeking direction from leadership.

6 BUDGET OVERRUNS

Projects can face financial risks if costs exceed the allocated budget, often due to unforeseen expenses or poor cost estimation.

Projects are reported on monthly by all project managers and by activity managers for the ongoing operational capital projects. Part of this activity is monitoring and flagging the potential of overspending. Including the mitigation strategy set in place. We do need to improve our speed in getting to Council with decision reports for projects that are requiring additional budget or a change in scope.

7 SCHEDULE DELAYS

Delays can result from various factors like unexpected obstacles (such as consent delays), resource shortages, or dependencies on external factors.

We do encounter delays and so we adjust plans, report and escalate where necessary and work with our suppliers and project team to mitigate and form contingency plans where possible. This is a key part of project management.

8 RESOURCE CONSTRAINTS

Inadequate resources, including human resources, equipment, or materials, can hinder project progress.

We typically do not have a problem resourcing a project with a Project Manager (PM); neither finding contractors nor specialist consultants; as we plan resources carefully at the capex programme level and plan our procurement at the project level well.

The procurement planning covers the sourcing of construction materials which identifies manufacturing delays in turn informing project planning.

We utilise PM consultants where we have particular skillsets required and to manage projects when we are too busy. Our resources are flexible when we need to shift them around or peer up the team to help or complement each other. This also works well to develop new skills in the team.

9 COMMUNICATION BREAKDOWN

Poor communication among stakeholders, team members, or with clients can lead to misunderstandings and delays.

Depending on the size and complexity of the project, we do a stakeholder and communication plan setting out how we intend to involve, inform and communicate with stakeholders.

The Project Management Office (PMO) is also working closely with the communication team which has improved the communication with our community greatly.

PM's are encouraged to meet with their project teams, stakeholders and have informal chats as a means to encourage good communication and avoid problems.

From time to time we do encounter problems which we work to resolve in a variety of ways depending on the situation.

10 QUALITY COMPROMISES

Cutting corners to meet deadlines or budget constraints can result in compromised project quality.

PM's are quick to escalate when this issue arises so a decision can be made with regards to next steps. We have a good team that do feel safe to raise this issue when it occurs. We do manage this risk well.

11 RISK OF STAKEHOLDER CHANGES

Changes in project stakeholders, such as key decision-makers or sponsors, can impact project priorities and direction.

Project documentation and saving information into Magiq ensures information can be passed to the next person if someone changes. Some larger projects utilise expertise from more than one PM, which protects us from this and supports project success.

We do reshuffle projects to manage skillsets and capacity in the team so PMs have become comfortable with the handover process and knowing the need for good documentation.

12 TECHNOLOGY AND TOOLS RISKS

Dependency on new or untested technologies or tools can introduce uncertainties and potential failures.

We don't try to be leaders in new technology and are fairly risk adverse, in that we tend to procure tried and true solutions.

13 EXTERNAL RISKS

External factors like regulatory changes, market shifts, or natural disasters can affect project timelines and outcomes.

We have encountered all of this with Three Waters, price increases, and weather events. The consequences have been uncertainty for certain team members, project budget increases and construction seasons being severely impacted.

PM's have managed this well at HDC, due to a strong team culture resulting in fairly good resilience with regards to Three Waters, Council decision reports for budget increases and contingency planning around wet construction seasons.

It's worthwhile commending our Works Team with regards to this risk, as the contingency planning, can do attitude, and efficiency of the team has helped a lot to address the effects of weather events.

14 LACK OF CONTINGENCY PLANNING

Inadequate risk assessment and contingency planning can leave the project vulnerable to unforeseen events.

Identifying and monitoring of risks and issues is part of our project status reporting each month. The team are good at warning and escalating early.

15 TEAM DYNAMICS

Issues within the project team, such as conflicts, lack of skills, or turnover, can disrupt project progress and morale.

The PMO team has a variety of skills, are very flexible and supportive of each other. We have a strong team. Looking wider, the HDC team work well with each other and issues tend to be aired and resolved.

16 LEGAL AND COMPLIANCE ISSUES

Failure to comply with legal requirements or industry regulations can lead to setbacks or project shutdowns.

Although HDC does not have in house legal counsel, we seek support from external legal counsel when required.

17 SECURITY RISKS

Cybersecurity threats or data breaches can disrupt project operations and compromise sensitive information.

Our IT team has won awards for cybersecurity and training is mandatory across the organisation.

18 TE ARA KI MUA | NEXT ACTIONS

Next steps: none.

19 TUHUTORO | REFERENCES

PMI Body of Knowledge
Prince2 Methodology
Capterra.com
Asana.com
Technologyadvice.com
ChatGPT

20 WHAKAPAI | APPROVAL

Prepared by	Lisa Moore Project Manager Team Leader
Reviewed by	Campbell Moore Manager Projects and Operations
Approved by	Duncan Peddie Group Manager Business Support

Matters to be taken with the Public Excluded

confidential pages 136 to 158 have been removed